



Please reply to:

Contact: Christeen Abee
Service: Committee Services
Direct Line: 01784 446224
E-mail: c.abee@spelthorne.gov.uk
Date: 19 November 2025

Notice of meeting

Audit Committee

Date: Thursday, 27 November 2025

Time: 7.00 pm

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

To the members of the Audit Committee

Councillors:

J. Button (Chair)

K. Howkins (Vice-Chair)

G. Neall

L. E. Nichols

H.R.D. Williams

P.N. Woodward

R. Chandler

P. Briggs

S. Seehra

Substitute Members: Councillors M. Arnold, C. Bateson, J.R. Boughtflower and T. Burrell

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

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

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

Agenda

Page nos.

1. Apologies and Substitutes

To receive any apologies for absence and notification of substitutions.

2. Minutes

5 - 16

To confirm the minutes of the meeting held on 25 September 2025 and the carry-over meeting held on 21 October 2025 as a correct record.

3. Disclosures of Interest

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

4. Internal Audit Progress Report October 2025

17 - 46

Committee is asked:

1. To note the Internal Audit Progress Report – October 2025 (Appendix A)
2. To note the Internal Audit Progress Report – October 2025 (Appendix B) Exempt Item; and
3. To approve the adjustments to the internal audit plan 2025-26.

5. Risk Management/Corporate Risk Register (new format)

47 - 72

Committee is asked to:

- a. Note progress with the development of a new Risk Management Framework and Policy based on a governance assurance approach to risk management.
- b. Review the worked examples shown in Appendix A, which outline how the Council's key areas of governance will be addressed under these new arrangements within the revised approach, and
- c. Provide comments on any suggested improvements necessary to provide assurance that key governance areas of the Council are addressed effectively.

6. 2024-25 Draft Unaudited Financial Statements

73 - 258

Committee is asked to acknowledge the report and the draft unaudited financial statements, which were published on the Council's website on 16 September 2025, in accordance with the statutory deadline.

7. Annual Governance Statement 2024-25

To Follow

Committee is asked to review and approve the draft Annual Governance Statement.

Report to follow.

8.	Review of Effectiveness of Audit Committee	259 - 304
Committee is asked to: 1. Consider and endorse the findings of the assessment of effectiveness of Audit Committee (Appendix A); 2. Develop a plan to identify opportunities to improve and strengthen the work of the Audit Committee (Appendix B); and 3. Agree the revised Terms of Reference for Audit Committee (Appendix C) for consideration by the Committee System Working Group.		
9.	Annual Review of Confidential Reporting Code	305 - 316
Committee is asked to: 1. Note the updated Confidential Reporting Code; and 2. Agree to retain the current Confidential Reporting Code as updated.		
10.	Improvement and Recovery Plan Progress Updates	Verbal Report
To receive an update on progress on the Improvement and Recovery Plan.		
11.	Committee Forward Plan	317 - 320
To consider and approve the work programme for the municipal year		

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**Minutes of the Audit Committee
25 September 2025**

Present:

Councillor J. Button (Chair)
Councillor K. Howkins (Vice-Chair)

Councillors:

G. Neall	H.R.D. Williams	R. Chandler
L. E. Nichols	P.N. Woodward	

Independent Members: P. Briggs, S. Seehra

In Attendance: Councillors C. Bateson and T. Burrell

43/25 Apologies and Substitutes

There were none.

44/25 Minutes

The minutes of the meeting held on 10 July 2025 were approved as a correct record.

45/25 Disclosures of Interest

Councillor Nichols declared he was a board member of Knowle Green Estates, Councillor Woodward declared he was a board member of Spelthorne Direct Services.

46/25 Committee Forward Plan

The Committee considered its Work Programme for the remainder of the 2025/2026 Municipal year.

The Chair advised that the action plans previously on the Committee's forward plan would be superseded by the Improvement and Recovery Plan once approved by Council. This would then be added to the Committee's forward plan for monitoring.

Resolved that the Committee Work Programme for the remainder of the 2025/26 Municipal year, be approved.

47/25 Public Questions

In accordance with Standing Order 40, three questions were received from a member of the public.

Question one from Kath Sanders, as follows:

“As at time of writing (15th September), the draft statement of accounts for 2024/25 has not been published. It was due to be published on 30th June, and at the last Audit Committee meeting in July, the Council said that there was a delay and it would be published by the end of August. If it is not published for this Audit Committee meeting, what is the hold up please, and when will it be published?”

The Chair responded as follows:

“The draft Statement of Accounts for 2024/25 were published on 16th September and are available on the Council’s website. The external audit of those accounts started last week and is likely to take until shortly before Christmas. As previously advised to the Committee, working in collaboration with Commissioners, it was decided that in order to ensure that the issues raised in the 2023-24 Audit Findings were addressed that it was important to do a very thorough drafting process of the statement of accounts building in additional external reviews of drafts by technical accounting experts. Therefore it was agreed that it worth spending a bit longer on drafting this year’s accounts.”

Question two from Kath Sanders, as follows:

Context: In the previous Corporate Risk Register report to this committee (dated June 2025), 14 risk areas were identified over 9 risk categories with an average "combined score" in June of just over 10 (out of a possible 16). Only one risk area had the RAG status of GREEN, and that was the Local Plan. The average combined "Future risk scores" showed the average combined score predicted to drop to just over 8, with none actually forecast to increase. This looked optimistic.

However, it is not clear from the detail which risk areas the officers consider to be the most significant to the Council as there were a number of risk areas with combined scores of 12 or 16 in June (and a RAG status of RED). However, the "commercial portfolio" and "reducing debt" risk areas had combined scores of only 9 in each case in June and were therefore seemingly not considered high risk (having a RAG status only of AMBER).

Question: “Does the Chair believe that the corporate risk to the Council is really reducing across the board (as the "Future risk scores" from the last report would indicate) or is the "Future risk score" more of an aspirational target?”

The Chair responded as follows:

“Under the Council’s current Corporate Risk Register we assess and score risks in relation to their likelihood and impact, with their current controls and mitigations in place. The future risk scores outlined in the Register are based on the risk owners’ assessments of any change in the likelihood and impact scores with the implementation of planned controls and mitigations outlined in the Register. In most instances, the Council would expect such control and mitigation measures to reduce the risk scores. However, in some instances, even with those measures fully implemented, they may not have a significant impact on scores due to a range of externalities and residual risks which the Council has limited or no control over.

As part of the Council’s actions to address the recommendations from the Best Value Inspection and 2023-24 External Audit, the Council and Audit Committee are in the process of implementing a new governance assurance approach to risk management. This approach will have less focus on risk scores, which are inherently subjective, and have a greater focus on the effectiveness of our governance and control arrangements such that we can ensure we deliver our objectives and corporate and service responsibilities in a more positive way, and that stakeholders receive sufficient assurance that appropriate arrangements are in place.

As part of this work, we will be reviewing and updating our Risk Management Framework and Policy and with this, any supporting documentation. This will include how we will capture and manage our key areas of assurance (risks), the assessment process, roles and responsibilities, how and where we will report and the training resources required. The Corporate Risk Register will similarly be reframed to take account of this new approach and is likely to be used for any updates to the Audit Committee from November this year.”

Question three from Kath Sanders:

Context: In addition, the covering report to the Audit Committee in July did not provide any commentary on the new risk category 9 amongst its "key headlines" detailed in para 2.5 - that being the response to external audit/best value inspection recommendations which carried a combined score of 12 - nor any text under "current mitigating actions" in the detailed report. Furthermore, the "Future risk score" in the detailed report for Risk Category 9 "Response to External Audit/Best Value Inspection Recommendations" was only perceived to be 6 in June.

Question: “Does the Chair agree that the "Changes in risk scores and other key updates" in the covering report for September's update properly highlight the main areas of concern?”

The Chair responded as follows:

“The Corporate Risk Register is designed to highlight the main areas of concern for the Council. The detail in relation to each of the risk areas is

provided in the Register, with the covering report designed to provide a summary of some of the key changes and issues outlined in the Register.

A new category relating to the Council's Response to External Audit/Best Value Inspection Recommendations was added to the Corporate Risk Register in May 2025.

The covering report for the July Corporate Risk Register update made it clear at the beginning of the report (in section 1.4) that the June 2025 Risk Register had been updated to reflect:

(a) The Council's ongoing response to External Audit Reports and Best Value Inspection including the development of a detailed Consolidated Action Plan to address the recommendations from these reports and other external reviews, and (b) The subsequent intervention by Government appointed Commissioners following the Best Value Inspection of the Council.

The Register itself referenced that the Commissioners had been appointed, and that the Council was at that time working with them to develop an Improvement and Recovery Plan to address the issues raised in the Best Value Inspection report. A number of control actions were specified in the Register relating to that risk category, but it was not possible to provide any further detail (for example in relation to any mitigation actions) until we had clarity on how the planned Improvement and Recovery Plan would affect the Consolidated Action Plan that had previously been reported to the Committee. Once the Commissioners were in place, they advised that the Improvement and Recovery Plan should supersede the existing Consolidated Action Plan and that the Improvement and Recovery Plan would be designed to pick up all the key External Audit recommendations. The governance arrangements associated with the Improvement and Recovery Plan will ensure that the issues identified in the Best Value Inspection report and External Audit Reports are appropriately addressed. These arrangements will include appointment of a Programme Management Officer, the regular review and oversight of the progress of the Plan by the Improvement and Recovery Board (chaired by the lead Commissioner), and regular progress reports to be submitted to Corporate Policy and Resources Committee, the Audit Committee and to the Ministry of Housing, Communities and Local Government.

Due to the volume of reports scheduled for this evening's Committee, the next update to the Corporate Risk Register will now be provided at the additional scheduled Audit Committee meeting for 21 October 2025, and as Chair I will continue to ensure that the covering report for that update properly highlights the main areas of concern."

48/25 External Audit Quality Assessment

The Committee received a report regarding arrangements for the pending external assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector. The Deputy Head of Southern Internal Audit Partnership advised the Committee that the Chief Internal Audit was required to develop a plan for an external quality

assessment, and the assessment must be performed at least once every five years. Southern Internal Audit Partnership had opted to conduct their external assessment as a self-assessment with Independent Validation with an aimed completion date by December 2025.

The Committee **resolved** to note arrangements for the pending external assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector.

49/25 Annual Internal Audit Report and Conclusion 2024-25

The Committee received the Annual Internal Audit Report and Conclusion 2024-25 from the Deputy Head of Southern Internal Audit Partnership. The Deputy Head of Southern Internal Audit Partnership advised that from the original plan, five reviews had required deferral. A majority of reports had been delivered through to final conclusion or final draft stage, with a further two remaining in-progress. A number of delays in delivering audits had been experienced due to officer capacity to engage and respond due to internal and external pressures.

The Committee noted assurance levels of individual audits and explored how improvements would be monitored. Members noted that some workstreams of the Improvement and Recovery Plan would address some of the concerns raised from the individual audits.

The Committee **resolved** to note the Annual Internal Audit Conclusion 2024-25.

50/25 Internal Audit Strategy

The Committee received the Internal Audit Strategy 2025-28 from the Deputy Head of Southern Internal Audit Partnership. The Internal Audit service was required to have a strategy which included their vision, strategic objectives and supporting initiatives for the internal audit function. The strategy would be periodically reviewed with any significant or ongoing updates to the strategy or objectives brought to the Committee.

The Committee **resolved** to note the Internal Audit Strategy 2025-28.

51/25 Internal Audit Progress Report

The Committee received the Internal Audit Progress Report for August 2025 from the Deputy Head of Southern Internal Audit Partnership.

The Deputy Head of Southern Internal Audit Partnership confirmed that due to resource and capacity issues from both internal audit and the Council, work on audits had been delayed, however this was closely monitored by internal audit and senior officers and escalated if required. The Q1 and Q2 Audits for 2025-26 were currently underway, with Q3 and Q4 audits under discussion.

The Committee were advised of adjustments to the audit schedule, outstanding actions from previous audits, and the addition of a 'Commercial Properties' audit to Q4.

The Committee suggested it may be helpful to expand the list of officer sponsors of the audit reports. Some members of the Committee expressed concern over timing of individual audits and requested assurances on service robustness until the audit report was delivered. The Committee noted that there was currently not enough information available for the 'direction of travel' on audits for a comparison to previous audits.

The Committee **resolved** to note the Internal Audit Progress Report for August 2025 and approve the adjustments to the Internal Audit Plan 2025-26.

Meeting adjourned at 20:38
Meeting reconvened at 20:47

52/25 Annual Governance Statement

The Committee considered the Annual Governance Statement for 2024-25 from the Deputy Chief Executive and Monitoring Officer. The Deputy Chief Executive advised that reference to organisational development framework on page 122 of the draft statement should be removed. The Council has a statutory duty to prepare and publish an Annual Governance Statement. The statement provided an overview of how the Council's governance arrangements for the financial year 2024-25 operated, provided an assessment of their effectiveness, identified areas of weaknesses, and outlined the actions the Council would take over the next year to strengthen its governance arrangements. The Annual Governance Statement was a key component in the Draft Statement of Accounts which would be issued later in the year.

Issues and recommendations raised in the Grant Thornton Audit report and the Best Value Inspection report had been incorporated. A key mechanism for addressing those concerns would be through the Improvement and Recovery Plan which had yet to be approved by Council. The Deputy Chief Executive confirmed that Commissioners had reviewed the draft Annual Governance Statement.

Some members of the Committee felt that the draft statement should incorporate more information about what actions the Council was currently undertaking to address concerns raised. Some members of the Committee challenged the accuracy of some of the information provided in the draft statement, and the governance arrangements being identified as satisfactory following the Best Value Inspection and Grant Thornton Audit. The Deputy Chief Executive acknowledged that improvements that would be addressed as part of the Best Value Intervention process.

The Committee **resolved not** to approve the draft Annual Governance Statement as outlined in Appendix.

53/25 Value for Money Reports - BDO

The Committee considered the Value for Money reports from BDO, the Council's external auditors. The Value for Money reports included a Combined Annual Audit Letters for years ending 31 March 2019, and 31 March 2020, and the Auditor's Annual Reports for the years ended: 31 March 2021, 31 March 2022, and 31 March 2023. The auditor from BDO acknowledged there had been a delay in providing the report, however this was delayed due to the Best Value Inspection. Risk areas that were focused on through the audits were highlighted. Concerns identified included sustainability of commercial income to support the Council's budget, the methodology used to develop the sinking fund, and lack of asset management plans. Risk management and governance of Council subsidiaries were also raised as areas of concern. The auditor from BDO acknowledged that concerns highlighted that were also reflected in the Best Value Inspection report and these would be addressed as part of the Improvement and Recovery plan. An adverse conclusion had been issued for 2018-19 and 2019-20, and no conclusion was provided for 2020-21, 2021-22, and 2022-23.

In accordance with Standing Order 38.3, it was proposed by Councillor Howkins, seconded by Councillor Nichols and **resolved** that the meeting continue beyond 22.00.

The Committee noted that the reports did not take into account arrangements that had been put in place since March 2023. The Committee also challenged the commentary around the minimum revenue provision policy as this was highlighted as an area of concern in other audit reports, but BDO confirmed the methodology used, though they did not feel it was prudent, followed statutory guidance. The Committee explored what assurances had been put in place since 2023 to manage the sinking fund reserves.

The Committee expressed concern that if the audits had been completed in a timely manner, steps could have been taken to address the concerns raised and make improvements. The Committee also challenged the proposed fees from BDO as they felt a large portion of the reports incorporated information from other audits and reports. Some members of the Committee suggested it would be useful for all councillors to be given a separate briefing on the contents of the reports.

The Committee **resolved** to accept the Value for Money reports from BDO.

54/25 Value for Money - Grant Thornton

The Chair confirmed this would be considered at an additional meeting scheduled for 21 October 2025 to consider the remaining business on the agenda.

55/25 Audit Committee Governance Arrangements

The Chair confirmed this would be considered at an additional meeting scheduled for 21 October 2025 to consider the remaining business on the agenda.

56/25 Corporate Risk Management (Corporate Risk Register)

The Chair confirmed this would be considered at an additional meeting scheduled for 21 October 2025 to consider the remaining business on the agenda.

57/25 Argus Software Discussion

The Chair confirmed this would be considered at an additional meeting scheduled for 21 October 2025 to consider the remaining business on the agenda.

**Minutes of the Audit Committee
21 October 2025**

Present:

Councillor J. Button (Chair)
Councillor K. Howkins (Vice-Chair)

Councillors:

G. Neall

H.R.D. Williams

R. Chandler

Independent Members: P. Briggs

Substitutions: Councillors C. Bateson (In place of L. E. Nichols)

Apologies: Councillors P.N. Woodward

58/25 Apologies and Substitutes

Apologies were received from Councillor Nichols, Councillor Woodward, and Sati Seehra. Councillor Bateson attended as Councillor Nichols' substitute.

59/25 Disclosures of Interest

There were none.

60/25 Value for Money - Grant Thornton

The Committee received the Interim Auditor's Annual Report for the year ending 31 March 2025 from Grant Thornton. There were five key recommendations arising from the report which had been accepted by the Council, some of which were being addressed through the Council's Improvement and Recovery Plan. Grant Thornton confirmed the Best Value Inspection report provided important evidence during their audit and the five recommendations related to findings within the report. A further report on audit findings would be brought before the Committee in January.

Councillor Chandler arrived at 19.15

The Committee were assured that the Council's Improvement and Recovery Plan was on track for adoption and delivery, and consideration was being given to resourcing to deliver the Plan in its entirety. The Committee were advised of upcoming reports to Corporate Policy and Resources Committee and Council that would address elements of the key recommendations.

The Committee **resolved** to note the Interim Auditors Annual Report for the year ending 31 March 2025.

61/25 Audit Committee Governance Arrangements

The Committee received an update on Audit Committee Governance Arrangements. Rob Winter had provided the Council with initial conclusions and recommendations regarding Audit Committee governance arrangements. These had been presented to members for initial feedback which would be evaluated with the Committee Chair. A formal report and response would be presented to a future Audit Committee meeting.

The Committee **resolved** to note the update.

62/25 Corporate Risk Management (Corporate Risk Register)

The Committee received a report on the Corporate Risk Register from the Deputy Chief Executive. The report highlighted the Council's continued efforts to identify, monitor, and manage its most significant strategic risks in relation to the delivery of the corporate priorities. A new risk subject area relating to Contract Management had been added, and there had been updated risk scores for Finance Resilience and Commercial Assets – Commercial Investment Portfolio, and Financial Resilience and Supporting Communities – Reducing debt, both of which had moved from an amber rating to a red rating. This was the last presentation of the Corporate Risk Register in its current form as the next would be formatted to incorporate a governance assurance-based approach to risk management.

The Committee explored the rationale behind some of the risk ratings, and were assured that some of the risk areas would be addressed through the Council's forthcoming Improvement and Recovery Plan and further reports that would be presented to Council in November for approval. The Committee suggested that future reports may benefit from referencing Key Performance Indicators to provide the Committee with assurance that performance was being managed and monitored.

The Committee **resolved** to agree that they had considered the significant strategic risks and issues highlighted in the report and to present these to the Corporate Policy and Resources Committee, ensuring continued wider reporting of the Corporate Risk Register and actions across Committees.

63/25 Argus Software Discussion

The Committee received an update on the presentation on Argus Software given to members of the Committee.

The Chair advised some members of the Committee were given a demonstration of Argus Software which was used by the Commercial Assets Team. Some members of the Committee were impressed by the software and its capabilities, which allowed easy updates to financial modelling for properties that would assist in decision-making.

The Committee **resolved** to note the update.

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Committee Report Checklist

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

Stage 1

Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing	N/A	
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	N/A	
Relevant Group Head review	N/A	
MAT+ review (to have been circulated at least 5 working days before Stage 2)	N/A	
This item is on the Forward Plan for the relevant committee	Y	
	Reviewed by	
Finance comments	TC	23/10/25
Risk comments	N/A	
Legal comments	LH	26/10/25
HR comments (if applicable)	N/A	

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

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

Stage 2

Report checklist – responsibility of report owner

ITEM	Completed by	Date
Monitoring Officer commentary – at least 5 working days before MAT	L Heron	26/10/25
S151 Officer commentary – at least 5 working days before MAT	T Collier	23/10/25
Confirm final report cleared by MAT		

Audit Committee

27 November 2025

Title	Internal Audit Progress Report October 2025
Purpose of the report	To inform, assure and approve
Report Author	Iona Bond, Deputy Head of Southern Internal Audit Partnership
Ward(s) Affected	All Wards
Exempt	Report and Appendix A – No Appendix B – Yes
Exemption Reason	Appendix B contains exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to Information) (Variation) Order 2006 Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information
Corporate Priority	Community Addressing Housing Need Resilience Environment Services
Recommendations	The Committee is asked: 1. To note the Internal Audit Progress Report – October 2025 (Appendix A) 2. To note the Internal Audit Progress Report – October 2025 (Appendix B) Exempt Item; and 3. To approve the adjustments to the internal audit plan 2025-26.
Reason for Recommendation	In accordance with the Global Internal Audit Standards in UK Public Sector the Chief Internal Auditor is required to provide a written status report to the Audit Committee.

1. Executive summary of the report

What is the situation	Why we want to do something
In accordance with the Global Internal Audit Standards in UK Public Sector the Chief Internal Auditor is required to provide a written status report to present internal audit activity and key findings from work concluded in delivery of the internal audit plan.	The internal audit progress report provides a mechanism through which internal audit performance, issues impacting the Chief Internal Auditors annual opinion, and progress against the Audit Plan can be monitored.
This is what we want to do about it	These are the next steps
Consider the internal audit progress report for awareness of issues raised and to monitor the implementation of management actions raised to mitigate identified risks.	- To inform and assure Management Team and Group Heads of internal audit progress against the planned assurance assignments and key issues raised for 2025/26 and confirm it is agreeable and to note changes to the 2025-26 annual audit plan. - To inform and assure the Audit Committee of the Internal Audit Progress at the meeting of 27 November 2025. - For the Audit Committee to approve changes to the 2025-26 annual audit plan.

- 1.1 This report provides an overview of internal audit activity against assurance work completed in accordance with the approved audit plan for 2025-26 and to provide an overview of the outstanding management actions.

2. Key issues

- 2.1 The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:
- ‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’
- 2.2 From 1 April 2025, the ‘standards or guidance’ in relation to internal audit are those laid down in the Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).

- 2.3 The Southern Internal Audit Partnership have made all necessary adaptations to its processes, procedures and practices to ensure it is best placed to conform with these requirements with effect from 1 April 2025.
- 2.4 In accordance with proper internal audit practices (Global Internal Audit Standards in the UK Public Sector), the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:
- ongoing confirmation or otherwise regarding independence, and impairments [Standard 7.1]
 - a summary of significant issues and escalation of matters of importance [Standard 8.1]
 - overview and sufficiency of resourcing [Standards 8.2, 10.1, 10.2, and 10.3]
 - communication of unresolved issues that fall outside of the Council's risk tolerance [Standard 11.5]
 - update on progress and any changes to the annual audit plan [Standard 9.4]
 - internal audit performance measures [Standard 12.2]
 - status of 'live' internal audit reports and status on the implementation of management actions [Standard 15.2]
- 2.5 Steady progress against the plan for 2025-26 continues to be made, with the three 2024-25 reviews now complete. Two of five audit reviews for Q1 and Q2 2025-26 are finalised, two are at draft report stage and for the remaining one fieldwork has been completed and is currently undergoing our management review.
- 2.6 Discussions have been held with the Deputy Chief Executive & Section 151 Officer regarding those audits scheduled through quarters 3 & 4 to ensure that they remain the most appropriate in terms of priority and in line with any requirements emerging from the work with the Best Value Commissioners. This has resulted in some changes to the plan as set out in section 8 of Appendix A.
- 2.7 It remains imperative that through the remainder of the year audit work is progressed timely and therefore any delays we experience will continue to be escalated promptly to relevant management.
- 2.8 Members are requested to note the Internal Audit Progress Report – October 2025 (Appendix A) and approve adjustments to the internal audit plan 2025-26.

3. Options appraisal and proposal

- 3.1 To inform and assure the Audit Committee of Internal Audit progress as detailed within Appendix A.

4. Risk implications

- 4.1 In producing the programme of audit work for 2025/26 the Chief Internal Auditor has ensured that a risk-based approach has been applied in line with audit standards and focussed on areas of higher priority that align with corporate priorities and objectives. Consideration has been given to current and emerging risks (and opportunities) facing the Council during 2025/26.

5. Financial implications

- 5.1 The Internal Audit Progress Report includes reviews of functions and systems that are financially material and therefore represent greater risk to the authority. Issues presenting adverse financial consequences or threats to the Council's financial position apply to a range of workstreams on the plan.

6. Legal comments

- 6.1 The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance.
- 6.2 The Global Internal Audit Standards in UK Public Sector are mandatory further to the Accounts and Audit (England) Regulations 2015 within which there is a requirement to provide a written status report to the Audit Committee.
- 6.3 This report assists the Council to demonstrate compliance with the statutory requirements.

Corporate implications

7. S151 Officer comments

- 7.1 As S151 Officer, it is important to receive timely and comprehensive assurance, that the audit plan is on track and to have feedback on risks and emerging issues, and equally feedback on progress being made on addressing risks identified in recent external reviews. The S151 Officer fully supports SIAP and the Audit Committee in seeking to ensure that officers and SIAP are working effectively to ensure that the audits in the plan are delivered. The S151 Officer and SIAP have periodically met to ensure that overall the plan remains on track for 2025-26. As stated above there are no additional budget implications.

8. Monitoring Officer comments

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

9. Procurement comments

9.1 There are no procurement implications arising from this report.

10. Equality and Diversity

10.1 Equality and diversity are key considerations that feature in the assessment of risk and audit needs.

11. Sustainability/Climate Change Implications

11.1 Sustainability is a key consideration and features in the assessment of risk and audit needs.

12. Other considerations

12.1 None.

13. Timetable for implementation

13.1 Applicable for the period 1 April 2025 – 31 March 2026

14. Contact

14.1 Iona Bond, Deputy Head of Southern Internal Audit Partnership
iona.bond@hants.gov.uk

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

Background papers: Internal Audit Plan 2025-26.

Appendices:

Appendix A – Internal Audit Progress Report October 2025

Appendix B – Exempt Item

Southern Internal Audit Partnership

Assurance through excellence
and innovation

Internal Audit Progress Report Spelthorne Borough Council – October 2025

Prepared by: **Iona Bond, Deputy Head of Partnership**

1. Internal Audit Mandate

The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

'5. (1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(a) make available such documents and records; and

(b) supply such information and explanations

as are considered necessary by those conducting the internal audit.'

The role of internal audit is best summarised through its definition within the Standards, as an:

'An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.'

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

2. Internal Audit Standards

With effect from 1 April 2025, the 'Standards' against which internal audit within the public sector must conform are those laid down in the Global Internal Audit Standards, Application Note: Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements are referred to as the Global Internal Audit Standards in the UK Public Sector.

3. Purpose of Report

In accordance with proper internal audit practices (Global Internal Audit Standards in the UK Public Sector), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to Senior Management and the Audit Committee, summarising:

- The monitoring of 'live' internal audit reports
- an update on progress against the annual audit plan and any subsequent revisions
- acknowledgement of any actual or perceived impairments to internal audit independence
- internal audit performance, planning and resourcing issues
- results of audit assignments and insights.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of controls in place focusing on those designed to mitigate risks to the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No

Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

4. Resourcing

As Chief Internal Auditor I maintain responsibility for ensuring that there is a sufficient level of resource available, supported by an appropriate range of knowledge, skills, qualifications and experience to deliver the internal audit plan (2025-26) and in the fulfilment of the audit mandate and delivery of the internal audit strategy.

- **Human Resource** - the Southern Internal Audit Partnership has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the internal audit strategy and risk-based audit plan.
- **Financial Resource** - the Head of Southern Internal Audit Partnership will manage the internal audit budget to enable the successful implementation of the internal audit mandate and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and relevant technologies and tools.
- **Technological Resource** - the internal audit function has the technology to support the internal audit process and regularly evaluates technological resources in pursuit of opportunities to improve effectiveness and efficiency.

As previously reported, the Southern Internal Audit Partnership experienced a higher than average level of attrition earlier in the year resulting in vacancies at auditor, senior auditor and audit manager level.

Positively, all posts at auditor and senior auditor level have now been filled with additional resource also being added to our specialist IT and data analytic teams. The advert for internal audit manager is currently live with interviews scheduled for November.

It will inevitably take a period of time to fully onboard and induct new staff. The Southern internal Audit Partnership have enacted contingency arrangements for additional support through the appointment of short-term agency staff to manage this period of onboarding.

Whilst there will be no financial impact to the Council, there may be some slippage in delivery of quarter 2 / 3 reviews.

I remain confident as your chief internal auditor that the 2025/26 internal audit plan will be sufficiently delivered enabling me to provide a timely Annual Conclusion.

5. Independence

As your chief internal auditor, I retain no roles or responsibilities that have the potential to impair my independence, either in fact or appearance. Internal auditors engaged in the delivery of the 2025-26 internal audit plan have had no direct operational responsibility or authority over any of the activities reviewed. I can confirm there has been no interference encountered relating to the scope, performance, or communication of internal audit work during the year to date in the delivery of the internal audit plan or the fulfilment of the internal audit mandate.

6. Impairments

There have been no impairments to internal audit activity during the year. The internal audit function has remained free from all conditions that threaten our ability to carry out responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. The internal audit team have maintained an unbiased mental attitude allowing them to perform engagements objectively enabling them to believe in their work product, with no compromise to quality, and no subordination to their judgment on audit matters, either in fact or appearance.

7. Rolling Work Programme

The internal audit plan for 2025-26 was originally presented to Senior Management and approved by the Audit Committee in May 2025. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed below.

Steady progress against the plan for 2025-26 continues to be made, with the three 2024-25 reviews now complete and Q1 and Q2 work for 2025-26 substantially underway.

Discussions have been held with the Deputy Chief Executive & Section 151 Officer regarding those audits scheduled through quarters 3 & 4 to ensure that they remain the most appropriate in terms of priority and in line with any requirements emerging from the work with the Best Value Commissioners. This has resulted in some changes to the plan as set out in section 8.

It remains imperative that through the remainder of the year audit work is progressed timely and therefore any delays we experience will continue to be escalated promptly to relevant management.

Audit Review	Sponsor	Scoping Held	ToR Issued	Fieldwork Start	Draft Report	Final Report	Assurance Opinion	Comment
2024-25								
Contract Management	Deputy Chief Executive and S151 Officer	06.02.25	25.02.25	04.06.25	01.09.25	28.10.25	Reasonable	
Risk Management	Deputy Chief Executive	05.02.25	04.03.25	10.03.25	04.06.25	04.11.25	Limited	
2025-26								
Decision Making and Accountability	Deputy Chief Executive and S151 Officer	21.05.25	17.07.25	17.07.25	30.09.25	06.11.25	Reasonable	
Contract Management – Leisure Centres	Deputy Chief Executive and S151 Officer	01.08.25	09.09.25	22.09.25	10.11.25			
Main Accounting	Deputy Chief Executive and S151 Officer	25.07.25	07.08.25	11.08.25	24.09.25	15.10.25	Reasonable	
National Non Domestic Rates	Deputy Chief Executive and S151 Officer	23.07.25	01.08.25	15.09.25				
Annual Governance Statement	Deputy Chief Executive and S151 Officer	28.08.25	02.10.25	01.10.25	18.11.25			
Continuous Improvement, including Corporate Plan	MAT	22.10.25						Q3
Cyber Security training and Awareness	Deputy Chief Executive and S151 Officer	20.10.25						Q3
Disabled Facilities Grant	Deputy Chief Executive and S151 Officer	05.11.25						

Audit Review	Sponsor	Scoping Held	ToR Issued	Fieldwork Start	Draft Report	Final Report	Assurance Opinion	Comment
Treasury Management	Deputy Chief Executive and S151 Officer							Q4 Agreed scoping for November for fieldwork start in January
Budget Monitoring	Deputy Chief Executive and S151 Officer	25.09.25						Q4 Fieldwork agreed for March Draft ToR issued 13.10.25
Community Infrastructure Levy	Deputy Chief Executive							Q4
Commercial Property Management	Deputy Chief Executive and S151 Officer							Q4

8. Adjustment to the Internal Audit Plan 2025-26

Internal Audit focus continues to be proportionate and appropriately aligned. The plan remains fluid and subject to on-going review and amendment, in consultation with the relevant audit sponsors, Senior Management, and Audit Committee, to ensure internal audit are able to react to new and emerging risks and the changing needs of the Council.

Such amendments to the 2025-26 internal audit plan are detailed below with explanations for the proposed amendments.

Additions	Audit Review	Reason for inclusion in the plan
	Annual Governance Statement	Replacement for Savings Proposals and Realisation. Taken from contingency list.
	Disabled Facilities Grant	This has been added to the plan (from the contingency list of audits) due to the cancellation of other audit reviews.
	Community Infrastructure Levy	This has been added to the plan (from the contingency list of audits) due to the cancellation of other audit reviews.

Withdrawals	Audit Review	Reason for removal from the plan
	Savings Proposals and Realisation	The 24-25 audit review has only recently been finalised with the majority of management actions due for implementation during Q3. Therefore no added value re-auditing at this time.
	Knowle Green Estates	Following the commissioning of independent assurance work by the Board around health and safety statutory compliance no additional internal audit work is considered necessary at this time.
	Governance of Companies – Knowle Green Estates	At our detailed scoping we were informed that the Council had commissioned an independent review of Knowle Green Estates. In reviewing the scope of this review it was clear that there would be duplication in the work we had scheduled to undertake. We have agreed with senior management that as part of the 2026/27 audit plan we will undertake a follow up review of actions arising from the externally commissioned review.
	Homelessness	Due to capacity within the Council this review has been cancelled.
	Asset Management	The scheduled coverage on the Improvement Recovery Plan, Corporate Plan and commercial property will crosscut into asset management. Further consideration of this as an audit area will be considered as part of the 2026/27 planning process when the results of the aforementioned reviews will be taken into account.

9. Acceptance of Risk

Internal audit reporting protocols are in place to ensure that the scope of work and findings for all assignments are reported appropriately and that agreed management actions are approved by senior management.

Every effort will be made to resolve disagreements that may arise during the audit process. However, if, unresolved issues are considered by internal audit to fall outside of the Council's risk tolerance, these will be escalated to Senior Management and Audit Committee as deemed necessary.

There are no such instances to report from our delivery of the 2025–26 internal audit plan to date.

10. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

There have been two reports published concluding with a 'limited' assurance opinion for inclusion within this progress report. The detail of one report is covered under Part 2 (Exempt).

Title: Risk Management		
Audit Sponsor	Assurance opinion	Management Actions
Deputy Chief Executive	 Limited	 6 High  16 Medium  0 Low
Summary of key observations: Risk management is essential for organisations helping identify, assess, and mitigate potential threats or uncertainties that could negatively impact objectives. Effective risk management helps create a stable and predictable environment, enabling better performance and resilience in the face of uncertainties. The audit highlighted that whilst the current Risk Management Policy is available to all officers via “spelnets”, the Deputy Chief Executive explained that it required update and review. Testing confirmed the policy and guidance were incomplete, out of date, and unreflective of the committee and governance framework (including roles and responsibilities) in which it operates. The terms of reference for the Corporate Risk Management Group (CRMG) were out of date and not fully reflective of existing membership and roles.		

Positively, the risk register has been regularly presented to the Audit Committee, however, the strategy / policy or formal report from the Corporate Risk Management Group were not evident and therefore may impinge on the Committees ability to fully discharge their responsibilities in respect of risk management.

Operational risk registers were not routinely maintained, and Service Plans did not provide a comprehensive alternative. Whilst risks were incorporated within Service Plans there was no assessment and prioritisation; no risk owner assigned; and actions to mitigate and manage the risks had not been identified and documented.

Review of the Corporate Risk Register and Project Risk Registers highlighted inconsistency in the effective recording of risk cause and effect. Additionally, inherent risks were not scored within the Corporate Risk Register which may inhibit the assessment of effectiveness of the controls and/or mitigations in place to manage the risk(s). Additionally, the evaluation of risk likelihood and impact was inconsistent across risk registers.

The Councils risk appetite was unclear. Additionally, there was no evidence that the original risk appetite statement had ever been updated or approved, despite the Risk Management Policy stating that it should be reviewed annually and approved by the Cabinet at the start of each municipal year.

Whilst it is clear that risk is discussed at MAT, due to the high-level nature of the minutes the extent of those conversations could not be determined. There was also no evidence to support that the full risk register had been presented to MAT for the period reviewed.

There was no robust programme of training for officers or members (outside of the Audit Committee) to fully support and embed the process of risk management within the Council.

The Deputy Chief Executive highlighted that a number of ongoing initiatives to enhance the organisation's approach to risk management were in development including policy review, raising risk awareness, refreshing the format of risk registers and looking to identify suitable officer / member training. Whilst this provides positive reassurance on future direction of travel it cannot alter our observations of the operational risk management framework at the time of the audit review.

It is anticipated that management actions to address observations highlighted in this report alongside those detailed in the Best Value Inspection and External Auditor Report 2023/24 will enable the organisation to further enhance the control environment to support and establish a robust risk management framework moving forwards.

11. Analysis of 'Live Audit Reviews'

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions											
				Agreed			Pending			Complete			Overdue		
				L	M	H	L	M	H	L	M	H	L	M	H
2023/24															
Commercial Assets	July 2024	DCE/S151	Reasonable		3						2			1	
2024/25															
Building Control	Jan 2025	DCE	Limited		5	6					5	5			1
Equality, Diversity and Inclusivity	June 2025	DCE	Limited	2	2	4	1		1	1	2	3			
Tree Maintenance	July 2025	DCE	Limited	4	9		2			2	9				
Savings Realisation	Sept 2025	DCE/S151	Limited		7	9		2			4	7		1	2
Accounts Receivable and Debt Management	Oct 2025	DCE/S151	Limited	7	4		2	2		5	2				
Spelthorne Direct Services	Oct 2025	DCE/S151	Limited	7						6			1		
Contract Management	Oct 2025	DCE/S151	Reasonable		1	1		1	1						
Risk Management	Nov 2025	DCE	Limited		16	6		12	4		4	2			
Decision Making and Accountability	Nov 2025	DCE/S151	Reasonable	1	9		1	9							
Exempt Item	Nov 2025	DCE	Limited	4		3	3		3	1					
2025/26															
Main Accounting	Oct 2025	DCE/S151	Reasonable	6	7		4	7		2					
Total				31	63	29	13	33	9	17	28	17	1	2	3

Overdue 'High Priority' Management Action

Building Control - Limited

Observation:

Quarterly and annual reportable data to the Building Safety Regulator (BSR) is not currently in place due to a combination of both the IDOX Uniform system and the BSR not having yet released the portal for local authorities to upload their data for submission.

The IDOX Uniform System at the time of the audit is not set up for the Building Control Team to be able to run the reports that are required in order to be able to report on the data and information that the BSR will require from April 2025. This consequently impacts compliance across a range of the KPI's that were reviewed as part of the audit testing.

For KPI 5, the Council is unable to provide the required elements of having a Quality Management Scheme in place, although this is currently with the LABC to confirm next steps in supporting this compliance area.

Risk:

Non-compliant with the BSR requirements in April 2025 leading to potential penalties and regulatory action from the BSR.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
2.1 Obtain confirmation from Local Authority Building Control (LABC) that we are signed up to their QMS (made request in November 2024)	28.02.25	30.06.25 30.09.25 30.11.25	1.9.25 - This is still outstanding as the service have reported they are entirely dependent on a third party (LABC) to come back to them with a date to review documentation. They have not done so to date, so the revised date will need to move back to 30.11.25 to have a realistic prospect of being completed.

Savings Realisation - Limited

Observation:

The 2024/25 to 2027/28 Outline Revenue Budget Report presented to CPRC in November 2023 confirmed Group Heads and Senior Managers would be tasked with identifying savings streams in excess of £2.3m to be realised in 2024-25. Subsequently, as part of this exercise, the Draft Budget Report presented to CPRC in February 2024 confirmed £2.1m of this target had been identified mainly due to the removal of redundant budget codes.

However, review of the accompanying Appendix 4 which detailed the £2.1m savings to cost centre and general ledger code level confirms it was actually a mixture of cost reduction and income generation activity which still required adjusted budgets to be balanced for savings to be realised. Although Appendix 4 also confirmed whether each cost reduction or income generation target was considered one-off or ongoing, no reference to the potential savings across the MTFP base budget was made.

No record was kept to evidence that budget-holders had agreed to these targets or to confirm how budget codes had been amended, and there was no subsequent targeted analysis to confirm whether budget reduction and income generation activity was being achieved. Nor was there any targeted activity to track variances and advise CPRC of variances, with an approach taken that the achievement of a favourable £3.1m 2024-25 outturn negated any related risk.

Analysis of these cost centre and general ledger codes as at March 2025 found total expenditure of £432k had been recorded against a total income budget of £168k, resulting in a negative £600k impact upon the outturn and the failure to achieve 28% of the £2.1m savings target, even though this figure was reported to CPRC as achieved mainly through the removal of redundant budget lines in February 2024.

As examples of the variances within the overall figures:

- A budget line with an expected saving of £165k to be realised through the removal of business rates charges following the demolition of Thameside House instead recorded charges of £268k when plans to demolish Thameside House changed, under-achieving its savings target by £433k.
- A budget line with an increased income generation target of £40k for Staines (London Road) Cemetery giving a total income generation budget of £134k actually generated £194k of income, over-achieving its savings target by £60k.

While both of these budget lines were referenced in revenue monitoring reports (or related appendices) presented to MAT/MAT+ and CPRC in-year as variances to budget were material, no reference to the fact they contained elements of the £2.1m savings target or their impact upon the achievement of that target could be found.

A similar approach has been taken in relation to additional cost reduction and income generation activity of £1.246m reported as applied to the 2025-26 base budget. However, unlike in the 2024-25 budget setting process, the three appendices detailing budget reduction and income generation activity by Committee included figures to support a total of £4.9m savings across the MTFP. As referenced in Observation 7, it is not clear whether these savings have been accurately reflected in the MTFP.

Further to this, the three appendices do not detail the savings to cost centre and general ledger code level so do not provide a robust audit trail back to the adjusted budget lines. Nor do they always fully substantiate how figures have been calculated at a budget line level.

Risk:

Savings are reported as achieved before they have been, target savings are not quantified, realised savings are not identified, and risks relating to unrealised savings in the current year and across the MTFP are not addressed.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
In summer 2025, working with the Commissioners, the Finance team and external experts, are undertaking a major refresh of the MTFP modelling which will update Medium Term Budget gaps and result in revised formats for budget reports which will make clear how targets are being applied to base budgets.	30.09.25	30.11.25	A draft revised MTFS is being finalised and will be going to an additional set of meetings of CPRC and Council in November (10th and 17th respectively) The finance team have done a major refresh of the budget modelling system which the Finance Commissioner is happy with, again this in the process of being finalised.

Savings Realisation - Limited

Observation:

The Deputy Chief Executive and S151 Officer has created a tracker spreadsheet documenting the opening MTFP budget gaps reported to CPRC in February 2025 and listing revenue savings plans not already reflected in the MTFP, including, but not limited to, the recently identified green-rated Efficiency Savings of £1.2m per annum. The tracker also includes potential revenue savings from the disposal of capital assets.

Should these additional savings streams be realised, the Council is facing an adjusted cumulative MTFP budget funding gap of £4.8m, as opposed to the £8.5m reported to CPRC in May 2025, with verbal confirmation given that further work in conjunction with the Commissioners has identified enough potential savings and income generation activity to offset the 2026-27 MTFP budget-funding gap and reduce the cumulative MTFP budget-funding gap to approximately £3m.

While creating a consolidated savings tracker and identifying an adjusted MTFP budget funding gap balance is a positive step, the tracker does not yet reflect potential savings relating to the Digital Transformation Strategy, and we were also advised of a savings stream relating to a shared fraud initiative with another local authority which is also not currently reflected.

As referenced under Observations 2 and 3, there are potential inconsistencies with the way savings streams relating to budget reduction / income generation activity and cashable savings have been applied to the MTFP base-budgets beyond 2025-26, risking the integrity of the cumulative opening MTFP budget gap figures.

Also, the Efficiency Savings of £1.2m per annum have been applied within the tracker across all four years of the MTFP, whereas we were advised they related to savings streams deliverable by May 2027, when the Council is expected to move to a Unitary arrangement.

Risk:

The opening and adjusted MTFP budget funding gap figures are not accurate.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
As stated above, the MTFP gaps modelling, working with the Commissioners and external experts will be refreshed over the summer. The time period the MTFP relates to will be reviewed once the Secretary of State announces their decision in mid-October on Surrey Local Government Reorganisation. As part of the MTFP refresh, risks relating to the fact the current Closing of MTFP Budget Gaps Tracker spreadsheet does not	30.09.25	30.11.25	A draft revised MTFS is being finalised and will be going to an additional set of meetings of CPRC and Council in November (10th and 17th respectively)

reflect all potential savings streams and previous savings streams may have been applied to the MTFP inconsistently will be considered.			The finance team have done a major refresh of the budget modelling system which the Finance Commissioner is happy with, again this in the process of being finalised.

Annex 2

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
Commercial Assets (Legacy audit)	July 2024	Reasonable		1	31.05.25	01.12.2025
Savings Realisation	Sep 2025	Limited		1	30.09.25	30.11.25
Spelthorne Direct Services	Oct 2025	Limited	1		30.09.25	31.12.25
Total			1	2		

Annex 3

Southern Internal Audit Partnership - Performance Measures

Performance Measure	Regularity	Target	Actual 25/26	Status	Direction of Travel
1. Percentage of the agreed audit plan completed (issue of draft / final report)	Ongoing	90%	33%*		n/a
2. Audits delivered within agreed timescales (% year to date)					
○ To issue of draft report	Ongoing	80%	75%*		n/a
○ To issue of final report	Ongoing	80%	50%*		n/a
3. Conformance with the Global Internal Audit Standards in the UK Public Sector	Annual	Conforms	Conforms**		
4. Audits conducted optimising the effect use of data analytics (% year to date)	Ongoing	60%	60%*		
5. Stakeholder satisfaction (annual survey)					
○ Audit Committee	Annual	90%	97%		n/a
○ Senior Management		90%	100%		n/a
○ Key Contacts		90%	100%		n/a
6. Internal audit effectively communicates with key stakeholders					
○ Audit Committee	Annual	90%	100%		n/a
○ Senior Management		90%	100%		n/a
○ Key Contacts		90%	100%		n/a
7. Sufficiency of input to and discussion of the internal audit plan					
○ Audit Committee	Annual	90%	100%		n/a
○ Senior Management		90%	100%		n/a
8. Appropriate focus on key risks					
○ Audit Committee	Annual	90%	75%		n/a
○ Senior Management		90%	100%		n/a
○ Key Contacts		90%	100%		n/a

* Cumulative throughout the year

** Any external quality assessment undertaken under the Public Sector Internal Audit Standards remains valid for the duration of the successive five years (from the date it was undertaken). The Southern Internal Audit Partnership will be commissioning an external quality assessment against the Global Internal Audit Standards in the UK Public Sector during 2025.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Committee Report Checklist

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

Stage 1

Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing		
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)		
Relevant Group Head review		
MAT+ review (to have been circulated at least 5 working days before Stage 2)		
This item is on the Forward Plan for the relevant committee		
	Reviewed by	
Finance comments	OO	13/11/25
Risk comments	LO	05/11/25
Legal comments	LH	13/11/25
HR comments (if applicable)		

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

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

Stage 2

Report checklist – responsibility of report owner

ITEM	Completed by	Date
Monitoring Officer commentary – at least 5 working days before MAT	L Heron	13/11/25
S151 Officer commentary – at least 5 working days before MAT	T.Collier	13/11/25
Confirm final report cleared by MAT		

Audit Committee

27 November 2025

Title	Risk Management/Corporate Risk Register (new format)
Purpose of the report	To inform and assure
Report Author	Lee O'Neil, Deputy Chief Executive
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	
Corporate Priority	Community Addressing Housing Need Resilience Environment Services
Recommendations	Committee is asked to: a. Note progress with the development of a new Risk Management Framework and Policy based on a governance assurance approach to risk management. b. Review the worked examples shown in Appendix A, which outline how the Council's key areas of governance will be addressed under these new arrangements within the revised approach, and c. Provide comments on any suggested improvements necessary to provide assurance that key governance areas of the Council are addressed effectively.
Reason for Recommendation	To ensure that the Audit Committee is satisfied that the proposed templates will assist in providing continual assurance that the Council is managing its key governance areas effectively.

1. Executive summary of the report

What is the situation	Why we want to do something
As part of ongoing improvements to the Council's Risk Management arrangements the authority is moving to a governance assurance-based approach to its Risk Management Framework and Policy. This will include adapting all the Council's current risk registers into the new	The change to a governance assurance approach forms part of a range of improvements to the Council's risk management arrangements following comments received in a number of external reviews.

proposed templates to take account of this new approach.	
This is what we want to do about it	These are the next steps
The current Corporate Risk Register will need change to aligned with the new governance assurance approach. Work on this has already commenced with a range of worked examples developed which specify how governance assurance information will be presented within the new approach.	The Committee is asked to review the examples provided in Appendix A and the proposed Assurance Level tracker in Appendix B so that any suggested improvements to the Corporate Risk Register can be considered prior to the formal adoption of the new Risk Management Framework and Policy.

2. Key issues

- 2.1 In response to recommendations made in the Best Value Inspection and Grant Thornton's External Audit of this authority, the Council is in the process of making a range of improvements to its risk management arrangements, incorporating moving to a governance assurance-based approach and new Framework and Policy.
- 2.2 This approach will have less emphasis on scores, which are inherently subjective, and have a focus on the effectiveness of the Council's governance and control arrangements, ensuring that this authority can deliver its objectives and corporate and service responsibilities in a more positive way, and that stakeholders receive sufficient assurance that appropriate arrangements are in place.
- 2.3 The new approach will be designed to give the Audit Committee confidence and assurance that the Council's governance arrangements are effective and being complied with, and it will also identify practical actions to provide and maintain that confidence and assurance.
- 2.4 Work is already underway developing all the necessary supporting documentation, including how the Council will capture and manage its key areas of assurance, the assessment process, roles and responsibilities, how and where this will be reported and the training resources required. Initial training for key officers was provided in September 2025 to introduce them to the new approach.
- 2.5 As part of that work, all risk registers previously used by the Council, including the Corporate Risk Register, will need to be adapted and aligned to this new approach. It will not be possible to finalise the new registers and get these formally agreed until the wider Governance Assurance (Risk Management) Framework and Policy is approved by the Corporate Policy and Resources Committee, which is planned for 19 January 2026.
- 2.6 In making such changes, it is important that this Committee understands how the key areas of governance will be described and addressed within the new documentation so that it has assurance that the Council will have the necessary arrangements in place to address the key risks and challenges faced by the Council.

- 2.7 In order to assist this process, **Appendix A** provides examples of how some of the Council's key governance areas will be presented within the new approach, so that the Committee can provide some early feedback to assist in making any further improvements necessary. **Appendix B** shows a proposed assurance level tracker that would be completed / added to for each Audit Committee meeting to highlight any changes in assurance levels.
- 2.8 **Appendix C** provides a reconciliation to show how the risks in the Corporate Risk Register are proposed to be incorporated into the new governance assurance approach.
- 2.9 Whilst these changes are made, this Committee can be assured that the Council is continuing to monitor and manage risks in accordance with its existing risk management arrangements. It is also important to note that the Audit Committee's consideration of risk and governance assurance moving forward has been considered as part of an independent review of the Committee's effectiveness (an item on the agenda).
- 2.10 The Audit Committee's key role in relation to risk management, governance and internal control is to consider the effectiveness of the Council's arrangements for these including overseeing the relevant policies and strategies and crucially being assured that key risk / governance areas are owned and managed appropriately.
- 2.11 One of the outcomes of the change in approach will be to place a greater responsibility of the various Committees of the Council to scrutinise the detailed governance assurance registers of their respective Departments and Services. This will itself be a source of assurance to the Audit Committee that Departments and Services are being held accountable for the effective management of risk and their governance responsibilities.
- 2.12 As with adopting and embedding the governance assurance approach for the Audit Committee, it will inevitably take some time to fully integrate the new processes across all Committees.

3. Options appraisal and proposal

- 3.1 **Option 1 (Recommended)** – The Committee is asked to:
- (a) Note progress with the development of a new Risk Management Framework and Policy based on a governance assurance approach to risk management.
 - (b) Review the worked examples shown in **Appendix A and Appendix B**, which outline how the Council's key governance areas will be addressed under these new arrangements within a revised Governance Assurance Register template.
 - (c) Provide comments on any suggested improvements necessary to provide assurance that key risks to the Council are addressed effectively, and
 - (d) Consider and comment on the new proposed governance areas (in **Appendices B and C**) to the extent that Committee is satisfied that they cover the key areas of the Council's governance.

This will give the Committee the opportunity to provide valuable input into the development of the Council's revised governance assurance register format, which will form a key part of the new overall approach.

- 3.2 **Option 2** – The Committee could propose an alternative approach.

4. Risk implications

- 4.1 The Council's Corporate Risk Register outlines the key corporate and strategic risks impacting the authority. The change to a governance assurance approach through a new Framework and Policy will ensure that the Council has all the necessary governance arrangements in place to manage those key areas effectively, and through training and monitoring will ensure that effective governance is embedded within the culture of the organisation.

5. Financial implications

- 5.1 The development and implementation of the new governance assurance Framework and the associated adoption of a new governance assurance register can be delivered within existing resources. Any minor costs relating to staff training, development of supporting documentation, and updates to reporting systems are expected to be met from current service budgets. Over time, strengthening the Council's governance assurance arrangements is expected to support more effective financial planning and help mitigate the likelihood of unanticipated financial pressures arising from weakness or failures in governance.

6. Legal comments

- 6.1 In accordance with the Accounts and Audit Regulations 2015, Regulation 3 the Council is required to have sound system of internal control to ensure effective exercise of its functions, financial and operational management, and arrangements for the management of risk.
- 6.2 The proposed Governance Assurance Framework and Policy assist the Council in discharging this statutory duty.

Corporate implications

7. S151 Officer comments

- 7.1 Having an appropriate Framework supports ensuring that the Council is able to gain assurance on the arrangements for managing risks including financial risks. Additional budget had been made available to cover the cost of bringing in the consultant to assist officers to develop the new proposed approach. The proposed approach is consistent with recommendations within the Governance theme of the approved Improvement and Recovery Plan.

8. Monitoring Officer comments

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

9. Procurement comments

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

10. Equality and Diversity

- 10.1 The revised Governance Assurance approach will incorporate any governance arrangements required to ensure the effective discharge of the Council's responsibilities and duties relating to Equality, Diversity and Inclusion within the Council.

11. Sustainability/Climate Change Implications

- 11.1 The revised Governance Assurance approach will incorporate any governance arrangements required to ensure the effective discharge of the Council's responsibilities and targets relating to sustainability and climate change within the Council.

12. Other considerations

- 12.1 Under the new governance assurance arrangements governance owners will be required to provide regular updates to their appropriate service committees on any key risks relating to their overview areas.

13. Timetable for implementation

- 13.1 If the Committee agrees with the recommended option the approach will be applied across all services to ensure a consistent and comprehensive assurance capture of key governance areas. It is anticipated that this will take two or three committee cycles to fully work up.
- 13.2 In parallel officers will follow up with the Chairs of the Policy Committees to incorporate into their Committee's Forward Plans a planned approach for incorporating scrutiny of the relevant governance areas covering both key strategic areas and those applicable at service / operational level.
- 13.3 It will not be possible to formally progress the above new Framework and Policy until it is approved by the Corporate Policy and Resources Committee, which is planned for 19 January 2026.

14. Contacts

- 14.1 Lee O'Neil – Deputy Chief Executive (l.o'neil@spelthorne.gov.uk)
- 14.2 Rob Winter – ARGC Ltd. (robwinter.argc@gmail.com)

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

Background papers: There are none.

Appendices:

Appendix A – Worked examples of how information relating to key governance areas of the Council will be presented in the revised approach.

Appendix B – a proposed assurance level tracker that will show any changes in the assurance levels for each Audit Committee meeting.

Appendix C – a reconciliation to show how each of the risks included in the Corporate Risk Register are proposed to be incorporate into the new approach.

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Corporate Assurance Register

Assurance Area: Meeting our zero carbon targets and wider environmental responsibilities			Date of update: 14/11/25
Assurance Description: Climate change poses a significant risk to society as well as the Council. It is well documented that the likelihood of severe and extreme weather events is increasing. It is therefore the Council's duty to do what it can to directly and indirectly minimise our environmental impact and ready ourselves in the event of a serious weather event. Assurances are needed therefore that appropriate strategies and policies are in place and effective, they are understood and complied with, and our emergency resilience and business continuity arrangements are in place and tested.			
Assurance Owner: Group Head Commissioning and Transformation		Focus / Concern / Issue: Focus	Assurance Level: L / M / M
			H
Action / RAG	Description	Action	Latest Update
1	Climate Change Strategy & Action Plan	Review the CC Strategy and progress of the action plan to ensure it remains appropriate and achievable	Strategy regularly reviewed every 2 years (2024) and action tracker in place. With LGR on horizon we will produce a carbon footprint report annually – 14/11/25
2	Awareness and training	Review the arrangements to ensure all staff and members are aware of the Council's strategy and policies in relation to zero carbon and general environmental awareness	The Council has achieved the bronze level for carbon literacy training for staff and is close to achieving silver to ensure staff are aware of the Council's strategy etc. Training has also been undertaken for members but limited number – 14/11/25
3	Oversight by E&S Committee	Continue to explore ways to meet a carbon neutral target and to promote climate change as an issue that needs to permeate all Council areas	Continue to undertake discussions with the Climate Change and Nature working group of members and take relevant projects to meet net zero targets to E&S Committee – 14/11/25
4	Business and service planning	Review the process for business and service plans to ensure they adequately reflect opportunities to reduce our carbon and meet other environmental targets	Service plans do have a section for addressing climate change within a services operation but there is scope to for services to consider and expand in more detail – 14/11/25
5	Maximise funding	Review opportunities to attract external funding to support our carbon neutral target	Staff attempt to obtain funding wherever possible including in conjunction with SCC and other Boroughs and Districts – 14/11/25
6	Influence property development	Subject to the approval of the Local Plan, implement the proposed supplementary planning guidance (SPD) to assist in future properties being better adapted to both heat and cold	Sustainability and climate change lead officers do review current planning applications to see if meet renewable energy requirements but once Local Plan in place and SPD adopted a more rigorous approach will be taken -14/11/25
7	Greener Futures Strategy	To build on Greener Futures climate adaptation strategy and incorporate actions into our climate change strategy	Adaptation strategy will be submitted to E&S Committee in January 2026 – 14/11/25
8	Wider emergency resilience & business continuity plans	Review the corporate emergency resilience and business continuity polices and plans to ensure they adequately reflect the implications of climate related issues	The review of emergency planning and business continuity plans are on a rolling basis and currently up to date with the exception of strategic business continuity which will be completed in the new few weeks - 14/11/25

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Corporate Assurance Register

Assurance Area: Organisational Resilience			Date of update: 14/11/25
Assurance Description: The effective and efficient delivery of Council services and responsibilities relies significantly on our workforce at every level. At all times, but especially in periods of significant pressure and uncertainty, it is critical that we have the appropriate policies, procedures, practices and interventions in place to support our workforce, to maximise its capacity and capability and to maintain high levels of morale and commitment. As well as our duties to deliver critical services, the Council has a duty of care to our workforce. The Council has seen major problems regarding the retention and recruitment of staff and a rise in wellbeing issues leading to increased absence. Whilst this is a problem that many Councils face, we have a series of significant challenges that requires a supported and resilient workforce.			
Assurance Owner: Group Head Commissioning and Transformation		Focus / Concern / Issue: Focus	Assurance Level: L / M / M H
Action / RAG	Description	Action	Latest Update
1	Maximising workforce capacity	Undertaking and maintaining an analysis of vacancies and the of agency / interims in Services to identify key gaps and pressures	Services work with HR to fill vacancies where possible and considerable work has occurred. This is continuing in terms of placing interims in key areas and is kept under constant review – 14/11/25
2	Recruitment and retention	Reviewing the options and processes for how we recruit in key areas and analysing the reasons staff leave the Council	For each post the service and HR look at the best routes to market and undertake exit interviews where staff agree to utilising the information from these to look for any improvements in how we manage staff – 14/11/25
3	Maximising workforce capability	Ensuring there is a consistent approach to 1:1s and Personal Development Reviews to identify training and development opportunities	The Council has a continuous performance management system involving regular 1:1s including quarterly review of targets and personal development needs – 14/11/25
4	Workload management	Understand workloads in Services to facilitate prioritisation and best use of available staff	Each Group Head and manager is aware of service needs and will prioritise as required and bring in interims to fill significant gaps. This kept under constant review e.g. Environmental Health – 14/11/25
5	Monitoring the morale and wellbeing of staff at all levels	Use staff 1:1s, surveys and other policies to identify areas of low morale, exhaustion and stress [this applies across the Council and at all staff levels]	Monthly staff 1:1s and manager's open-door policies or staff comments are used to identify the morale of the organisation and address it appropriately. Regular staff meetings and manager's briefings are used to help address any morale issues raised – 14/11/25
6	Minimising staff absence	Review our staff wellbeing support to ensure it provides early interventions to avoid or minimise staff absence through illness	The Council has an Employee Assistance scheme through Carefirst. Wellbeing issues are also covered in 1:1s. The Council has a structured process in place to address staff absences including sickness. Staff sickness is reported quarterly to CP&RC via the KPI report – 14/11/25
7	Managing change	Ensuring our managing change approach supports staff	The Council has already undertaken and encourages staff to attend any change management courses available via Surrey Learn and has set up courses within the Council over the next 3 months. Uptake of these courses is kept under constant review – 14/11/25

8	Mental health support	Provide training and support for staff to ensure there is a greater awareness of mental health and how and where staff can get help	Carefirst provide a counselling service which we ensure staff are aware. Some staff have been trained as mental first aiders – 14/11/25
9	Monitoring Key Performance Indicators	Review statistics for staff sickness levels, grievances, disciplinaries, dignity at work complaints to ensure policies and procedures remain appropriate and the appropriate support and interventions are identified	Staff sickness absence is monitored and reported quarterly to CP&RC via the quarterly KPI reports. HR record number of grievances/ complaints and address in line with policies. Support and interventions are put in place as required depending on circumstances – 14/11/25

Corporate Assurance Register

Assurance Area: Procurement and Contract Management				Date of update: 14/11/25		
Assurance Description: The Council procures goods and services and enters into contracts to deliver its services. It is therefore essential that we can demonstrate the achievement of value for money from those purchases and contracts to support our effective use of resources and good financial management and planning.						
Assurance Owner: Group Head - Corporate Governance and Monitoring Officer			Focus / Concern / Issue: Focus		Assurance Level: L / M / H	M
Action / RAG	Description	Action	Latest Update			
1	Procurement policy	Keep the procurement policy under review to ensure it remains appropriate and supports the effective and efficient procurement of goods and services	Procurement policies and procedures were reviewed in August 2025 and approved by Corporate Policy and Resources Committee on 13 October; further review is planned in early 2026 to align with Runnymede Borough Council – 14/11/25			
2	Training and support	Review the training, guidance and support provided for Services to ensure compliance with procurement policies and procedures	Greater working knowledge of procurement procedures is required across Services - 14/11/25			
3	Contract Procedure Rules	Review CPRs to ensure they remain appropriate and facilitate the effective and efficient procurement of goods and services	Review of Contract Standing Orders is planned in early 2026 to align with Runnymede Borough Council – 14/11/25			
4	Waiver and exemptions and compliance	Review the use of waivers and exemptions to ensure they are appropriate and authorised, and undertake periodic compliance reviews to maintain high standards of compliance	Use of automated forms is being considered to improve current process and record keeping and to increase transparency – 14/11/25			
5	Key Performance Indicators	Review the use of KPIs to ensure they are measuring the appropriate aspects of procurement and contract management that prompt corrective action where necessary	Not started. This will be considered as part of the work with Runnymede Borough Council – 14/11/25			
6	Contracts register	Review the contracts register to ensure it is up-to-date, complete and accurate to ensure prospective contractors (and other stakeholders) are aware of future contract opportunities	Accuracy of information on the contracts register requires improvement. This will be reviewed as part of the work with Runnymede Borough Council – 14/11/25			
7	Contract management	Review the guidance, training and support for contract managers to ensure we are securing value for money, the right goods and services and avoiding contract extensions	Planned from early 2026 onwards with support from Runnymede Borough Council – 14/11/25			
8	Procurement Board	Review the operation of the Procurement Board to ensure its terms of reference are appropriate and that it is delivering its intended outcomes	The Board has been in operation since the summer 2025. The Terms of Reference will be reviewed to ensure they reflect changing practices – 14/11/25			
9	Securing Social Value	Review the Council's arrangements for securing social value from its procurement and contract management arrangements	Social value is incorporated in the Procurement policy and will be reviewed as part of the work with Runnymede Borough Council – 14/11/25			

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Spelthorne BC
Governance Assurance Register – Assurance Monitoring

	Governance Assurance area	Assurance level					
		27/11/25	Jan 2026 *	Feb 2026 *	March 2026 *	Mtg 2026 *	Mtg 2026 *
1	Ensuring we address affordable housing supply and demand to meet local need.	M	M	M	H	H	H
2	Ensuring an inclusive and prosperous economy.	H	H	H	H	M	M
3	Ensuring we meet our zero carbon targets and wider environmental responsibilities.	M	M	H	H	H	H
4	Ensuring and maintaining organisational resilience.	M	M	M	M	M	M
5	Ensuring we meet our Equality, Diversity and Inclusion duties and responsibilities.	M	M	H	H	H	H
6	Ensure our programme and change management arrangements are effective to support the successful transition to the new unitary council.	M	M	M	H	H	H
7	Ensuring effective procurement and contract management arrangements.	M	M	M	M	H	H
8	Ensuring there are effective governance arrangements in place to deliver the IRP.	M	H	H	H	H	H
9	Ensuring the Council's financial management and long-term planning arrangements are effective to secure financial sustainability.	M	M	M	H	H	H
10	Ensuring the Council has robust mechanisms in place to prepare for, respond to and recover from civil emergencies and business interruptions.	M	H	H	H	H	H
11	There is a need to recognise the increasing and constant threat of a cyber-attack against the Council which could have catastrophic consequences for the loss of systems as well as reputational damage and potential financial loss.	M	M	M	M	H	H
12	There is a need to recognise the increasing threat of fraud being committed against the Council.	M	M	H	H	H	H

* Future Audit Committee dates will of course be blank initially and be completed at each meeting following a review and update of the assurance areas

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Reconciliation between Corporate Risk Register and new governance assurance areas

Current CRR Risk		Analysis / Comment	What aspects of governance are needed to address this?	New suggested 'headline' assurance wording / Assurance description
1	Housing - Addressing affordable housing supply and demand to meet local need	This is an area of strategic (and continuing) focus. Statistics should be presented and examined at the relevant Committee. This will also be overseen and managed through the Regeneration and Housing Theme in the IRP.	Key governance assurance themes: • Understanding housing demand • Engagement with Registered Providers • Ensuring professional and timely advice (capacity/resilience) • Ensuring guiding policies and procedures remain effective • Relevant Committee scrutiny is effective • Housing need assessment processes are in place and effective • Homelessness service is effective	Ensuring we address affordable housing supply and demand to meet local need. <i>It is a key strategic priority for the Council to facilitate and enable the provision of affordable housing in a period of increasing need and demand and with a reduction in suitable accommodation. This is of course a national issue.</i> <i>We have in place a range of policies, procedures and initiatives that aim to support this priority. The X Committee will receive regular reports on progress. The Audit Committee will receive reports providing assurance regarding the governance in place.</i>
2	Housing - Local Plan	The progress of this should be overseen at the appropriate Committee.	Managed at the relevant Committee.	N/A
3	Economy - National and regional threats to local economic prosperity	This is an area of strategic (and continuing) focus. Focus is on how the Council is working with businesses, Staines BID, Spelthorne Business Forum, etc., to provide business support, business rate relief etc.	Key governance assurance themes: • Having the appropriate information regarding: • Measuring footfall • Number of new businesses • Monitoring employment and unemployment figures To facilitate interventions and support.	Ensuring an inclusive and prosperous economy. <i>Having an inclusive and prosperous local economy is critical for a thriving community. The Council aims to work closely with businesses to ensure their sustainability and to support those looking for work to improve their skills and find employment.</i> <i>The Council therefore needs to ensure it has the appropriate arrangements in</i>

Appendix C

Current CRR Risk		Analysis / Comment	What aspects of governance are needed to address this?	New suggested 'headline' assurance wording / Assurance description
				<i>place to ensure how it works with partners is effective to maximise the value of the area's economy.</i> <i>The BIG Committee will monitor the specifics of the how the various initiatives are working.</i>
4	Financial Resilience and Commercial Assets - Commercial investment portfolio	Given this is a key part of the IRP, this should be incorporated into the assurances regarding the oversight and governance of the IRP and more generally in assurances on the effectiveness of financial management (new assurance area).	The governance and processes for managing the commercial investments portfolio are covered in the detailed theme in the IRP. This also links more generally to ensuring effective financial management, longer-term financial planning and asset management. A new area of strategic focus is proposed of ensuring effective financial which would cover the management of the investment portfolio.	To be incorporated into the assurance about the governance of the IRP.
5	Financial Resilience and Supporting Communities - Managing increased costs and demands for services	Again, whilst important this should be incorporated into the assurances on the Council's strategic financial planning and financial management arrangements which is covered in a new area of focus.		Reflected in a new assurance area covering financial management and planning.
6	Financial Resilience and Supporting Communities - Reducing debt	Again, whilst important this is another element of financial management and resilience, and the IRP, and therefore not needed as a specific area of assurance.	CP&R should receive information about this within specific reports and/or within general financial management reports.	N/A
7	Climate Change - Climate Change threat, impact and response	This is an area of strategic (and continuing) focus.	There are key links with this and emergency resilience, which will be a new specific area of strategic assurance. Key areas to provide assurance on could be:	Ensuring we meet our zero carbon targets and wider environmental responsibilities.

Appendix C

Current CRR Risk		Analysis / Comment	What aspects of governance are needed to address this?	New suggested 'headline' assurance wording / Assurance description
8	Climate Change - Integration into decision making and targets	Combined with 7 above	- Climate Change Strategy and action plan oversight and reporting - Awareness / communication - Oversight arrangements - Business / service planning - Funding - Data and KPIs - Influencing property development - Greener futures strategy - Wider emergency planning and business continuity arrangements	<i>Climate change poses a significant risk to society as well as the Council. It is well documented that the likelihood of severe and extreme weather events is increasing. It is therefore the Council's duty to do what it can to directly and indirectly minimise our environmental impact and ready ourselves in the event of a serious weather event. Assurances are needed therefore that appropriate strategies and policies are in place and effective, they are understood and complied with, and our emergency resilience and business continuity arrangement are in place and tested.</i> <i>Note – there should be a specific assurance theme for emergency resilience.</i>
9	Corporate Capacity, Resources, Recruitment and Retention - Corporate Capacity	Combine 9 and 10. This is an area of strategic (and continuing) focus.	Key areas to provide assurance on could be: - workforce capacity / analysis / vacancies / use of agency/interims - retention - recruitment – robust but flexible process - general workforce capability - monitoring morale and welfare (exhaustion, fragility and stress) – use of specific and general staff surveys - sickness absence monitoring and management / occupational health referrals - change management arrangements - staff wellbeing support - monitoring key performance indicators	Ensuring and maintaining organisational resilience. <i>The effective and efficient delivery of Council services and responsibilities relies significantly on our workforce at every level. At all times, but especially in periods of significant pressure and uncertainty, it is critical that we have the appropriate policies, procedures, practices and interventions. As well as our duties to deliver critical services, the Council has a duty of care to our workforce.</i> <i>The Council has seen major problems regarding the retention and recruitment</i>
10	Corporate Capacity, Resources, Recruitment and Retention - Recruitment and Retention			

Appendix C

Current CRR Risk		Analysis / Comment	What aspects of governance are needed to address this?	New suggested 'headline' assurance wording / Assurance description
			And the implications of these on organisational resilience especially during periods of significant pressure, uncertainty and organisational change.	<i>of staff and a rise in wellbeing issues leading to increased absence.</i> <i>Whilst this is a problem that many Councils face, we have a series of significant challenges that requires a supported and resilient workforce.</i>
11	Equality, Diversity and Inclusivity - Coordinated approach to legislative requirements	This is an area of strategic (and continuing) focus.	Key areas to provide assurance on could be: • Training and awareness – officers and members • EDI impact assessments • EDI champions / EDI network • Oversight of the E&D Policy / ED&I Strategy (shortly to be approved) • Procurement strategy / standard contract terms • Equal pay / gender pay gap statistics and performance	Ensuring we meet our EDI duties and responsibilities. <i>We have a duty to adhere to the Equality Act (2010). It is a priority for the Council to ensure we have workplace practices and deliver services that meet the required and expected standards to promote equal opportunities, diversity and inclusivity.</i> <i>We will seek to ensure we uphold and demonstrate our commitment to equality, diversity and inclusivity.</i> <i>We therefore need to ensure we allocate the necessary resources and harness the required skills and expertise to develop, promote and support implementation of our Equality and Diversity Policy.</i>
12	Local Government Reorganisation - Strategic decisions	This is an area of strategic (and continuing) focus.	Key areas to provide assurance on could be: • Project and programme management • Change management • HR governance – for wellbeing issues, workload management, supervision, management and leadership	Ensure our programme and change management arrangements are effective to support the successful transition to the new unitary council. <i>The recent announcement of the intended structure of local government</i>
13	Local Government Reorganisation - Managing Change	This is in effect a major project / change programme and as such assurances are needed regarding its governance – how specific activities are identified, planned, undertaken alongside normal Council		

Appendix C

Current CRR Risk		Analysis / Comment	What aspects of governance are needed to address this?	New suggested 'headline' assurance wording / Assurance description
		activity, and their delivery reported to members. Although this is a major project and change, the Council's project and change management arrangements should be followed. The CP&R Committee has the remit to examine the key issues and implications of LGR.	Communications	<i>in Surrey presents probably the biggest project the Council has faced. Whilst there are many facets to the transition into the new authority, it is in effect a project and change management programme which will rely on a robust but flexible approach to ensure success.</i> <i>It is therefore critical that the Council has the ability to manage such a major project whilst maintaining essential services and supporting our workforce.</i>
14	Response to External Audit/Best Value Inspection Recommendations - Value for Money/Audit Findings	Not a risk as such and is just part of good management that MAT needs to have assurance on. This should be picked up through a KPI (quarterly) that goes to CP&R for specific challenge and included in the process to produce the Annual Governance Statement. It is a valid report for the Audit Committee though and presented (owned) by a member of MAT.	Although not a specific inclusion in the new governance approach, this is something that should still go to Audit Committee. For the Audit Committee this is more about seeing progress rather than the specifics and therefore being assured of the process for monitoring and management the implementation of recommendations.	Removed from CRR
15	Procurement and Contract Management	This is an area of strategic (and continuing) focus. Assurance focus is having the necessary policies, strategies and procedures in place, and evidence that they are complied with, to ensure the Council procures with due regard to demonstrating best value and value for money and that its contracts are managed such that the services or goods	Key areas to provide assurance on could be: - Relevant policies and strategies - Guidance, training and support - Contract Procedure Rules / Contract Standing Orders in place that are up to date - Appropriate KPIs / statistics - Contracts register	Ensuring effective procurement and contract management arrangements. <i>The Council procures goods and services and enters into contracts to deliver its services. It is therefore essential that we can demonstrate the achievement of value for money from those purchases and contracts to</i>

Appendix C

Current CRR Risk		Analysis / Comment	What aspects of governance are needed to address this?	New suggested 'headline' assurance wording / Assurance description
		under contract are delivered on time and to the specified standard.	- Effectiveness / outcomes / influence of the Procurement Board - Securing social value	<i>support our effective use of resources and good financial management and planning.</i>
NEW	IRP [this is of such corporate significance that the Audit Committee should have assurances around the governance of how it will be delivered.]	Assurance focus should be through the governance arrangements in place for the delivery of the IRP and that CP&R will be overseeing the detailed delivery of the IRP.	Again, like LGR, this is a project and so the focus of assurances at a 'strategic' level should be around programme and change management. Significant assurance should be gained / provided from the framework that has been used to develop the IRP and then manage it. The delivery focus should be through CP&R and any wider governance issues being brought out / referred to the Audit Committee.	Ensuring there are effective governance arrangements in place to deliver the IRP. <i>The appointment of Commissioners by MHCLG has required the Council to develop an Improvement and Recovery Plan (IRP). This is a significant programme of reviews and improvements to create stability in key operational areas and address underlying financial sustainability issues.</i> <i>The IRP has its own governance framework and is overseen by the CP&R Cttee.</i> <i>It is however a major challenge for the Council and one that requires effective governance to deliver.</i>
NEW	Ensuring the Council's financial management and long-term planning arrangements are effective to secure financial sustainability.	A key focus (for any Council). Beyond the actual scrutiny of budget management is to have the necessary financial management arrangements in place. Having confidence that the necessary financial management arrangements exist, are in place and being complied with is a major source of assurance for a Council.	Key areas to provide assurance on could be: - Financial procedures and policies are in place – reserves, borrowing, investments, fees and charges etc. - Up-to-date Financial Regulations - A robust and updated MTFS - Budget setting guidance - Budget monitoring guidance - Capital strategy and programme - Financial reporting – Member scrutiny	Ensuring the Council's financial management and long-term planning arrangements are effective to secure financial sustainability. <i>Maintaining control and accountability of the Council's finances is one of our fundamental responsibilities, As such we need to have in place an effective and efficient financial management framework that enables us to manage</i>

Current CRR Risk		Analysis / Comment	What aspects of governance are needed to address this?	New suggested 'headline' assurance wording / Assurance description
		This assurance area is NOT about the actual figures – whether a budget is over/under-spending (which falls in the remit of CP&R), but it is about financial governance – the framework of policies, procedures and practices that ensure budget holders know what their responsibilities are, and are trained and supported, the financial information provided is timely and accurate (ideally alongside performance information), budget monitoring reports are produced promptly and accurately containing sufficient information to assure about also to prompt interventions to address any significant variance.	- Budget holder training / financial competency framework - Capacity and expertise of the Finance Team <i>[It would however be appropriate for the Audit Committee to receive the quarterly budget monitoring report that goes to CP&R by way of seeing the above arrangements in place and working.]</i> It would be important also not to duplicate financial challenge but to see and be assured of the arrangements in place	<i>our financial resources to meet our corporate objectives.</i> <i>The Council is under extreme pressure to demonstrate how it can manage its budget and ensure financial sustainability moving forward. Irrespective of the actual financial resources the Council has, we need to have a sound financial management framework in place.</i>
NEW	Emergency resilience and business continuity	This is an area of strategic (and continuing) focus.	Key areas to provide assurance on could be: - Corporate resilience plan in place - Service business continuity plans (up to date) - Specific ER / BC plans in place – flooding, large scale evacuations, national events - Gold, Silver and Bronze command response arrangements - Periodic testing of ER / BC plans undertaken - Lesson learned log in place - Training and awareness – general and role specific - County wide Resilience Forum arrangements	Ensuring the Council has robust mechanisms in place to prepare for, respond to and recover from civil emergencies and business interruptions. <i>This is critical to comply with our statutory duties as a Category One responder under the Civil Contingencies Act 2004.</i> <i>Having the necessary arrangements in place is also essential to ensure the Council can minimise any interruptions to the delivery of its services. There are clearly links to other key areas of assurance like our environmental responsibilities, our wider organisational resilience and dealing</i>

Current CRR Risk		Analysis / Comment	What aspects of governance are needed to address this?	New suggested 'headline' assurance wording / Assurance description
				<i>with a cyber-attack or general IT outage.</i>
NEW	Cyber resilience	This is an area of strategic (and continuing) focus.	Key areas to provide assurance on could be: • Cyber security strategy • IT policies and procedures (covering patching, penetration testing etc.) • IT security accreditations (PSN, cyber essentials / plus) • Membership of a WARP group and use of NCSC / CAF • High levels of staff awareness (covering remote working, AI, passwords etc.) • Mandatory training for officers and members • KPIs covering attack attempts, data incidents etc. • Use of simulated phishing and password cracking exercises • Incident management procedures	There is a need to recognise the increasing and constant threat of a cyber-attack against the Council which could have catastrophic consequences for the loss of systems as well as reputational damage and potential financial loss. <i>Unfortunately, local councils and the wider public sector face an increased likelihood of suffering a successful cyber-attack. We therefore need to have in place all reasonable and practical measures to prevent an attack and minimise its impact should it be successful and be able to respond and recover as quickly as possible.</i>
NEW	Countering the threat of fraud	This is an area of strategic (and continuing) focus.	Key areas to provide assurance on could be: • Anti-fraud strategy • Full suite of anti-fraud policies, procedures and guidance • Regular fraud vulnerability assessments across the Council • Effective arrangements for confidential reporting (whistleblowing) • General and role specific training and awareness for officers and members • Participation in national fraud awareness week / other initiatives and events	There is a need to recognise the increasing threat of fraud being committed against the Council. <i>The Council, and wider public sector, has limited resources and must protect them against loss or misuse through fraud, theft, bribery or corruption.</i> <i>The threats of fraud may come from a cyber-attack, insider fraud, organised crime or opportunism. It is therefore essential that the Council has a robust framework of policies, procedure and practices that minimise the chance of</i>

Current CRR Risk		Analysis / Comment	What aspects of governance are needed to address this?	New suggested 'headline' assurance wording / Assurance description
				<i>fraud being committed and in fraud incidents we are able to spot them, identify the cause, identify the perpetrators, hold them to account and importantly improve our controls if they are found to have been compromised.</i>

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Committee Report Checklist

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

Stage 1

Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing	Yes	13/11/25
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)		
Relevant Group Head review		
MAT+ review (to have been circulated at least 5 working days before Stage 2)	Yes	10/11/25
This item is on the Forward Plan for the relevant committee	Yes	
	Reviewed by	
Risk comments		
Legal comments	LH	13/11/25
HR comments (if applicable)		

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

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

Stage 2

Report checklist – responsibility of report owner

ITEM	Completed by	Date
Monitoring Officer commentary – at least 5 working days before MAT	L Heron	13/11/25
S151 Officer commentary – at least 5 working days before MAT	T.Collier	10/11/25
Confirm final report cleared by MAT	Yes	

Audit Committee

Date of meeting – 27 November 2025

Title	2024-25 Draft Unaudited Financial Statements
Purpose of the report	To inform and assure
Report Author	Ola Owolabi, Deputy Chief Finance Officer (Interim)
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Addressing Housing Need Resilience Environment Services
Recommendation	Committee is asked to: Committee is asked to acknowledge the report and the draft unaudited financial statements, which were published on the Council's website on 16 September 2025, in accordance with the statutory deadline.
Reason for Recommendation	Spelthorne Borough Council must publish a draft set of unaudited accounts in accordance with statutory deadlines. This report aims to enhance transparency regarding the council's draft financial statements for 2024/25. It also provides the Committee with an opportunity to develop a deeper understanding of the Council's accounts.

1 Executive summary of the report

What is the situation	Why we want to do something
- Local authority accounts in the UK are prepared in accordance with the Code of Practice on Local Authority Accounting, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) (“the Code”). The Code adapts International Financial Reporting Standards (IFRS) to reflect the specific financial reporting needs of local government bodies in the UK. - Under the national backstop arrangements Councils are required to publish audited Statement of Accounts for 2024-25 by 27th February 2026 - Appendix A	The Council has a statutory responsibility to formally approve the account by 27 February 2026
This is what we want to do about it	These are the next steps
Review the draft 2024/25 Statement of Accounts (Appendix A), and the note the comments.	The Committee to note the accounts and that the Statement of Accounts will need to be approved and published by 27 February 2026.

2 Key issues

Framework for Local Government Financial Reporting

2.1 In accordance with the Finance Service Team’s audit timetable, the Council published, the following items, as required on 16 September 2025:

- Commencement of the account’s inspection period
- The publication of draft unaudited 2024/25 statement of accounts
- Draft set of unaudited statement of accounts (see appendix A) for the year ended 31 March 2025.

2.2 Local authority accounts in the UK are prepared in accordance with the Code of Practice on Local Authority Accounting, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) (“the Code”). The Code adapts International Financial Reporting Standards (IFRS) to reflect the specific financial reporting needs of local government bodies in the UK.

2.3 Local government accounts include the following core statements:

- Comprehensive Income and Expenditure Statement (CIES) - recording all revenue income and expenditure for the year
- Balance Sheet – showing the value of assets and liabilities held by the Council
- Cashflow Statement – showing movements in cash and cash equivalents for the Council. Complementing the CIES and Balance Sheet which are completed on an accrual's basis.
- Movement in Reserves Statement – this is a local government specific statement. It shows how reserves have changed by removing accounting items in the CIES that are required by statute to not impact the Council's reserves, reconciling to the outturn position.
- Notes to the Accounts provide further detail on individual line items in the core statements.

3 Historical Audit delays

3.1 The timely publication of local government accounts has faced significant delays in recent years, a trend that has raised concerns about transparency, accountability, and financial oversight within the public sector.

3.2 These delays are multifaceted, stemming from a combination of internal and external factors that have created a backlog in the auditing process. Factors include, but are not limited to:

- The increased complexity of financial reporting requirements. New accounting standards and regulations, often introduced to enhance financial integrity and comparability, demand more detailed data collection and sophisticated analysis.
- A considerable strain on the external audit market. A reduction in the number of audit firms willing or able to undertake local government audits, coupled with an increase in the complexity of the audits themselves, has created a bottleneck.
- A lack of sufficient qualified financial staff within the local government sector has been identified as a contributing factor.

4 Back-stop Dates

4.1 To tackle the backlog of outstanding local government external audits, Central Government implemented a series of back-stop dates after which auditors would no longer examine accounts for overdue periods.

4.2 In response to mounting delays and pressures in the external audit market, the Government announced measures to tackle a worsening backlog in local audit and restore transparency and accountability over how public money is spent across England. Backstop dates cover the historic backlog and future audits through to 2027/28. The backstop dates are:

- Financial year 2024/25: 27 February 2026
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028.

- 4.3 If audits cannot be completed by these backstop dates the auditors typically will issue a 'Disclaimer' on the accounts. The Council was among the significant number of authorities whose previous years accounts including the 2023/24 accounts were affected. The disclaimers were reported to the Audit Committee at its meetings in January and February 2025.
- 4.4 Unfortunately, due to the lack of assurance over previous year accounts opening balances resulting from disclaimed opinions, Grant Thornton (GT) are due to issue a disclaimed audit option for financial year 2024/25 and will continue to give a disclaimed option in 2025/26.
- 4.5 The following table gives the best case scenario impact over the next two years created by the backlog position, although we will be working with the Council's external auditor Grant Thornton to develop a realistic and achievable recovery plan as part of the ongoing 2024/25 audit.

Audit Year Opinion	
2024/25	Disclaimer - The auditor does not have assurance over brought forward balances on the 2023/24 audit. This means they do not have assurance over all in-year movements. They also do not have assurance over the comparative prior year movements.
2025/26	Modified opinion or Disclaimer - The auditor does not have assurance over brought forward balances used for the 2023/24 audit. This means they do not have assurance over opening balances for 2024/25, and therefore in year movements in 2024/25
2026/27	Modified Opinion
2027/28	Unmodified

- *A modified opinion in a local government Statement of Accounts means the external auditor has concluded that the accounts are not fully accurate or reliable in all material respects, or that they were unable to obtain enough evidence to confirm part of them. It indicates that there is a significant issue affecting the financial statements, serious enough to prevent a clean (unqualified) opinion, though the rest of the accounts may still be fairly presented.*
- *An unmodified opinion in a local government Statement of Accounts means the external auditor has concluded that the financial statements present a true and fair view and are free from material misstatement. In other words, the auditor is satisfied that the accounts have been properly prepared in line with the relevant accounting and legislative requirements, and there are no significant issues that would affect their reliability, this is often referred to as a "clean" audit opinion.*
- *A disclaimer of opinion in a local government Statement of Accounts is issued when the external auditor is unable to obtain sufficient and appropriate evidence to form an audit opinion, and the potential impact of this lack of evidence is both material and pervasive. In this situation, the auditor cannot say whether the accounts are accurate or inaccurate, so they formally decline to express any opinion at all.*

5 Draft Statement of Accounts 2024/25

- 5.1 The draft (unaudited) Statement of Accounts for the financial year 2024/25 were published on 16 September 2025, in accordance with statutory requirements, and the public inspection period commenced on 16 September 2025.
- 5.2 The Council achieved an underspend of £162k on its revenue budget, which will be transferred in the General Fund Reserve following the completion of the 2024/25 Statement of Account external audit. This 2024/25 original budget was formally approved by Full Council on 22 February 2024. A reconciliation between the budgeted outturn and the net expenditure reported in the CIES is provided in Note 7 – Expenditure and Funding Analysis, located on page 54 of the accounts.
- 5.3 The Balance Sheet shows the Council's assets, liabilities, and reserves. The reserves are split into usable and unusable reserves. The unusable reserves are not available to the Council but are part of their technical accounting requirements. These reserves are not available to use for service delivery at the reporting date. These reserves arise from either:
- Statutory adjustments required to reconcile to the amounts chargeable to Council Tax in order to comply with legislation, or
 - Accounting gains or losses recognised in other comprehensive income and expenditure in accordance with accounting standards adopted by the Code, rather than in the surplus or deficit on the provision of services.
- 5.4 The Council has a negative Balance Sheet as at 31 March 2025, which means that the Council's assets are £303.2m less than its liabilities. This reflects an upward movement of £50.2m from 2023/24 due to various movements within the Council's assets and liabilities. The refinancing exercise in November 2025 will significantly improve this position.
- 5.5 The main movements on the Balance Sheet between 31 March 2024 and 31 March 2025 are summarised below:

5.5.1 Non-current Assets

- Property, Plant and Equipment has reduced by £24m primarily due to the combination of both asset revaluation and the acquisition of new assets through the capital programme. Further details are provided in Note 13 of the Statement of Accounts.
- Investment Property has reduced by £42m due to valuation movements. Further details can be found in Note 15 to the Statement of Accounts.

5.5.2 Current Assets

- Short Term Debtors have reduced by £9m due increase trade debtors and reduced provision for bad debts. Further information is available in Note 20.
- Cash and Cash Equivalents have slightly reduced by £708k to £9.1m to reflect an increase in the short-term cash investments held and reduction in bank current account due timing difference at year end. Further notes on Cash and Cash Equivalents and Financial Instruments can be found in Note 18 and 21 of the Statement of Accounts, respectively.

5.5.3 Current Liabilities

- Short Term Borrowing has reduced by £7m. Other resources has been used rather than borrowing to finance the Capital Programme in accordance with the 2024/25 approved budget and Treasury Management Strategy, and to provide liquidity to manage short-term working capital variations. Further detail can be found in Note 19 to the Statement of Accounts.
- Grants Received in Advance have increased by £2m. Further details are provided in Note 23 to the Statement of Accounts.

5.5.4 Long Term Liabilities

- Long Term Borrowing has decreased by £12m, further details can be found in Note 19 to the Statement of Accounts.
- Long-term pension liabilities have increased by £4m because of an accounting adjustment related to the application of the asset ceiling, as determined by the Scheme's actuaries, Barnett Waddingham. Further details are provided in Note 37 - Pensions, located on page 109 of the Statement of Accounts.

5.5.5 Reserves

- Usable reserves are showing a net reduction of £5m, some of which reflect the release of additional resource to address concerns raised by External Auditors in their 2023-24 report and by the Best Value Inspection report, the Council in 2024-25 is refreshing its Minimum Revenue Provision (MRP) Policy. The MRP change which takes effect in 2024-25 is with respect to the housing sites purchased by the Council, these are now treated as surplus assets and the MRP is being written down over a short period of time (in most cases 5 years). This has resulted in an additional MRP charge that impacts the Revenue outturn and has been offset by appropriation from Earmarked Reserves resulting in a reduction in reserves balances.
- Further details on the movement in earmarked reserves can be found in Note 9 to the Statement of Accounts.
- Unusable reserves have increased by £46m. The unusable reserves are not available for revenue purposes to the Council but are part of the technical accounting requirements. The unusable reserves include, for example, the pension reserve, the capital adjustment account, and the revaluation reserve. Further information on the unusable reserves is available in Note 26 to the Statement of Accounts.

6 Audit and Approval of the Accounts

- 6.1 The Statement of Accounts appended (Appendix A) to this report are draft at this stage. Following completion of the external audit procedures by Grant Thornton, the Audit Committee will be presented with, and asked to approve, the audited Statement of Accounts 2024/25 at their meeting in January 2026, in advance of the backstop date of 27 February 2026.

- 6.2 In accordance with the amended Accounts and Audit Regulations, the External Auditor is required to formally sign off the 2024/25 Accounts by 27 February 2026. The audit of the Draft 2024/25 Accounts is currently in progress and is expected to be completed by the end of December 2025. If completed within this timeframe, the final approval of the Accounts could be considered at the January or February meeting of the Audit Committee.
- 6.3 Following completion of the audit, the Chief Finance Officer will re-certify the Final version of the Accounts prior to their approval by the Audit Committee. Any significant changes between the Draft and Final Accounts arising from the audit process will be reported to Members.
- 6.4 Once the external audit is concluded, the Auditor (GT) will submit a report to this Committee. After reviewing the Auditor's report, the Committee will be asked to consider and approve the Statement of Accounts, with the Chair signing and dating the document before it is formally signed off by the External Auditors. The Auditor's findings and conclusions will also be presented through the Annual Audit Letter.

7 Implementation of 2023/24 Audit Recommendations – Summary

- 7.1 The recommendations arising from the 2023/24 Final Audit Report have now been implemented. The management actions agreed in response to those recommendations have been completed within the agreed timescales, and the improvements introduced have strengthened the overall control, governance, and financial reporting framework of the Council's year-end accounting process.
- 7.2 The implementation of these actions demonstrates the Council's continued commitment to maintaining robust financial reporting arrangements, effective internal controls, and high standards of governance.
- 7.3 The impact of these implemented recommendations will be evidenced and reflected in the 2024/25 Final Audit Findings Report, which is scheduled to be presented to the Audit Committee in January/February 2026. This forthcoming report will provide independent assurance of the positive outcomes achieved through these actions.
- 7.4 The Finance Service Team has also taken proactive steps to embed these improvements into routine financial reporting processes. These include enhanced working paper quality, strengthened review controls, and closer collaboration with external auditors, ensuring continuous improvement and sustainability of good practice.
- 7.5 The Committee can therefore take some assurance that the 2023/24 audit recommendations have been effectively addressed and that ongoing improvements continue to be monitored and refined through the 2024/25 audit cycle. Fuller reassurance should be obtained when the external audit report is in early 2026 on their Audit Findings.

8 Options appraisal and proposal

- 8.1 All significant amendments made to the first draft of the published unaudited statement of accounts, will be notified to the Audit Committee via the Audit Findings report, once the external auditors have completed their work and formed their audit opinion, as part of the statutory audit process.
- 8.2 The Government announced measures to tackle a worsening backlog in local audit and restore transparency and accountability over how public money is spent across England. Backstop dates cover the historic backlog and future audits through to 2027/28. The backstop date for the 2024/25 Statement of account is 27 February 2026.

9 Risk implications

- 9.1 Whilst there are no financial risks involved with missing the statutory deadlines, for publishing the draft unaudited statement of accounts, the Finance Team working closely with the Chief Finance Officer were keen to ensure that the Council comply with this and all our statutory deadlines and ensure that stakeholders are provided with robust information on a timely basis.

10 Financial implications

- 10.1 Addressed in the report above.
- 10.2 The Statement of Accounts provide a key summary of the financial position of the Council at a point in time.

11 Legal comments

- 11.1 Local authorities are required by the Local Audit and Accountability Act 2014 to prepare a Statement of Accounts in accordance with provisions of the Accounts and Audit (England) Regulations 2015 (as amended), the Local Government Act 2023 and the Code.
- 11.2 This report assists with Council in discharging this obligation.
- 11.3 In the event that the deadline of 27 February 2026 approval is not met, the Council will be required to publish an explanatory notice and send a copy of that notice to the Secretary of State.

Corporate implications

12 S151 Officer comments.

- 12.1 The S151 Officer have the responsibility for signing of the off the accounts. For 2024-25 additional time has been taken by the Finance team, bringing in additional external expertise, to ensure that the Team worked through the Audit Findings, including MRP, raised in 2024-25. The Budget for the Finance team was increased in 2025-26 in anticipation of the additional workload.

13 Monitoring Officer comments.

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

14 Procurement comments

- 14.1 There are no procurement considerations.

15 Equality and Diversity

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

16 Sustainability/Climate Change Implications

- 16.1 There are no climate change implications arising directly from this report. However, prudent financial reporting contributes indirectly by enabling future investment in sustainability initiatives.

17 Other considerations

- 17.1 Officers has significantly improved the format of the 2024/25 statement of Accounts to include a five-column table in the Statement of Expenditure & Funding Analysis that will enable stakeholders to see the movement for the Council approved Revenue Outturn Report to the final balances in the statement of Accounts.
- 17.2 Officers will continue to work with the Financial Reporting Working Party to prepare a summary one-page report of the Statement of Accounts.
- 17.3 Officers will provide a briefing for members of the Committee immediately before this Committee, talking through the main elements of local authority accounts and drawing out key aspects of the 2024-25 Statement of Accounts.

18 Timetable for implementation.

- 18.1 The Audited final Statement must be approved by 27 February 2026. This is in line with the revised backstop regulations published by central government in August 2024.
- 18.2 Draft 2024/25 Statement of Accounts have been provided to the Council's External Auditor (Grant Thornton - GT) for them to complete their final audit.
- 18.3 GT is expected to complete the 2024/25 audit by mid December 2025. Once the final audit has been finalised and adjustments agreed, the Statements will require approval by the Audit Committee.

19 Contact

- 19.1 Ola Owolabi, Deputy Chief Finance Officer (Interim) - O.Owolabi@spelthorne.gov.uk.

20 Background papers:

- Annual Audit Report 2023-24
- Audit Findings Report 2023-24

21 Appendix:

- Appendix A – 2024/25 Unaudited Statement of Accounts



Spelthorne Borough Council

Unaudited Statement of Accounts 2024-25



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Narrative Report

By the Chief Finance Officer

Introduction

Welcome to Spelthorne Borough Council's Statement of Accounts for 2024-25. The Council's finances are complex, and we are required by law to include a great deal of detailed information and to present it in the prescribed format which is followed in this document.

The Narrative Report presents an overview of the Council's accounts for the fiscal year ended 31 March 2025 and aims to help residents, stakeholders and interested parties understand the most significant issues reported in the accounts and how they relate to the Council's overall business and financial health. It includes comment on the financial performance and economy, efficiency, and effectiveness in the use of resources over the fiscal year, this should be considered in the context of the "Cost of Living Crisis," and associated housing crisis and the Council's Medium-Term Financial Strategy (MTFS), as set out in its Outline Budget reports.

During 2024-25, the Council was subject to a Best Value Inspection process, prompted by the Council being an outlier compared to other councils with a high level of external debt, and in March 2025 a Best Value Inspection report on the Council was published by the Ministry of Housing, Communities and Local Government (MHCLG) which recommended that ministers appoint Commissioners to drive an Improvement and Action Plan to address the Best Value directives. The Council will fully work in collaboration with the Commissioners to deliver the outcomes required by the BVI Directives, and this will reinforce the scale of savings to be driven by the Council's Improvement and Recovery Plan. On 21st March 2025, all the Surrey Councils, responded to the Government with respect to re-organisation of local government in Surrey with an interim proposal and two parallel proposals of either two unitaries or three unitaries to come into existence in

April 2027. On 9th May 2025 the Surrey Councils submitted their final proposals for unitary options. In mid-October the Surrey Councils will learn the Minister's decision on the new unitaries. Local Government Re-organisation and the Best Value related actions will shape the Council's finances moving forwards.

During 2024-25, the Council, similar to many other English councils, went through the backstop process to clear the backlog of unaudited accounts, in our case going back to 2018-19. This resulted in disclaimed audit opinions for the accounts 2018-19 through to and including 2023-24 being accepted by the Audit Committee in December 2024 for 2018-19 to 2022-23 and in February 2025 for 2023-24. However, positively with the later accounts, there was a substantial audit review and interaction which resulted in an Annual Audit Report and Audit Findings report both of which have a number of challenging recommendations for the Council which we are addressing parallel to the Best Value recommendations, as part of the Improvement and Recovery Plan.

It is important that we progress at pace in working with our auditors and the Commissioners to rebuild assurance in the accounts, so that we achieve clean audit opinions before the Council passes its assets and liabilities across to its successor unitary authority potentially in April 2027.

Basis of Preparation

These accounts are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25.

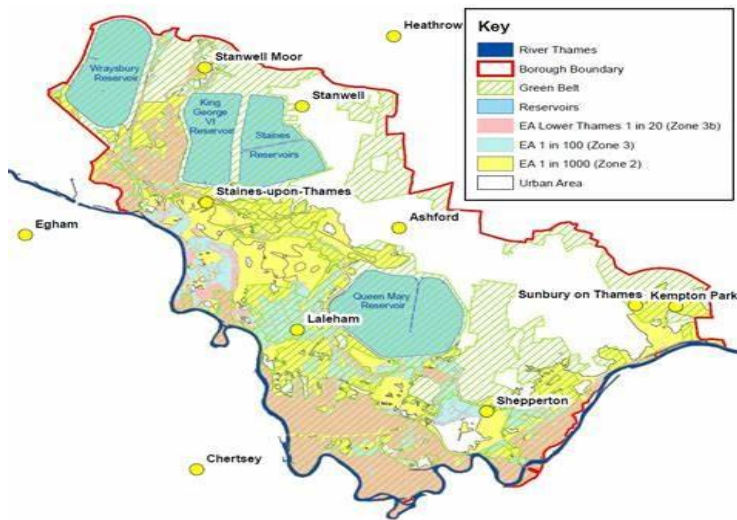
The purpose of the Statement of Accounts is to give electors, other local taxpayers, councillors, employees, central government, and other interested parties, clear information about the Council's finances – what local services have cost, how the Council pays for them and what the assets and liabilities

are at the year end. The objective is to give a ‘true and fair’ view of the financial position and transactions of the Council.

References to material and materiality relate to the significance of transactions, balances, and errors, noting that financial information is material if its omission, inclusion, or misstatement could influence the user of the accounts.

Organisational Overview & External Environment

Spelthorne Borough Council is located in the northwest corner of the current county of Surrey, and it is the only Surrey borough council located north of the River Thames which runs along its boundary. Its Council main offices are based in Staines-upon-Thames and covers Ashford, Sunbury-on-Thames, Shepperton, Stanwell and Laleham and has the highest density of population per square mile, of all the districts and boroughs in Surrey.



The Borough covers 19.75 square miles and 65% is within the green belt. 17% of the Borough is made up of water, which includes five reservoirs, supplying drinking water to most of London. 12 miles of River Thames

frontage and finally the river Ash, which rises and ends in the Borough alongside Staines Moor and Sheepwalk Lake and wetlands are sites of special scientific interest, and together with our bird reserves, sailing and other water sports, the borough is a wonderful place to live and enjoy the beautiful Spelthorne countryside.

The total population of Spelthorne according to the 2021 census (most recent available figure at time of publication) is 102,956 which is a 7.7% increase since the last Census in 2011. There are 41,085 households, a 5.8% increase from the last census in 2011, with the average household size being 2.46 people.

Our working population is almost 60% of the total population in the Borough and this is the second highest figure within the Surrey area, together with a close proximity to Central London, London Heathrow airport, the recent Shepperton Studios expansion (which has resulted in it becoming the world’s second largest film studio) and with exceptional motorway links, this makes Spelthorne an ideal place for employers to locate their business.

The latest figures available show that there are 8,580 self-employed trades and professionals many of these provide services to residents and businesses in Spelthorne and that the local economy comprises over 7,140 businesses including large employers like BP, Samsung and Shepperton Studios, which during the year completed the construction of the £500m million extension. A major economic influence on the region continues to be Heathrow with the airport directly and indirectly being the largest source of employment within the Borough.

The Borough is twinned with the French town of Melun and Grand Port, Mauritius and the Borough’s roots can be traced back to the Domesday book of 1086.

Spelthorne Borough Council is open for business and can offer a wide range of support for employers wishing to locate to the Borough.

Political Structure in the 2024-25 Municipal Year

Spelthorne has 13 wards represented by 39 Councillors. The Council held an all-out borough election on the 4 May 2023 and the current political make-up of the Council at 31 March 2025 was:

- Conservative Party 16
- Liberal Democrat Party 9
- Labour Party 6
- Independent Spelthorne Group 6
- Greens 2

The Council operates the Committee system of administration, and this has led to a wider engagement of the whole of Council, since its inception of the Committee system in May 2021.

On 25 May 2023 Cllr Joanne Sexton became Leader and Cllr Chris Bateson became Deputy Leader.

Under the Committee system the Leader and Deputy Leader are non-executive roles, and they act as Chair and Vice Chair of Corporate Policy and Resources Committee.

Management Structure

Supporting the work of councillors is the organisational structure of the Council headed by the Corporate Management Team, led by the Chief Executive Mr Daniel Mouawad.

The Corporate Management team consists of:

- Chief Executive
- Deputy Chief Executive / Chief Finance Officer
- Deputy Chief Executive

The Corporate Management Team is responsible for the delivery of Council services, directing improvements and future plans for Spelthorne. It provides managerial leadership and supports Councillors in:

- developing strategies
- identifying and planning resources
- delivering plans; and
- reviewing the Council's effectiveness with the overall objective of providing excellent services to the public.

The Corporate Management Team are supported by the following Group Heads and senior managers:

- Group Head of Assets
- Group Head of Commissioning and Transformation
- Group Head of Community and Wellbeing
- Group Head of Corporate Governance (Monitoring Officer)
- Group Head of Neighbourhood Services
- Group Head of Place, Protection and Prosperity

As at the end of March 2025 the Council employed 409.38 FTE equivalent staff (2023-24: 410.86 FTE). This number will drop from the 1st of April 2025 with the Family Support service employed by the Borough Council coming to an end on 31st March.

Cost of Living Crisis

The financial year 2024-25 has been a demanding one for both the Council and its residents as the impact of the cost of living and housing crisis continued. Whilst interest rates have now started to fall, there are still very significant housing pressures with a significant increase, compared to a few years ago, in the number of households approaching the Council seeking homelessness support. In turn this has increased the need to source temporary accommodation which has been in part addressed through

acquisition of properties part funded from Local Authority Housing Fund (LAHF) capital grant.

In the context of these issues the Council achieved better than anticipated local tax collection rates, achieving 97.4% (2023-24: 97.56%) for Council Tax and 97.9% (2023-24: 99.07%) for Business Rates. These outturn rates were better than we anticipated during the year and reflect a good performance by the Council’s Customer Services team.

The cost of living crisis and the associated housing crisis is impacting hard on the Council’s net expenditure budget, as the Council anticipate additional demand for homeless support, with mortgage interest rates having risen significantly and although now falling are still higher than a few years ago and residents, come out of low interest fixed mortgages to renegotiate new mortgages at higher interest rates, which are putting a squeeze on family finances and impacting on landlords’ decisions.

2024-25 Budget

In 2024-25 the total gross budgeted expenditure was £63.1m (2023-24: £60.0m) this is excluding non-cash cost of services such as depreciation, impairment costs and pension adjustments. Of this, the Council budgeted to pay out approximately £21.6m in housing benefit to many residents in the borough on low incomes, this money is repaid by the government subsidy.

Revenue spending is mainly on items that are consumed in the financial year and is financed from Council Tax, government grants, contributions from non-domestic rates and charges for services.

On 22 February 2024, the Council approved a budget requirement of £14m funded from Council Tax and grants, which delivered a balanced General Fund Revenue Budget for 2024-25 as shown in the table below:

Revenue Budget	2024/25
	£'000
Net Expenditure	14,026
Funded by:	
Council Tax	(8,728)
Retained Business Rates	(1,929)
Grants	(3,469)
Collection Fund Deficit	100
Total Funding	(14,026)
General Fund Revenue Budget	
	0

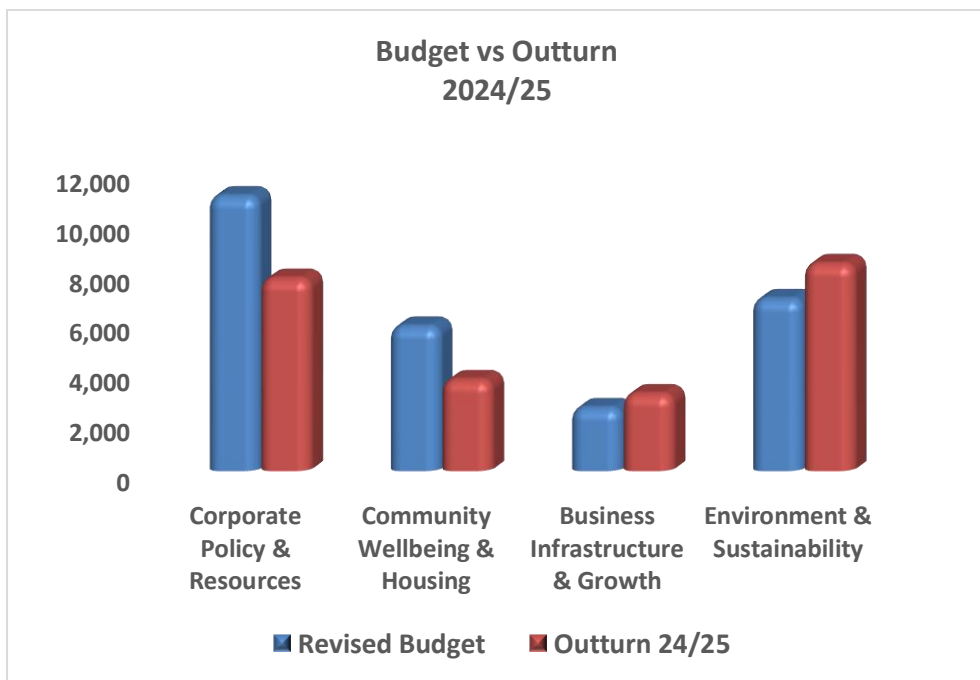
Revenue Outturn for 2024-25

The provisional revenue outturn position for the 2024/25 financial year is a net underspend of £162k against a net revenue expenditure budget of £17.17m (0.9%). The changes when compared with the Quarter 3 forecast is due to combined management action to reduce expenditure, additional government grants, and a net grant balance being removed from the creditor balance.

The 2024/25 (Q4) provisional underspend (compared to the forecast outturn position in Quarter 3) has arisen for the following reasons:

- unspent Local Authority Housing Fund (LAHF) Revenue Grant, Prevent Homelessness, Home Office Asylum Dispersal grant, Afghan Scheme Grant funding, Homes for Ukraine Grant funding, Department for Work and Pensions Housing Benefit Implementation of welfare reform changes, etc. grants, which officers are recommending, is transferred to Earmarked Revenue Reserves, to cover future expenditure meeting the criteria of the grants.

- the net balance remaining after the various business support grants advanced to the Council during the pandemic and paid out to local businesses. This is provisional and subject to audit but following extensive review of exchanges with Department for Business, Energy & Industrial Strategy (BEIS) we are satisfied that there is no outstanding balance due to BEIS.
- additional interest received, due to higher than predicted interest rates on the overnight money markets and inter local authority lending market. This also relate to the drawdown of pooled funds which enabled rates of 5-6%.
- National Non-Domestic Rates Surplus on the Collection Account that was due to timing differences.



The Council achieved an underspend of £162k on its revenue budget which will be transferred into the General Fund Reserve at the end of 2024-25.

Comparison of Revenue Budget to Revenue Outturn	Revised Budget 2024/25	Revised Outturn 2024/25	Variance
	£'000	£'000	£'000
Gross Expenditure	63,118	76,618	13,500
Gross Income	(36,859)	(53,848)	(16,989)
Net Expenditure	26,259	22,770	(3,489)
Investment Property Income	(50,947)	(49,496)	1,450
Landlord Costs	6,828	6,172	(656)
Interest Earnings	(2,252)	(3,186)	(934)
Debt Interest Payable	24,933	25,681	747
Minimum Revenue Provision	12,919	12,707	(212)
Set Aside	650	650	0
Sale of investment Loss/(Gain)	0	(215)	(215)
Capitalisation of Interest on Development Properties	(1,218)	(211)	1,006
	17,172	14,870	(2,302)
Financed by:			
Grants and contributions	(2,095)	(2,111)	(17)
Planned Use of Reserves	(3,146)	354	3,500
Net Receipts from Business Rate	(3,204)	(4,547)	(1,343)
Council Tax (Demand on Collection Fund & Surplus)	(8,728)	(8,728)	0
Provisional Outturn Underspend	0	(162)	(162)

The Council in response to the financial challenges imposed by the pandemic, whose impact on the economy was beginning to wane, only to be replaced by a cost of living crisis, has pro-actively engaged with the tenants of its commercial properties. Overall, the Council managed to achieve a very good collection rate collecting for 2024-25 of 98.8% to date, (2023-24: 99.09%) of the rents on commercial properties invoiced in the year.

The Council periodically employs external experts to review the performance of its investment asset performance and Jones Lang LaSalle (JLL) reported to the February 2024 Development Sub-Committee on the Council's investment assets portfolio. Whilst the JLL report highlighted challenges and risks ahead, it also highlighted that the portfolio is well managed and well positioned to benefit from future upturn in the market. With a portfolio of investment properties of this scale there are however risks around the ability to manage future churn of lease breaks and renewals, and this will be one of the key areas of risk the Commissioners will be working with the Council to review and mitigate.

In order to mitigate the risk of dips in rental income arising when commercial tenants leave; the Council has built up over eight years sinking fund Earmarked Reserves balances which as at 31 March 2025 totalled £26.3m (2023-24: £35m) in order to insulate the Council's Revenue Budget and Council taxpayers from any significant dips in rental income. This reduction in the sinking fund reserves' balance is acknowledged but it was anticipated as there was some churn in tenants during 2024-25 and a need to apply some of the sinking funds for the purposes they were set aside for. However, during the year the Council made good progress in filling voids including at Hammersmith Grove 12 and Elmbrook House in Sunbury. With regard to Elmbrook House, we are expecting in early 2024-25 to return to it being 100% let.

As part of addressing concerns raised by the External Auditors in their 2023-24 report and by the Best Value Inspection report, as part of the close of accounts process for 2024-25, it includes writing off fully accumulated capitalised costs relating to abortive housing schemes on sites owned by the Council. The amount written off totalled to £15.05m. The write off impacts on the 2023-24 Revenue Outturn and has been offset by drawdowns from a number of Earmarked Reserves. As the decision to abort the schemes was made by Council in October 2023, the adjustment has been made to a prior year adjustment in 2023-24. This has had the effect of reducing Earmarked Reserves by £15.05m.

Capital Expenditure

The Council's capital expenditure plans must be prudent and affordable in the longer term and the Council adheres to guidance set out in the CIPFA Prudential Code for Capital Finance in Local Councils, which has legislative backing. Whilst it has taken the view that it will use capital receipts and seek grants (particularly LAHF) to limit borrowing in the future for specific capital projects. The use of LAHF grant to acquire temporary accommodation will help significantly ease revenue pressures on the Council's homelessness budget by more than £3m per annum. Once the new leisure centre is completed, the Council's capital expenditure will significantly reduce further.

The Capital Programme is prepared on a 4-year rolling basis and is reviewed every year. The Capital Programme consists of the new leisure centre construction project, LAHF housing units' acquisitions, renovation and renewal grants made to individuals and tenants of housing associations, and non-housing activities including information technology, vehicle replacement and improvements, including carbon reduction initiatives of major assets.

Total gross capital expenditure in 2024-25 was £33m (2023-24: £41m restated) and a breakdown of the assets making up this spend can be found in note 35. The majority of this related to financing of the new leisure centre in Staines, which has been completed to the demanding environmentally friendly Passivhaus specification, making it the largest wet and dry facility of its kind in the world.

The following statement shows the total gross capital expenditure for the year and how it has been financed:

Capital Financing	2023/24	2024/25
	£'000	£'000
Total Capital Expenditure	41,142	33,118
Financed by:		
Capital Receipts	0	0
Capital Grants and Other Contributions	(4,467)	(12,081)
Revenue Resources	(1,599)	(357)
Borrowing	(35,076)	(20,680)
Total Capital Financing	(41,142)	(33,118)

Future capital expenditure is as follows:

Capital Programme 2024/25 to 2027/28	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28
	£'000	£'000	£'000	£'000
Net Programme by Committee:				
Community Wellbeing & Housing - DFG	60	60	60	60
Environment & Sustainability	2,180	1,165	0	0
Neighbourhood Services	335	0	0	0
Corporate Policy & Resources	23,694	1,682	1,579	173
Regulatory & Administration	783	521	0	0
Total	27,052	3,428	1,639	233

Future resources for capital expenditure are as follows:

Capital Financing 2024/25 to 2027/28	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000
Capital Receipts, CIL, S106 Funding and Grants	4,312	310	310	233
Lease Funding for Refuse Vehicles	850	850	850	0
Borrowing	21,890	2,268	479	0
Total	27,052	3,428	1,639	233

The Council's strategy for financing capital expenditure focuses on projects that generate ongoing income or revenue savings, such as housing units developed under the LAHF. Funding for these projects is drawn from a combination of prudential borrowing, maximising available grant funding (e.g. LAHF) and utilising capital receipts, particularly for smaller housing-related initiatives. To further strengthen capital reserves and reduce external debt, the Council is also reviewing potential asset disposals in consultation with the Commissioners, as part of a planned comprehensive asset disposal programme as one element of the commercial theme within draft the Improvement and Recovery Plan due to be approved by Council in October 2025.

General Fund Capital

Capital expenditure is expenditure on non-current assets that have a life expectancy of more than one year and benefit not just current but future taxpayers within the district. The assets are usually funded from grants, reserves built up over a period of time or from borrowing. Capital expenditure forms a large part of the Council spending on the provision of services and, in line with the Council revenue budget setting process, the Capital Programme for 2024/25 was compiled to maximise and make the best use

of the available funding to deliver projects that contributed towards the key priorities of the Council.

The provisional Capital Outturn for the General Fund Capital Programme for 2024/25 is an overspend of £463k, this represents an adverse 0.7% variance.

During 2024/25, apart from the completion of the new leisure centre in Staines upon Thames, the following projects have also been completed:

- Renovation of Ashford Cemetery Lodge for housing needs
- Centros financial system upgrade
- Purchasing new food waste vehicles
- Replacement of refuse vehicles
- Introduction of electric Spelride buses and moped vehicles, adding to our electric fleet of pool cars
- Replacement of Laleham Nursery portacabins at Laleham Park
- Construction of a new broadwalk along the southern side the River Ash in Woodthorpe Recreation Ground in Ashford

The Capital Monitoring report covers the cumulative actual expenditure to date, taking into account a number of projects that take more than one financial year to complete, against the cumulative Council approved Capital Programme budget and compares this against the latest forecast outturn from Officers. Although the projects may have a budget allocation in the Capital Programme, any increases in budget will require prior approval by the Corporate Policy & Resources Committee and Council before drawing down on the budget.

A number of construction projects have taken longer than twelve months post completion to finalise the invoice for each development, due to protracted negotiations with the main contractor. It is anticipated that further reductions and/or deferrals of budget will be made in the forthcoming year. Such deferrals would reduce the borrowing costs incurred during 2025/26

and also delay the resultant Minimum Revenue Provision (MRP) charges into future years. The scale of the Capital Programme from 2025-26 onwards is significantly reduced with minimal requirement for any further external borrowing.

Capital Strategy and Assets

In February 2025, the Council approved its updated Capital Strategy:

[\(Public Pack\) Agenda Document for Council, 27/02/2025 19:00](#)

The Strategy outlines the Council's housing delivery and regeneration joint venture and place shaping programme for the Borough.

The Council as at the 31 March 2025 had an investment asset portfolio valued at £582.95m (2023-24: £625.21m) and receives a commercial rental income stream as set out in the table below. In the context of the economic impact of the cost of living crisis it was not surprising that the property valuations further dropped by 6.75 % (2023-24: 20.07%). As at the end of 2024-25, the overall occupancy rate for the Council's commercial assets was 90.99% (2023-24: 89.37%) by floor area.

The table below demonstrates that after debt financing and setting aside prudent provisions for future refurbishment of the assets, the net commercial return of approximately £8.7m (2023-24: £7.2m) provides additional funding to support the provision of services to residents.

Investment Property Analysis	Budget 2024/25	Actual 2024/25	Budget 2025/26
	£'000	£'000	£'000
Rental Income	(46,872)	(46,275)	(46,177)
Other Income	(4,075)	(3,221)	(2,247)
Total Income	(50,947)	(49,496)	(48,424)
Landlord Costs	6,828	6,172	7,224
Minimum Revenue Provision (MRP)	12,379	12,379	12,688
Interest on Borrowing	23,102	23,103	22,864
Sinking Funds - contributions to	834	1,251	1,003
Set Asides for Specific Revenue Purposes	650	650	670
Net Cost before Reserves Usage	(7,154)	(5,941)	(3,975)
Sinking Funds - release from reserves	(2,850)	(2,850)	(6,054)
Net Income (to fund Revenue Budget)	(10,004)	(8,791)	(10,029)

The explanation of variances for 2024/25 is provided in the property portfolio section on page 14.

The Council's diversified treasury management portfolio continued to produce good returns. However, during 2024-25 the Council made the strategic decision to draw down these funds and by 31 March only a balance of £2.9m in its CCLA fund remained. This decision was made primarily to enable the Council to avoid undertaking external borrowing at relatively high rates for the balance of the construction costs of the new Eclipse Leisure Centre.

Addressing concerns raised by External Auditors in their 2023-24 report and by the Best Value Inspection report, the Council in 2024-25 is refreshing its Minimum Revenue Provision (MRP) Policy, most of which will have an impact on the Revenue Budget from 2025-26 onwards. The MRP change which takes effect in 2024-25 is with respect to the housing sites purchased by the Council, these are now treated as surplus assets and the MRP is being written down over a short period of time (in most cases 5 years). This has resulted in an additional MRP charge of £6.5m as analysed below. This impacts on the Revenue outturn and has been offset by appropriation from Earmarked Reserves resulting in a reduction in reserves balances. Further information on the net book value of surplus assets can be found in Note 13.

Surplus Asset - Additional MRP	2024/25
	£'000
Oast House	3,836
Thameside House	1,712
Benwell House Phase 2	9
Whitehouse Residential	9
Victory Place	996
Total	6,561

Financial Strategy Review

This Financial Strategy sets out the overarching framework for financial governance, planning and management. The aim is to ensure robust, affordable, sustainable and best value financial plans are developed to support decision making and prioritise the use of available resources.

Local Government continues to face an increasingly complex range of challenges and continuing pressure on finances including reduced funding, increased cost pressures and increased but competing demand for services.

The Council Medium-Term Financial Strategy (MTFS) sets out the estimated financial resources that are needed and available for the Council to deliver its key priorities and the Corporate Plan. Since the last MTFS was agreed by Council, a number of factors continue to affect the financial outlook for the Council. Following on from a decade of the Government austerity measures and underfunding, increasing demand, the war in Ukraine, has led to an increase in inflation, with the cost of living crisis notably around food, fuel and utility prices across the country impacting on residents and Council budgets. Although the base rate is now reduced in line with Bank of England targets, the cumulative impact of higher inflation over the past year remains a pressure on Council budgets. As part of the Improvement and Recovery Plan due to be approved in October 2025 by Council, the Council is undertaking a fundamental refresh of its Medium-Term Financial Strategy and Plan.

Every year, Council reviews its Reserves Strategy, which sets out the purposes for which it holds reserves and how some of those reserves will be used to provide additional resilience to help the Council meet both its current and future challenges, including cost of living crisis, and inflation. As at the 31 March 2025 the Council held £58.46m (2023-24: £63.36m) in cash backed reserves.

The Council's reserves increased steadily in recent years in the years to 2023-24 because of the prudent strategy to build up its sinking fund reserves to ensure that the Council has sufficient funds set aside to meet potential future dips in its commercial income, assist with the refurbishment and modernising of our properties and provide sufficient funds to develop our housing strategy. As a flagged earlier, in 2023-24 a prior year adjustment has been made to reserves to offset the impact of writing off accumulative abortive capitalised costs in 2024-25 overall cash backed reserves by a net £15.05m to £58.46m. This was also due to various factors including the £2.9m credit balance set aside to cover any repayment of COVID grant funds to Government being released to reserve, offsetting addition MRP charge of £6.5m.

The Council declared a Climate Change Emergency in October 2020 and addressing the challenges of climate change will increasingly impact on the Council's financial strategy. For our residential and service developments we are seeking to build in best environmental practice, for example building to the Passivhaus standard for the Eclipse Leisure Centre. This increased the cost of upfront capital investment but will reap longer term revenue benefits through constraining rising energy costs.

Spelthorne Borough Council Property Portfolio

The commercial portfolio is wholly owned by Spelthorne Borough Council and sits on its balance sheet. The Council acquired the commercial properties during the period 2016 to 2018 primarily for income to support the delivery of front-line services in response to Government grant funding being removed. One of the Council's key corporate priorities is financial resilience. This means the prudent management of Council finances and resources to secure the long-term financial sustainability of the Council to protect its ability to deliver services for residents. Even with Local Government Reorganisation in Surrey this continues to be a key priority as the successor unitary will want reassurance that financial risks are being appropriately mitigated. The Best Value Inspection report highlight significant medium to long term risks for the Council of holding its investment assets portfolio. As part of the Improvement and Recovery Plan due to be approved by Council in October 2025, the Council will evaluate each of its investment assets to inform a medium term disposal programme.

The Assets team produce the Asset Investment Strategy (AIS) at the beginning of the financial year which focuses on the key priorities and initiatives over the forthcoming 12 months and is a summary of the strategy approved within the Business Plans for the individual properties. As such the Annual Commercial Property Report is a backward-looking review and measures the performance against targets set at the beginning of the financial year and the KPI's.

ASSET MANAGEMENT STRATEGY

Asset Management Plan (5 year portfolio plan)

Business
Plans
(Annual)

Asset
Investment
Strategy
(Annual)

Investment
Report
(Annual &
Six Month
Review)

Sinking
Fund
Monitoring
(Quarterly)

Development
Delivery
Strategy
(Annual & Six
Month review)

Budget
Monitoring
(Quarterly)

The commercial properties are held into two distinctive portfolios: investment and regeneration. Both portfolios are independently valued annually at the 31st of March to comply with the Council's accounting obligations. Knight Frank LLP were appointed, following a competitive procurement process, to undertake the annual valuation for the year ending 31st March 2025. This is a new appointment, with Knight Frank LLP awarded the 3-year contract taking on the role from Carter Jonas LLP. The change in valuer is in line with audit and governance good practice guidelines. Knight Frank as the incumbent valuer have taken an objective view of the properties, however, typically there is often a re-adjustment of values when a new valuer is appointed because there is no need for the valuer to justify movement on last year's values.

At the 31st March 2025 Knight Frank LLP valued the portfolios. The commercial properties portfolio is valued on a market value basis in accordance with the RICS Professional and Global Valuation Standards.

- The total value of the Council's commercial properties portfolio as at 31st March 2025 is £623.85m.

- The investment portfolio declined in value by 5.30% whilst the regeneration portfolio increased in value by 11.78%.
- Overall, the total portfolio declined in value by 4.08% compared to 31st March 2024.
- The Elmsleigh Shopping Centre, the only retail asset in the portfolio increased in value for the second consecutive year.
- No properties were bought or sold during the 12-month period.

The total value of the Council's property portfolio decreased over the last 12 months by 4.08%. This compares to a combined portfolio decrease of 16.20% for the previous 12 months to 31st March 2024. Whilst the aggregate portfolio saw a moderate decrease, six of the eleven properties increased in value. The regeneration portfolio, being the in-Borough properties acquired primarily for regeneration rather than income performed well with the combined portfolio increasing by 11.78%. The investment portfolio decreased in value by 5.30%. This was largely due to the fall in value of the single let properties with lease expiries within the next five years. The portfolio valuation demonstrates a moderate recovery of some asset values. It accords with the general view that during 2024 the property market reached its cyclical low point but is now turning a corner.

The Council's budget setting process involves forecasting the income generated from the commercial properties portfolio for the upcoming financial year and the irrecoverable expenditure. On an annual basis forecasts are provided for the next 5 years together with a detailed budget for the next 12 months. Budget setting takes place in the autumn/winter prior to the 1 April start of the financial year.

The commercial properties benefit from a contractual income stream governed by the rent agreed under the lease. Whilst the lease contract allows the Council to budget the net receivable income with some accuracy there is an element of unpredictability and risk due to tenant default, insolvency, rent reviews, lease renewal negotiations or the exercise of break options. The net receivable income and the irrecoverable expenditure are

monitored on a monthly basis and reported quarterly to Committee Members throughout the financial year. The budget forms the benchmark, and the Council seeks to exceed the budget expectations on net income and underspend the non-recoverable revenue target.

- The Council received a net rental income of £49.50m from the commercial properties portfolio for the financial year ending 31st March 2025 against a forecast budget of £50.9m.
- The income was less than budget by £1.4m or 2.85%. The shortfall was due to the timing issue of the release of the £4m business rates provision at end of 2023/24 rather than in 2024/25 for Charter Building but is offset by adjustment on income for rent free periods. Furthermore, some forecasted lettings did not complete as anticipated at Elmbrook House. The income at 12 Hammersmith Grove is under-budget due to the lower than forecast profit share generated by one of the leases.
- The operating costs were slightly lower than forecast by £0.66m or 9.6%. The favourable variance relates to landlord's fit out works, which did not happen due to a reduction in number of new lettings in 2024/25. There is also underspend on business rates as full empty rates allowance was applied.
- Overall, the commercial properties provided a net income (income less expenditure) of £43.3m before finance costs, management set aside and sinking fund movements. This was less than forecast by £0.79m as a result of lower rental income. Whilst lower than budget by 1.80%, the Council did not undertake any large refurbishments during the current financial year which explains the lower expenditure and the higher final outturn than the previous financial year.
- A net income (after finance costs, management set aside and sinking fund movements) of £8.8m was transferred to the revenue budget to support service delivery.

Over a three-year period, the Council has been committed to deliver a net contribution of £10.8m. Over the last three years an average of £8.9m has been transferred to the revenue budget, which is below benchmark. Going forward, arrangements will be reviewed as part of the Improvement and Recovery Plan with a medium term disposal programme to be undertaken and a re-purposing of the Sinking Funds Reserves.

In summary the portfolio performed in line with the wider office market and budget expectations. The Council had anticipated that the office market would make a stronger recovery and as a consequence a number of forecasted lettings did not materialise. Nevertheless, the net property income (before sinking fund deductions, loan, and interest re-payments) was better than forecast; the void rate saw a reduction on the financial year 2023/24 and rent collection was 98.84%. The Elmsleigh Shopping Centre performed very well demonstrating rental and capital growth and remaining fully let.

Overall, the office investments saw a moderate fall in value (5.30%) consistent with the South East office market. The fundamentals of the properties within the Spelthorne portfolio remain strong, being best in class and well located, therefore the properties are well placed to benefit from the improvement of the occupational market. Ongoing capital expenditure will be needed to retain their position, to prevent obsolescence and maintain high occupancy rates. The high office weighting is expected to detrimentally affect the future performance comparative to other mixed sector portfolios over the next five years. This is because the recovery of the office sector will be slower, with performance lagging behind the retail and industrial sectors. Going forward the challenge will be to reduce the vacancy rate to improve the rental income and lower operational expenditure and also mitigate the risk associated with the current lease expiry profile. The future strategy for managing the portfolio will align with the wider Council remit for ongoing financial resilience and will be in collaboration with other Surrey Boroughs as progress is made towards a unitary authority.

Pensions

International Accounting Standard *IAS 19 Employee Benefits* requires councils to provide clear information on the impact of the Council's obligation to fund the retirement benefits of its staff. Information has been received from the Actuary on the latest position as at 31 March 2025, showing a surplus of £13.507m for this Council, (2023-24: £6.151m (deficit)) and the favourable movement is principally due to strong investment returns and interest income from plan assets. The financial assumptions used by the Actuary to calculate the future liability – such as those for inflation and discount rates – are set-out in the pension liability disclosure note 37.

It must be emphasised that this calculation has been made for the specific requirements of IAS 19 and should not be used for any other purpose. The valuation report from the actuaries for the latest triennial Valuation as at 31 March 2022 valuation confirmed an increase in both the primary and secondary contribution employer rates for Spelthorne to take effect from April 2023, in part the increase in rates reflect the growth in number of staff employed by the Council since 2019. The Council decided to spread the cost of the secondary contributions (past service) over next three years. This limits the Council's ability to realise the full economic benefits through reductions in future employer's contributions. Furthermore, under IAS 19, the International Financial Reporting Interpretations Committee (IFRIC 14) requires a net pension asset to be recognised up to the level of the asset ceiling. This is calculated by the Actuary based upon discount rates and a number of forecasts such as salary estimates and employer contributions to the pension fund.

The net pension asset has been adjusted to reflect the valuation provided by the Actuary which incorporate the asset ceiling, creating a net liability on the balance sheet. Further explanation can be found in note 37 of the Accounts. Although the IAS 19 pension asset/liability has a significant impact on the Council's balance sheet, the valuation methodology is affected by short-term economic market conditions and is not used to determine the impact on

Council Tax of the cost of paying pensions. There are separate statutory arrangements for determining future contributions into the pension scheme.

Borrowing

During the year, the Council hasn't taken any additional external long-term borrowing. As flagged above as an alternative to locking in additional borrowing, the Council has drawn down its pooled investment funds. In October 2024 the Council took the decision, that rather than take out additional debt to finance the balance of the capital cost of the Eclipse Leisure Centre, it would draw down the medium-term investment pooled funds. By the end of the year, outstanding long-term debt stood at £1.042m (2023-24: £1.054m). Total aggregate financing charges on long-term borrowing, before deducting capitalised interest on development projects and interest received from the Council subsidiaries, amounted to £25.9m (2023-24: £25.4m). These were more than covered by additional income generated by the assets acquired with this loan funding over the years.

On 18th March an Extraordinary Council Meeting agreed to sell the regeneration site the Summit Centre for £20m and the Ashford Victory Place housing site for £5.2m (receiving as part of the deal 30 nomination rights to affordable housing units). The capital receipts generated will be applied to accelerate the pay down of debt held by the Council. Due to the discounts available on the Public Loans Board Debt the Council holds, if the capital receipts are fully applied to pay off debt this will potentially enable slightly over £27m of debt to be repaid. The completion of the two sales is expected in autumn 2025. This is the first step in a broad housing/regeneration assets disposal strategy designed to facilitate an accelerated rate of debt reduction.

A key strategic decision taken during the year, was the decision in October 2024 by Council to draw down the £34m of medium term investment funds, avoiding the need to take out external borrowing, at a time interest rates are high to finance the balance of the Eclipse Leisure Centre capital project. One consequence of this is that the Council's revenue returns will be reduced.

Local Government Reorganisation (LGR) in Surrey

On 18 March 2025, the Council approved the Joint Interim Local Government Reorganisation Plan. This Plan, drawn up by all councils in Surrey (county, districts, and boroughs), was subsequently submitted to the Ministry of Housing, Communities and Local Government (MHCLG). At its meeting on 6 February 2025 the Council expressed a preference for three unitary authorities regarding the future structure of local government across Surrey.

Since that time Surrey County Council (SCC) has focused on developing a proposal for two unitary councils across Surrey, while the eight Districts and Boroughs (D&Bs) which did express a preference have focused on developing a proposal for three unitary councils.

Spelthorne Borough Council Leader has sat on the Surrey Leaders Local Government Steering Group overseeing the development of the Interim and Final submissions. The Chief Executive, Section 151 Officer (Chief Finance Officer), the Monitoring Officer and Head of Communication have met regularly with counterparts across Surrey, being heavily involved in the composition of the Plans. The Council has a stated ambition to “review our ways of working to make us more efficient, effective, and to improve customer satisfaction.” The Government has stated that Local Government Reorganisation (LGR), whereby new unitary councils will replace the county and district/borough councils in two-tier areas such as Surrey, will be more efficient and effective, in addition to improving customer satisfaction.

The Districts Borough proposal supported by 9 of the districts and boroughs sets out our shared vision for the future of local government in Surrey that will drive economic growth, deliver housing, and improve value for money, while respecting our residents’ stated desire for a set of Councils that recognise local identities, and are close enough to communities to enable the place-based solutions that are so critical to delivering best value.

The proposal paves the way for the creation of a Mayoral Strategic Authority for Surrey, led by an elected Mayor of Surrey who will work alongside local leaders to support a strategic and coordinated vision across the county, opening up the opportunities to take advantage of the Government’s devolution offer to further improve outcomes for the residents and businesses of Surrey.

The proposal outlines six essential principles for local government reorganisation, ensuring that it:

- Supports economic growth, housing, and infrastructure delivery
- Unlocks devolution
- Values and advocates for Surrey’s unique local identities and places
- Provides strong democratic accountability, representation, and community empowerment
- Secures financial efficiency, resilience, and the ability to withstand financial shocks
- Delivers high-quality, innovative, and sustainable public services that are responsive to local needs and enable wider public sector reform

Having robustly and comprehensively considered each of these principles, nine of the Surrey districts and borough councils have concluded that three unitary authorities are the best configuration for Surrey. These new councils, East Surrey, West Surrey and North Surrey, are more than just lines on a map. They reflect the county’s real economic and human geography. They reflect the lived reality of our residents, and the practical considerations of our businesses.

More information is available using this link:

[Local Government reorganisation](#)

Best Value Inspection

In May 2024, following on from the Chartered Institute of Public Finance and Accountancy (CIPFA) review in the previous year, the Minister announced a Best Value Inspection (BVI) to review the extent to which the Council was delivering against the Best Value standards. The BVI review was originally intended to finish by 31 August 2024 but was extended due to the impact of the timing of the General Election leading to a delay in appointing the third and fourth Best Value Inspectors. The Review concluded at the end of January 2025, and the Government published the BVI report in March 2025. The BVI Report sets out 13 Recommendations as follows:

1. **Commissioner-led intervention:** The Secretary of State should consider appointing Commissioners with expertise in finance, commercial investments, property, and transformation to oversee the Council's recovery process and ensure effective governance.
 2. **Comprehensive commercial strategy:** The Council should, with Commissioners' support, develop a comprehensive commercial strategy, with clear approaches to its investment and regeneration portfolios, including exit strategies for the commercial investments and realistic and deliverable strategies for the regeneration sites. Progress reported regularly to Committees, alongside an annual report to full Council. The sinking fund should be updated with more accurate income and expenditure forecasts, with adequate provisions made for future costs.
 3. **Review and strengthen asset's function:** The Council should, with Commissioners' support, review its assets function, ensuring that it has the necessary skills and experience to manage the high risks associated with its investment and regeneration portfolios. Consultants should be used more effectively.
 4. **Review of MRP provision and accounts treatment for suspended capital projects:** The Council should urgently review its current MRP provision with its external auditors, Grant Thornton, as it is underfunded.
- Additionally, revenue costs associated with suspended capital projects should be charged to the 2024/25 accounts.
5. **Revised Medium-Term Financial Strategy (MTFS):** The Council, with Commissioners' support, should update its MTFS to reflect the costs and risks identified in this report and by their external auditors. The MTFS should align with the new commercial strategy and include proactive measures to reduce costs and improve financial viability.
 6. **Debt reduction strategy:** The Council should, with Commissioners' support, develop a comprehensive debt reduction strategy to achieve a prudent level of debt within a realistic timeframe to ensure long-term financial stability.
 7. **Transformation strategy development:** The Council should, with Commissioners' support, secure additional expertise to develop a comprehensive transformation strategy to deliver the savings outlined in its MTFS.
 8. **Review and strengthen finance function:** The Council should, with Commissioners' support, review its finance function, identifying gaps in skills and ensuring the recruitment of individuals with the necessary skills and experience to address the high financial risks.
 9. **Improvement and recovery plan:** The Council should develop a comprehensive improvement and recovery plan, integrating recommendations from KPMG, CIPFA, the LGA, and the external auditor as per their January 2025 reports, with quarterly progress reports to both the Audit Committee and the Corporate Policy and Resources Committee, alongside an annual report to full Council.
 10. **Revised Corporate Plan:** The Council should be revised its Corporate Plan to ensure it is achievable and supported by a performance framework, establishing a golden thread between the Corporate Plan, the budget, service plans, and individual appraisals. Quarterly progress updates should be made to Committees, alongside an annual report to full Council.

11. **Audit Committee structure:** The Council should review the structure and reporting processes of its Audit Committee. This could include recruiting a second independent member who acts as chair, in line with CIPFA guidance, and ensuring annual reports to Council.
12. **Culture reset and relationship building:** The Council should, with Commissioners' support, reset its culture and rebuild relationships between members and senior officers.
13. **Housing delivery:** The Council should, with Commissioners' support, develop a realistic plan to deliver housing numbers outlined in its Local Plan and assess the viability of Knowle Green Estates, developing a business case and future options for the company and the housing it currently manages.

The Council will pro-actively engage and work with the Commissioners to implement and deliver an Improvement and Recovery Plan to deliver all the recommendations in the BVI report. Senior officers, lead councillors and Commissioners are working on pulling together an Improvement and Recovery Plan to be considered by Council in October 2025. The Plan will set out workstreams to address all the Best Value recommendations and the Best Value Directions. The Council will recruit, in collaboration with the Commissioners, a Programme Coordinator to ensure that the Action Plan is effectively implemented. There will be an Improvement and Recovery Board, chaired by the Lead Commissioner which will meet monthly to monitor progress against the Plan. Updates will be provided quarterly to the Council's Corporate Policy and Resources Committee and Audit Committee.

The detailed Corporate Plan setting out our corporate priorities, values and 135 short-, medium- and long-term actions was approved by Council in February 2024. Progress with these actions will be monitored and reported through a dashboard available to Councillors, and quarterly updates will be provided to the Corporate Policy and Resources Committee. An Annual Report will also outline progress across each year and where necessary the Corporate Plan will be adjusted to take on board any emerging issues and

revised priorities. In the context of Local Government Reorganisation and Best Value the Corporate Plan is being refreshed and refocused.

Commissioners - Best Value Intervention

In a letter to the Chief Executive dated 8 May 2025, the Government has advised that it will appoint Commissioners to Spelthorne Borough Council.

The Commissioners commenced on site on Monday 12th May 2025, with their Chief of Staff and Deputy Chief of Staff. The Commissioners have initially been appointed until January 2026, and the Council believe this links to the LGR and the need for MHCLG to take stock at that point in the LGR context.

The Commissioners are accountable to the Secretary of State to exercise the following functions:

- to strengthen the commercial decision making, regeneration, property management and procurement functions of the Authority
- to deliver financial sustainability by closing any short or long-term budget gaps and reducing the Authority's external borrowing
- transformation of council services to achieve value for money and financial sustainability, taking account of any decisions relating to proposals for unitary local government in Surrey
- ensure the Council has the right skills and structures to make ongoing improvements across the entire organisation

The Secretary of State considers that most decisions should continue to be made by the Authority, but with the oversight of the Commissioners who will 'uphold proper standards and due process and recommend action to the Authority'.

The Directions can be viewed via the following link: [Spelthorne Borough Council: Directions made under the Local Government Act 1999 \(8 May 2025\) - GOV.UK](#)

Guide to the Financial Statements

In addition to this Narrative Report, the introduction to the financial statements includes a Statement of Responsibilities which sets out our responsibilities for our financial affairs and how we make sure we fulfil them. The Auditor's Report provides an independent opinion of our Financial Statements including whether they provide a true and fair view of the financial position and have been prepared in line with relevant regulations.

The Financial Statements (shown on pages 25 to 30) summarise the financial effects of transactions and events that occurred during 2024/25. The primary financial statements comprise:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance
- Cash Flow Statement

The Comprehensive Income and Expenditure Statement (CIES) records all Council's income and expenditure for the year in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. For this reason, the Expenditure and Funding Analysis (shown in note 7) provides a reconciliation between the accounting cost of service provision and the amounts spent under the Council's rules for monitoring expenditure against the funding in the annual budget. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The top half of the CIES provides an analysis by service area. The bottom half of the CIES deals with corporate transactions and funding.

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and

other useable reserves. This statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The net increase/decrease line shows the statutory General Fund balance movement in the year.

The Balance Sheet is a snapshot of the Council's assets, liabilities, cash balances and reserves at the year-end date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the movement in reserves statement line "Adjustments between accounting basis and funding basis under regulations."

The Cash Flow Statement shows changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income, and from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in

predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

In addition to the four primary financial statements the following supplementary statement and associated notes are included within the Statement of Accounts.

Collection Fund Revenue Account - billing authorities in England are required by statute (the Local Government Finance Act 1988) to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and business rates. The Collection Fund is the account that shows the income and expenditure transactions of the Council (as the billing authority) in this regard. This statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities (Surrey County Council and Surrey Police and Crime Commissioner) and the Central Government of Council Tax and non-domestic rates.

The Notes to the Financial Statements provide further information on the Council's financial performance and, where relevant, detailed analysis of the amounts provided in the primary financial statements.

Alongside the Statement of Accounts, we publish the **Annual Governance Statement** that explains how we manage our affairs and control our activities. The statement highlights any important areas of governance that may need to be addressed following an annual review.

Summary

The next few years will continue to be extremely challenging, with the Council focusing in parallel on delivering against its Improvement and Recovery Plan, progressing an assets disposal strategy and transformation programme, and at same time working with other Surrey Councils to move toward the creation of new unitary Councils which will potentially go live on 1st April 2027.

In December 2024, the Council received provisional notification of the of the funding floor grant for 2024/25 which fell from £1.88m to £1.73m. The Council is reviewing and revising its Outline Budget key parameters and assumptions to provide a focus for the forthcoming 2026-27 Budget process as this is when the Local Government Funding reform will begin to take effect with a business rates reset, and a likely redirection of grants away from areas such as Surrey to areas with lower taxbases. The Council in its Outline Budget projections is anticipating that in future it will be allowed to retain a smaller proportion of business rates generated locally from 2026-27.

With the Council's commercial income stream holding up well despite the economic volatility and cost of living crisis the Council was able set a balanced budget for 2025/26, although this did require £6m draw down from sinking funds reserves, and on an indicative basis the Council is forecasting budget deficits for the reasons mentioned above for the years 2026/27 to 2028/29.

It will be essential that Council is able to generate additional fees and charges income, ideally through a stronger mix of volume growth, frequency of spend and price increase, together with working smarter and offering up savings that do not impact on the delivery of our current services to residents, through using technology as an enabler. The Council will be working with Commissioners to identify significant savings in order to close the budget gaps and to ensure that the Council's finances are in a robust position by the time it is succeeded by a new unitary

The Council cash backed reserves have reduced over the period 2023-24 and 2024-25 to £58.38m. As commented in large part this is due to the application of £15.05m of reserves to offset the impact of accumulated capitalised costs on abortive housing and regeneration schemes to be charged back to Revenue.

The Council continues to be focused on delivering services to our vulnerable residents, seeking efficiencies, and utilising the development properties

acquired to assist with the delivery of the Council's affordable housing programme, support its regeneration programme and support the delivery of key services in the borough.

Mr Terry Collier, CPFA, CA
S151 Officer, Chief Finance Officer
& Deputy Chief Executive

Statement of Responsibilities for the Statement of Accounts

This statement is given in respect of the Statement of Accounts 2024-25, signed, and dated by the responsible financial officer on behalf of the Council.

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Chief Executive / Chief Finance Officer.
- To manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Deputy Chief Executive is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom 2024/25* ('the Code').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.

- Complied with the Code of Practice
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of Section 151 Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of Spelthorne Borough Council and its Income and Expenditure for the year ended 31 March 2025, dated 2025.

Signed

Mr Terry Collier, CPFA, CA
S151 Officer, Chief Finance Officer
& Deputy Chief Executive

Signed

Councillor Jon Button
Chair of Audit Committee

Primary Financial Statements

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from taxation (or rents). The Council raises taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2023/24 Restated*				2024/25		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
40,634	(32,045)	8,589	Community Wellbeing & Housing	53,143	(41,783)	11,360
13,267	(4,664)	8,603	Corporate Policy and Resources	20,852	(8,154)	12,698
14,965	(6,611)	8,353	Environment & Sustainability	17,153	(6,298)	10,854
19,578	(1,255)	18,323	Business Infrastructure - Growth	27,500	(2,327)	25,173
88,445	(44,576)	43,869	Cost of Services	118,648	(58,562)	60,085
6,182	0	6,182	Other Operating Expenditure	1,552	(1,579)	(27)
164,487	(51,449)	113,038	Financing and Investment Income and Expenditure	61,848	(48,835)	13,013
19,814	(33,948)	(14,133)	Taxation and Non-Specific Grant Income	21,213	(37,601)	(16,388)
276,428	(127,472)	148,955	(Surplus) or Deficit on Provision of Services	203,261	(146,577)	56,683
		(14,277)	(Surplus) or Deficit on revaluation of Property, Plant and Equipment			(11,518)
		(9,507)	Remeasurements of the net defined benefit liability/asset			4,848
		(1,768)	(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			251
		(25,552)	Other Comprehensive (Income) and Expenditure			(6,419)
		123,403	Total Comprehensive (Income) and Expenditure			50,265

* Prior year restatement details provided in Note 41

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves.' The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The net increase/decrease line shows the statutory General Fund Balance movements in the year following those adjustments. The 2023-24 figures are shown for comparison.

2024/25	General Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April 2024	(3,083)	(56,746)	(2,029)	(1,505)	(63,362)	316,390	253,028
Balance brought forward 1st April 2024 Restated	(3,083)	(56,746)	(2,029)	(1,505)	(63,362)	316,290	252,928
(Surplus)/Deficit on provision of services	56,683	0	0	0	56,683	0	56,683
Other Comprehensive Income and Expenditure	0	0	0	0	0	(6,419)	(6,419)
Total Comprehensive Income and Expenditure	56,683	0	0	0	56,683	(6,419)	50,265
Adjustments between accounting & funding basis under regulations (Note 8)	(50,855)	0	(653)	(272)	(51,780)	51,780	0
Net (increase)/decrease before Transfers to Earmarked Reserves	5,828	0	(653)	(272)	4,903	45,361	50,265
Transfer to or from Earmarked Reserves (Note 9)	(6,640)	6,640	0	0	0	0	0
(Increase)/Decrease in-year	(811)	6,640	(653)	(272)	4,903	45,361	50,265
Balance carried forward 31st March 2025	(3,895)	(50,106)	(2,681)	(1,778)	(58,459)	361,651	303,194

Movement in Reserves Statement (continued)

2023/24 Restated*	General Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April 2023	(2,083)	(68,770)	(1,536)	(1,777)	(74,166)	203,791	129,625
(Surplus)/Deficit on provision of services	148,955	0	0	0	148,955	0	148,955
Other Comprehensive Income and Expenditure	0	0	0	0	0	(25,552)	(25,552)
Total Comprehensive Income and Expenditure	148,955	0	0	0	148,955	(25,552)	123,403
Adjustments between accounting & funding basis under regulations (Note 8)	(137,930)	0	(493)	272	(138,151)	138,151	0
Net (increase)/decrease before Transfers to Earmarked Reserves	11,025		(493)	272	10,804	112,599	123,403
Transfer to or from Earmarked Reserves (Note 9)	(12,025)	12,024	0	0	0	0	0
(Increase)/Decrease in-year	(1,000)	12,024	(493)	272	10,804	112,599	123,403
Balance carried forward 31st March 2024	(3,083)	(56,746)	(2,029)	(1,505)	(63,362)	316,390	253,026

* Prior year restatement details provided in Note 41

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e., reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or to repay debt). The second category of reserves is those that the Council cannot use to fund services. This category of reserves includes reserves that hold unrealised gains and losses, (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under Regulations'.

31 Mar 24 Restated*		Notes	31 Mar 25
£'000			£'000
171,495	Property, Plant & Equipment	13	147,982
203	Heritage Assets	14	196
625,366	Investment Property	15	583,106
381	Intangible Assets	16	498
35,151	Long-term Investments	17	2,965
31,114	Long-term Receivables	19	45,152
863,710	Long-term Assets		779,899
384	Short-term Investments	19	8,046
0	Assets held for Sale	22	17,006
20	Inventories	18	26
10,287	Short-term Receivables	20	18,585
9,814	Cash & Cash Equivalents	21	9,106
20,505	Current Assets		52,769
(33,877)	Short-term Borrowing	19	(26,969)
(23,367)	Short-term Payables	23	(29,343)
(1,234)	Short-term Provisions	24	0
(15,627)	Receipts in Advance	23	(17,797)
(304)	Lease Liabilities	36	(505)
(74,409)	Current Liabilities		(74,614)
(1,054,191)	Long-term Borrowing	19	(1,042,272)
(6,151)	Pension Scheme Liabilities	37	(10,461)
(620)	S106 Liabilities	33	(4,267)
0	Long-term Provisions	24	(2,311)
(1,871)	Lease Liabilities	36	(1,937)
(1,062,833)	Long-term Liabilities		(1,061,248)
(253,026)	Net Assets/(Net Liabilities)		(303,194)

* Prior year restatement details provided in Note 41

Signed
Mr. Terry Collier
CPFA. CA.
Section 151 Officer,
Chief Finance Officer,
Deputy Chief Executive,
Spelthorne Borough Council

Dated: XX/XX/2025

(63,362)	Usable Reserves	25	(58,459)
316,389	Unusable Reserves	26	361,653
253,026	Total Reserves		303,194

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2023/24 Restated*		2024/25	
£'000		Notes	£'000
148,955	Net (Surplus)/Deficit on the Provision of Services		56,683
(144,067)	Adjustments to net (surplus)/deficit on the Provision of Services for non-cash movements		(60,518)
(1,160)	Adjustments to net (surplus)/deficit on the Provision of Services that are Investing and Financing Activities		(14,096)
3,728	Net Cash Flow from Operating Activities	27	(17,931)
22,424	Net Cash Flows from Investing Activities	28	(833)
7,924	Net Cash Flows from Financing Activities	29	19,471
34,076	Net (increase)/decrease in Cash & Cash Equivalents		708
43,890	Cash & Cash Equivalents at the beginning of the reporting period		9,814
(34,076)	Net increase/(decrease) in Cash & Cash Equivalents		(708)
9,814	Cash & Cash Equivalents at the end of the reporting period	21	9,106

* Prior year restatement details provided in Note 41

Notes to the Core Financial Statements

Note 1 Accounting Policies

i. General Principles

The statement of accounts summarises the Council’s transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 12 of the 2003 Act primarily comprise Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (The Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The statement of accounts has been prepared on a going concern basis, under the assumption that the Council’s functions and services will continue in operational existence for the foreseeable future. Spelthorne Borough Council’s accounts are drawn up under the Code, which requires local authorities to prepare their financial statements on a going concern basis. The provisions in the Code in respect of

going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. This assumption is based on the fact that local authorities carry out functions essential to the local community, exist by statute and are themselves revenue-raising bodies.

The concept of a going concern assumes that Council’s functions and services will continue in operational existence for the foreseeable future. If an authority was in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

The Code confirms that the abolition of an authority, combinations of public sector bodies or the transfer of some of its services, under situations such as Local Government Reorganisation, are not to be taken as negating the presumption of going concern.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written

down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

iii. Cash and Cash Equivalents

- Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a specified period, no more or less from the date of the Balance Sheet and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Charges to Revenue for Non-current Assets

Services, support services and trading accounts are charged on accounting estimate of the cost of holding non-current assets during the year. This comprises:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (England and Wales).

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Council Tax and Non-Domestic Rates (England)

Billing authorities act as agents, collecting Council Tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the

Collection Fund, billing authorities, major preceptors and central government (for NDR) share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

vii. Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave,

bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g., time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the

enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Surrey County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees,

based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.8% (derived from a “Hymans Robertson” corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index)
- The assets of Surrey Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - i. Quoted securities – current bid price
 - ii. Unquoted securities – professional estimate
 - iii. Unitised securities – current bid price
 - iv. Property – market value.

The change in the net pensions liability/asset is analysed into the following components:

- Service cost comprising:
 - v. current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income

and Expenditure Statement to the services for which the employees worked

- vi. past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- vii. net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the

beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
 - viii. the return on pension plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - ix. actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - x. Contributions paid to the Surrey Pension Fund – cash paid as employer’s

contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arose on the Pensions Reserve in 2023-24 thereby measures the impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees. In 2024-25 the Fund moved into surplus.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for

using the same policies as are applied to the Local Government Pension Scheme.

viii. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

ix. Financial Instruments

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial

Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

- amortised cost,
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council’s business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the

Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

The Council indirectly gives a number of loans to local businesses, and particularly through Funding Circle. Since these loans are indirect, the Council does not have reasonable and supportable information that is available to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

Financial assets measured at fair value through other comprehensive income

Financial assets that are measure at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Fair value measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value

measurements of the Council’s financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Business improvement districts

A business improvement district (BID) scheme relates to Staines. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council act as principal under the scheme, and accounts for income and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

Community infrastructure levy

The Council has elected to charge a community infrastructure levy (CIL) scheme. The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

The CIL is recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement as a contribution without outstanding conditions. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges for this Council may be used to fund revenue expenditure.

xi. Heritage Assets

Heritage assets are defined as assets which have historical, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Heritage assets include historical buildings, historic motor vehicles, civic regalia, museum and gallery collections and works of art.

The Council's heritage assets largely comprise items of civic regalia as well as war memorials and statues, which are held in support of their primary objective of contributing to knowledge a culture and appreciation of the Council's history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment.

Where the Council has information on the cost or value of a heritage asset the Council will include that value in its 2024/25 Balance Sheet. Where this information is not available, and the

historical cost information cannot be obtained the asset can be excluded from the balance sheet. A de-minimis level will be set in accordance with our policy for Capitalisation of assets currently set at £10,000.

Heritage assets will normally be measured at fair value. Where, exceptionally, it is not practicable to obtain a fair value, heritage assets shall be measured at historical cost (less any accumulated depreciation, amortisation and impairment losses).

Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. However, where heritage assets are measured at fair value, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current.

Depreciation or amortisation is not required on heritage assets which have indefinite lives. The carrying amount of an asset shall be reviewed where there is evidence of impairment, for example, where it has suffered physical deterioration or breakage, or new doubts arise as to its authenticity. Any impairment recognised shall be dealt with under the recognition and measurement requirements of section 4.7 of the Code.

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council because of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the

Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gains or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the 'Movement in Reserves Statement' and posted to the Capital Adjustment Account and (for any sales proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are

recorded as financial assets at cost, less any provision for losses.

The Council has a material interest in the wholly owned companies Knowle Green Estates Limited and Spelthorne Direct Services. This interest is disclosed in Related Parties disclosure notes.

xiv. Inventories

Inventories are valued at the latest price paid. This is a departure from the requirements of the Code and IAS2 (Inventories), which requires stocks to be shown at actual cost or net realisable value, if lower. The difference in value is not considered to be material.

xv. Long-term Contracts

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

xvi. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvii. Leases

The authority as lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Council initially recognises lease liabilities measured at the present value of the lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments

- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Council is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease unless the Council is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability cost, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The

Council considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

With such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short-term lease exemption

As permitted by the Code, the Council excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options

that the Council is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items are shorter than 12 months are expensed.

Depreciation and impairments are not charges against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The authority as lessor

Leases are classified as finance leases where terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Finance leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or asset held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivables are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and it is required to be treated as a capital receipt. Where a premium has been received, this is posted out of General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating

expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xviii. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

xix. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant, and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accrual's basis, if it is

probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the

cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council’s housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of

an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in

the Comprehensive Income and Expenditure Statement.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the

amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current

value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and

their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place on or before the Balance sheet date:

- that gives the Council a present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

Provisions are charged as an expense to the appropriate service line in the Comprehensive

Income and Expenditure Statement when the Council has an obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or

the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance

so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxii. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

xxiii. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from His

Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

xxiv. Fair Value Measurement of Non-Financial Assets

The Council's accounting policy for fair value measurement of financial assets is set out in note ix. The Council also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset.

Note 2 Accounting Standards issued but not yet adopted

At the Balance Sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 2025-26, where material:

The standards introduced include:

- Amendments to *IAS 21 The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)* clarify how an entity should assess whether the currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. It is anticipated that this will not have a material impact on the Council's financial statements.
- *IFRS 17 Insurance Contracts* replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts. This will only be a matter if the Council has issued a number of insurance contracts that will require accounting for as a portfolio.
- The changes to the measurement of non-investment assets within *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets*. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach rather than fair value. For 2024/25, there has been a general requirement that assets are revalued sufficiently regularly so that their carrying amount at 31 March does not differ materially from their current value at that date. This will be replaced by an option to revalue assets every five years, subject to annual reviews for impairment and the updating of carrying amounts by the application of relevant indices. No adjustments to carrying amounts will be required at 1 April 2025. As indices for 2025/26 will not be available until after 31 March 2026, it is not possible to project what the impact of indexation will be. There will not be a material impact on the Council intangible assets as they are not measured at fair value where an active market exists.

Note 3 Critical Judgement in Applying Accounting Policies

In applying the accounting policies set out on in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- **Future Funding** - there is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- **Interest in Council Owned Properties** - the Council has interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. The Council's interests in Knowle Green Estates Ltd is material to the Council's overall financial position and therefore have been consolidated within the Council's group accounts.
- **Investment Properties** - the Council holds a significant portfolio of investment properties, as set out in Note 14, where the focus is on maintaining revenue streams, rather than short-term capital growth and although the general economic activity is fragile, the Council judges that its portfolio in the context of the implications of the pandemic on the local economy is currently robust, as reflected by achieving a 98.84% (2023-24: 99.09%) collection rate for rental invoiced in 2024-25, and healthy enough that its assets will not be materially impaired as a result of a decrease in economic activity.
- **Local Government Reorganisation (LGR)** - On 18 March 2025, the Council approved the Joint Interim Local Government Reorganisation Plan. This Plan, drawn up by all councils in Surrey (county, districts and boroughs), was subsequently submitted to the Ministry of Housing, Communities and Local Government (MHCLG). At its meeting on 6 February 2025 the Council expressed a preference for three unitary authorities regarding the future structure of local government across Surrey. Spelthorne Borough Council has a stated ambition to "review our ways of working to make us more efficient, effective, and to improve customer satisfaction". The Government has stated that Local Government Reorganisation (LGR), whereby new unitary councils will replace the county and district/borough councils in two-tier areas such as Surrey, will be more efficient and effective, in addition to improving customer satisfaction. On 5 August 2025, Spelthorne Borough Council submitted its response to the Government's consultation on reorganising local government in Surrey, backing the proposal to create three new unitary councils. The Government's final decision is expected by mid-October.

Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the Council about the future or situations that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the authority’s most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The items in the authority’s Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Assets are valued on a five-year rolling basis. The periodic revaluation of Land and Building assets are subject to complex valuation techniques undertaken by professional valuers based on certain assumptions at the time the valuations are undertaken which may change over the passage of time. Our operational properties valuers Wilkes Head & Eves have not advised us of any material valuation uncertainties this year.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £66k for every year that useful lives had to be reduced. Of the total value of the Council’s Operational Land & Buildings, £89.95m (2023/24: £48.96m) was revalued during 2024/25. These values are material and the sources of estimation uncertainty as they require complex valuation techniques, use of indices, comparison with values of alternative sites etc. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year may be based on different assumptions to the current year and could result in material adjustment to their carrying amount.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in	The Council uses the discounted cash flow (DCF) model to measure the fair value of some of its financial assets.

active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council draws on the expertise of the RICS Register Valuer(s), to calculate valuations, useful lives and impairment review in accordance with professional guidance).

Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes below.

The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (some financial assets).

Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Surrey Pension Fund have engaged a firm of consulting actuaries who provide the Council with expert advice about the assumptions to be applied.

The effects on the net pension's liability of changes in individual assumptions can be measured. For example, a 0.1% decrease in the real discount rate assumption would result in an increase in the pension liability by £1.65m (2023/24: £2m). However, the assumptions interact in complex ways. A 1-year increase in member life expectancy would increase the liability by £4.1m (2023/24: £4.7m). Similarly, a 0.1% increase in the salary rate or in the pension increase rate would increase the liability by £76k (2023/24: £89k) and £1.62m (2023/24: £1.9m) respectively.

Investment Properties	The annual revaluation of investment property assets are subject to complex valuation techniques undertaken by professional valuers based on certain assumptions at the time of the valuations are undertaken which may change over the passage of time. Our investment property valuers Knight Frank have not advised us of any material valuation uncertainties this year. The debt associated with investment assets is being paid down/applied to Minimum Revenue Provision over 50 years this assumes the assets, on basis of original building survey had a useful economic life on basis that they are maintained. To mitigate this uncertainty the Council for 2024-25 commissioned an additional independent assessment of the useful economic lives of the assets.	Movements in value are charged to the CI&E account but are reversed out under regulation and held in usable reserves and have no impact on taxation or usable resources. Without undertaking another valuation exercise at a real cost to the taxpayer it is not possible to estimate the amount of any difference. The investment properties were valued at £583.1m at 31 March 2025. The effect of a 1% change in the carrying value of the investment property portfolio would result in an additional debit/credit to the CIES of £5.8m (2023/24: £6.3m)
Provision for NNDR Appeals	Estimation of the likelihood of successful appeals against rateable value has been calculated using a combination of information from the Valuation Office Agency and the notional reduction built into the multiplier by central government for the 2023 rating listing.	A provision of £6.2m (2023/24: £2.6m) has been included in the accounts to reflect the Council's 40% (2023/24: 40%) share of the estimated impact of business rate payers successfully appealing the rateable value assigned to their properties.
Impairment Losses on Debtors	Estimation of the impairment losses on debtors from all debtors.	The effect of the cost of living crisis on both individuals and business to pay debts remains uncertain. If the allowance for impairments changes by 10% the cost would be an additional £460k. At 31 March 2025, the carrying value of bad debt provision was £4.6m (2023/24: £9.1m).

Note 5 Material Items of Income and Expense

The major item of expenditure included in the Comprehensive Income and Expenditure Account is Housing Benefits which was £19.4m (2023/24: £19.7m). However, this expenditure is largely recovered by the receipt of subsidy from central Government, £19.2m (2023/24: £19.7m), so the net cost to the Council is minimal.

Note 6 Events After Reporting Date

The draft Statement of Accounts was authorised for issue by the Chief Finance Officer and Deputy Chief Executive on 30 June 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing on 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Local Government Reorganisation (LGR) - As Surrey has been selected for the 'first wave' of reorganisation and devolution, and May's County Council elections have been delayed, it is likely that elections for any new unitary councils would take place in 2026, with a Mayoral election in 2027. Nine district and borough councils support the formation of three unitary councils (Spelthorne, Epsom & Ewell, Guildford, Reigate & Banstead, Runnymede, Surrey Heath, Tandridge, Waverley and Woking) while two district and borough councils (Elmbridge and Mole Valley) and the county council favour two. On 5 August 2025, Spelthorne Borough Council submitted its response to the Government's consultation on reorganising local government in Surrey, backing the proposal to create three new unitary councils. The Government's final decision is expected by mid-October.

Note 7 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2023/24				2024/25		
Net Expenditure in the Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Analysis Basis	Net Expenditure chargeable to the General Fund		Net Expenditure in the Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Analysis Basis	Net Expenditure chargeable to the General Fund
£'000	£'000	£'000		£'000	£'000	£'000
8,589	(35,371)	(27,781)	Community Wellbeing & Housing	11,360	(17,925)	(6,566)
8,603	(48,887)	(40,284)	Corporate Policy and Resources	12,698	(24,775)	(12,077)
8,353	(47,264)	(38,910)	Environment & Sustainability	10,854	(23,952)	(13,098)
18,323	(10,062)	8,261	Business Infrastructure-Growth	25,173	(5,099)	20,074
43,869	(141,584)	(97,715)	Net Cost of Services	60,085	(71,752)	(11,667)
105,086	3,653	108,739	Other Income and Expenditure	(3,402)	20,897	17,495
148,955	(137,931)	11,024	(Surplus) or Deficit	56,683	(50,855)	5,828
		(70,853)	Opening General Fund Balance			(59,829)
		(59,829)	Closing General Fund Balance			(54,000)

Note 7.1 Expenditure and Funding Analysis Reconciliation

2023/24					2024/25			
Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Adjustments	Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Adjustments	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(35,358)	6	(19)	(35,371)	Community Wellbeing & Housing	(18,073)	134	13	(17,925)
(48,870)	8	(26)	(48,887)	Corporate Policy and Resources	(24,979)	186	18	(24,775)
(47,247)	8	(25)	(47,264)	Environment & Sustainability	(24,149)	180	17	(23,952)
(10,058)	2	(5)	(10,062)	Business Infrastructure-Growth	(5,141)	38	4	(5,099)
(141,533)	24	(75)	(141,584)	Net Cost of Services	(72,342)	538	52	(71,752)
9,669	0	(6,016)	3,653	Other income and expenditure from the Expenditure and Funding Analysis	22,079	0	(1,182)	20,897
(131,864)	24	(6,091)	(137,931)	Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(50,263)	538	(1,130)	(50,855)

Adjustments for capital purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivables without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital

grants receivable in the year without conditions or for which conditions were satisfied in the year

Net change for the pension adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES

Other statutory adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For financing and investment income and expenditure the other statutory

adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- For financing and investment income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for interest income and expenditure and changes in the fair values of investment properties.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the collection fund.
- For taxation and non-specific grant income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for un-ringfenced government grants.

Note 7.2 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

	2023/24	2024/25
	£'000	£'000
Expenditure		
Employees benefits expenses	22,903	24,115
Other Service Expenses	215,204	103,435
Support Service Recharges	9,065	10,480
Depreciation, Amortisation and Impairment	6,442	39,486
Interest Payments	24,952	25,745
Total Expenditure	278,567	203,261
Income		
Fees, Charges and Other Service Income	(36,463)	(44,346)
Interest and Investment Income	(51,449)	(48,835)
Income from Council Tax and Business Rates	(8,136)	(8,816)
Government Grants and Contributions	(33,563)	(44,581)
Total Income	(129,611)	(146,577)
(Surplus) or Deficit on the Provision of Services	148,955	56,683

Note 8 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments are made to the Comprehensive Income and Expenditure Statement recognised by the Council in the year, in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

Note 8 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2024/25	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	Relevant Unusable Reserve
<u>Reversal of items debited or credited to the CIES</u>					
Depreciation, Amortisation and Impairments	(39,486)	0	0	39,486	Capital Adjustment Account
Movements in the market value of Investment Properties	(30,260)	0	0	30,260	
Revenue expenditure funded from capital under statute	(1,564)	0	0	1,564	
Non-current assets written out on disposal	(1,051)	0	0	1,051	
Grant income transferred to Capital Grants Unapplied	2,105	0	(2,105)	0	
<u>Transfers between revenue and capital resources</u>					
Transfer of sale proceeds from revenue to the Capital Receipts Reserve	368	(368)	0	0	Deferred Capital Receipts Reserve
Minimum Revenue Provision	19,268	0	0	(19,268)	Capital Adjustment Account
Capital expenditure charged to revenue balances	357	0	0	(357)	
<u>Adjustments to capital resources</u>					
Application of capital grants and other contributions to finance capital expenditure	0	0	1,833	(1,833)	Capital Adjustment Account
Cash payments in relation to Deferred Capital Receipts	0	(285)	0	285	Deferred Capital Receipts Reserve
<u>Adjustments between accounting and funding basis under regulations</u>					
Statutory adjustments in respect of employers pension contributions	538	0	0	(538)	Pension Reserve
Council Tax and NNDR	(1,182)	0	0	1,182	Collection Fund Adjustment Account
Holiday pay	52	0	0	(52)	Accumulated Absences Reserve
Total Adjustments	(50,855)	(653)	(272)	51,780	

Note 8 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2023/24 Restated	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	Relevant Unusable Reserve
<u>Reversal of items debited or credited to the CIES</u>					
Depreciation, Amortisation and Impairments	(6,442)	0	0	6,442	Capital Adjustment Account
Movements in the market value of Investment Properties	(129,840)	0	0	129,840	
Revenue expenditure funded from capital under statute	(1,223)	0	0	1,223	
Non-current assets written out on disposal	(7,841)	0	0	7,841	
Grant income transferred to Capital Grants Unapplied	1,625	0	(1,625)	0	
<u>Transfers between revenue and capital resources</u>					
Transfer of sale proceeds from revenue to the Capital Receipts Reserve	(2,139)	(238)	0	2,377	Deferred Capital Receipts Reserve
Minimum Revenue Provision	12,397	0	0	(12,397)	Capital Adjustment Account
Capital expenditure charged to revenue balances	1,599	0	0	(1,599)	
<u>Adjustments to capital resources</u>					
Application of capital grants and other contributions to finance capital expenditure	0	0	1,897	(1,897)	Capital Adjustment Account
Cash payments in relation to Deferred Capital Receipts	0	(255)	0	255	Deferred Capital Receipts Reserve
<u>Adjustments between accounting and funding basis under regulations</u>					
Statutory adjustments in respect of employers pension contributions	24	0	0	(24)	Pension Reserve
Council Tax and NNDR	(6,016)	0	0	6,016	Collection Fund Adjustment Account
Holiday pay	(75)	0	0	75	Accumulated Absences Reserve
Total Adjustments	(137,931)	(493)	272	138,152	

Note 9 Transfers to and from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2024/25.

Movement in Earmarked Reserves	Balance at 1 April 2023	Transfers Out	Transfer In	Balance at 31 Mar 24 Restated	Transfers Out	Transfers In	Transfers between Reserves	Balance at 31 Mar 25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Grants Unapplied	(5,374)	3,619	(1,771)	(3,526)	156	(3,069)	0	(6,438)
Capital Fund	(1,443)	1,443	0	0	0	0	0	0
Insurance Fund	(50)	0	0	(50)	0	0	0	(50)
Planned Spending Funds	(13,478)	11,124	(5,319)	(7,673)	1,242	(118)	(1,462)	(8,011)
Acquired Properties Funds	(37,716)	11,640	(8,345)	(34,421)	9,411	(1,251)	0	(26,261)
Youth Council Fund	(20)	0	0	(20)	0	0	0	(20)
Local Environmental Assessment Fund	(154)	0	0	(154)	0	0	0	(154)
Green Belt Fund	(900)	0	0	(900)	281	0	0	(619)
Harper & White House Accommodation Fund	(54)	0	(50)	(104)	0	(48)	0	(153)
Shared Prosperity Fund	(59)	59	0	0	0	0	0	0
Woodthorpe Recreation Ground & Fordbridge Park Fund	(80)	0	0	(80)	0	0	0	(80)
Contributions from Developers	(9,443)	405	(779)	(9,817)	1,504	(6)	0	(8,240)
Earmarked Reserves at 31 March	68,771	28,290	(16,265)	(56,746)	12,594	(4,493)	(1,462)	(50,106)

Note 10 Other Operating Expenditure

	2023/24 Restated	2024/25
	£'000	£'000
Derecognition of assets	6,182	(27)
Total	6,182	(27)

Note 11 Financing and Investment Income and Expenditure

	2023/24 Restated	2024/25
	£'000	£'000
Interest payable and similar charges	24,231	25,469
Net interest on the net defined benefit liability (asset)	721	276
Interest receivable and similar income	(4,134)	(3,186)
Income and expenditure in relation to investment properties and changes in their fair value	92,220	(9,545)
Total	113,038	13,013

Note 12 Taxation and Non-Specific Grant Income and Expenditure

	2023/24 Restated	2024/25
	£'000	£'000
Council Tax Income	(9,095)	(9,597)
Non-Domestic Rates Income and Expenditure	959	781
Non-Ringfenced Government Grants	(4,838)	(5,387)
Capital Grants and Contributions	(1,160)	(2,185)
Total	(14,133)	(16,388)

Note 13 Property, Plant and Equipment

Movement on balances

2024/25	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Right of Use Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Valuation at 1 April	95,244	6,354	202	0	76,097	2,479	180,376
Adjustment	0	0	0	0	0	26	26
Additions	461	285	121	0	8,196	820	9,883
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,084)	0	0	10,532	0	1,396	9,844
Revaluation increases/(decreases) recognised in the Provision of Services	(4,959)	0	0	(31,197)	0	(901)	(37,057)
De-recognition	0	(925)	0	0	100	0	(825)
Transfer to Assets Held for Sale	(15,000)	0	0	(2,090)	0	0	(17,090)
Other movements in cost or valuation	56,754	0	(109)	35,476	(84,077)	3,847	11,891
Gross Book Valuation at 31 March	130,416	5,714	214	12,721	316	7,667	157,048
Accumulated Depreciation at 1 April (Restated)	(4,298)	(4,217)	(24)	0	0	(341)	(8,880)
Reclassification of Depreciation	1,738	0	0	0	0	(1,738)	0
Depreciation for the year	(1,816)	(322)	(6)	0	0	(613)	(2,757)
Restatement of Depreciation upon Revaluation to Revaluation Reserve	1,673	0	0	0	0	0	1,673
Restatement of Depreciation upon Revaluation to I&E and CAA	556	0	0	0	0	0	556
Restatement of Depreciation upon Disposal	0	344	0	0	0	0	344
Accumulated Depreciation at 31 March	(2,147)	(4,195)	(30)	0	0	(2,692)	(9,064)
Net Book Value at 31 March	128,269	1,519	184	12,721	316	4,975	147,984
Net Book Value at 1 April	90,946	2,137	178	0	76,097	2,138	171,495

Movement on balances 2023/24

2023/24 Restated	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Right of Use Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Valuation at 1 April	92,994	5,773	202	0	61,162	0	160,131
Adjustment	0	0	0	0	0	0	0
Additions	0	581	0	0	30,248	2,479	33,308
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,621	0	0	0	0	0	5,621
Revaluation increases/(decreases) recognised in the Provision of Services	(3,619)	0	0	0	0	0	(3,619)
De-recognition	0	0	0	0	(15,065)	0	(15,065)
Transfer to Assets Held for Sale	0	0	0	0	0	0	0
Other movements in cost or valuation	248	0	0	0	(248)	0	0
Gross Book Valuation at 31 March	95,244	6,354	202	0	76,097	2,479	180,376
Accumulated Depreciation at 1 April	(11,127)	(3,778)	(18)	0	0	0	(14,923)
Reclassification of Depreciation	0	0	0	0	0	0	0
Depreciation for the year	(1,563)	(439)	(6)	0	0	(341)	(2,349)
Restatement of Depreciation upon Revaluation to Revaluation Reserve	8,656	0	0	0	0	0	8,656
Restatement of Depreciation upon Revaluation to I&E and CAA	(264)	0	0	0	0	0	(264)
Restatement of Depreciation upon Disposal	0	0	0	0	0	0	0
Accumulated Depreciation at 31 March	(4,298)	(4,217)	(24)	0	0	(341)	(8,880)
Net Book Value at 31 March	90,946	2,137	178	0	76,097	2,138	171,495
Net Book Value at 1 April	81,867	1,995	184	0	61,162	0	145,208

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land - freehold land is not depreciated
- Buildings - remaining useful life as estimated by qualified valuer
- Vehicles, plant furniture & other equipment – reducing balance, 20% of the carrying amount
- IT equipment – straight line, 5 years
- Right of use assets – between 2 and 94 years dependant on length of lease

Capital commitments

At 31 March 2025, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2024/25 and future years budgeted to cost £2.43m. Similar commitments at 31 March 2024 were £9.7m.

Effect of changes in estimates

In 2024/25 the Council made no material changes to its accounting estimates for property, plant, and equipment.

Revaluations

The Council ensures that all property, plant and equipment required to be measured at current value is revalued sufficiently regularly so that their carrying amount is not materially different from their current value at the year-end and so as a minimum every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council draws on the expertise of Registered Valuer G A Harbord MA MRIC IRRV (Hons) of Wilks Head Eves, LLP (Limited Liability Partnership), to calculate valuations, useful lives and impairment reviews in accordance with the professional guidance.

Valuations of land and buildings carried out at fair value are as follows:

Revaluations	Land & Buildings	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Right of Use Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historical Cost	789	1,519	184	130	316	4,975	7,913
Held at valuation value in:							
2020/21	8,479						8,479
2021/22	27,972						27,972
2022/23	0						0
2023/24	1,076						1,076
2024/25	89,953			12,592			102,545
Total	128,269	1,519	184	12,722	316	4,975	147,985

Valuations of vehicles, plant & equipment and buildings under construction are not subject to revaluation on the grounds of materiality. Historic cost is used as a proxy for current value.

Note 14 Heritage Assets

The Council's main heritage assets are war memorials and the total book value of these is as follows:

	2023/24	2024/25
	£'000	£'000
Balance at 1 April	209	203
Depreciation	(6)	(7)
Balance at 31 March	203	196

Depreciation is not required on heritage assets which have indefinite lives. However, war memorials have been valued by a qualified valuer and are deemed to have finite lives, so depreciation has been charged in line with the Council's policy.

Heritage assets (where only insurance values are available) have not been reflected in the balance sheet. The statues and sculpture assets are subject to vandalism and the insurance values reflects the level of past insurance claims and the civic regalia and works of art are regarded de-minimus under the Council's asset valuation policy.

Note 15 Investment Property

The following table summarises the movement in the fair value of investment properties over the year:

	2023/24 Restated	2024/25
	£'000	£'000
Balance at 1 April	755,205	625,366
Transfer to/from Property, Plant and Equipment	0	(12,000)
Net gains/(losses) from fair value adjustments	(129,840)	(30,260)
Balance at 31 March	625,366	583,106

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2023/24 Restated	2024/25
	£'000	£'000
Rental income from investment property	(47,315)	(45,649)
Net gains and (losses) from Fair Value Adjustments	129,840	30,260
Direct operating expenses arising from investment property	9,695	5,843
Total	92,220	(9,545)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Fair value hierarchy

All the Council’s investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

Details of the Council’s investment properties and information about the fair value hierarchy as at 31 March 2024 and 2025 are as follows:

	2023/24 Restated	2024/25
	£'000	£'000
Land	367,930	150,104
Buildings	257,435	433,001
Total	625,366	583,106

Valuation techniques used to determine Level 2 fair values for investment properties

Significant observable inputs – Level 2

The fair value of investment property has been based on the market approach using current market conditions and recent sales prices and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold, and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and best use of investment properties

In estimating the fair value of the Council’s investment properties, the highest and best use of the properties is their current use taking into account any restrictions on use or sale. Such restrictions include known planning limitations on potential change of use and known title restrictions including existing tenancies.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation process for investment properties

The fair value of the Council's investment properties is measured annually at each reporting date. All valuations are carried out externally, by Knight Frank in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (revised 2015). The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

Note 16 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased software licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is five years. The carrying amount of intangible assets is amortised on a straight-line basis.

The movement on intangible asset balances during the year is as follows:

	2023/24 Restated	2024/25
	£'000	£'000
Net carrying amount at start of year	365	381
Additions	220	222
Amortisation	(203)	(78)
Other movements in cost	(2)	(27)
Net Book Value at 31st March	381	498

Note 17 Long Term Investments

The Council carries a small number of long term investments on its Balance Sheet, primarily with Pooled Fund and Funding Circle. The movements of these investments are as follows:

	2023/24	2024/25
	£'000	£'000
Balance as at 1 April	33,770	35,151
Pooled Fund	1,900	(32,569)
Funding Circle	4	(389)
Other	(53)	772
Balance as at 31 March		2,965

Note 18 Inventories

The Council participated in the Local Authority Housing Fund (LAHF) that was launched by Department for Levelling Up, Housing and Communities (DLUHC) in December 2022. The purpose of the scheme was to deliver affordable housing to a number of Afghan and Ukrainian families under resettlement schemes, as well as a small number of temporary accommodation units to assist in meeting housing needs of homeless people in the borough. The purchased properties were transferred to Knowle Green Estate Ltd that is owned by the Council, and the company mission is to provide high-quality, affordable, and sustainable housing for Spelthorne residents.

	2023/24 Restated	2024/25
	£'000	£'000
Balance at 1 April	35	20
Purchases - Stock	266	421
Purchases – LAHF Properties	6,384	21,449
Expensed in year	(281)	(415)
Derecognition	(6,384)	(21,449)
Balance at 31 March	(20)	(26)

Note 19 Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

Non-Current	Current	Financial Assets	Non-Current	Current
31 Mar 24	31 Mar 24		31 Mar 25	31 Mar 25
£'000	£'000		£'000	£'000
<i>Amortised cost:</i>				
31,939	384	Investments	44,289	8,046
31,114	0	Soft loans to third parties	45,152	0
0	11,287	Trade debtors	0	18,585
0	9,814	Cash and cash equivalents	0	9,106
63,053	21,485		89,441	35,737
<i>Fair value through OCI:</i>				
3,212	0	Equity instruments elected FVOCI	(41,324)	0
66,265	21,485	Total Financial Assets	48,117	35,737
<i>Amortised cost:</i>				
(1,054,191)	(33,877)	Loans outstanding	(1,042,272)	(26,969)
(1,871)	(304)	Finance leases	(1,964)	(478)
0	(23,367)	Trade creditors	0	(29,343)
(1,056,062)	(57,548)	Total Financial Liabilities	(1,044,236)	(56,790)

Material Soft Loans made by the Council

The Council has made the following material soft loans:

Knowles Green Estates (KGE) Ltd (which is a subsidiary company of Spelthorne Borough Council) – has been approved a loan facility to purchase assets and land from the council and to develop these schemes, in accordance with the agreed business plan. The interest rate for this loan is 2.79% and is below commercial rates, hence why it has been recognised as a soft loan in the financial statements. The expected term of the loan is 50 years. There is no expected credit loss facility allowed for in the accounts as the council deems that they will take control of the aforementioned assets to recover any losses.

	2023/24	2024/25
	£'000	£'000
Balance as at 1 April	31,474	31,114
Loans repaid	(420)	(691)
Advances made	60	14,729
Balance as at 31 March	31,114	45,152

Financial Instruments - Gains and Losses

The gains and losses recognised the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

		Financial Liabilities	Financial Assets			
2023/24 Total	Gains and Losses	Liabilities at Amortised Cost	Amortised Cost	Elected to Fair Value through OCI	Fair Value through Profit & Loss	2024/25 Total
£'000		£'000	£'000	£'000	£'000	£'000
24,231	Interest expense	25,469	0	0	0	25,560
(4,134)	Interest income	0	(3,186)	0	0	(2,213)
(1,388)	Dividend income	0	0	0	(973)	(973)
18,709	Net impact on surplus/ deficit on provision of services	25,469	(3,186)	0	(973)	22,374
	Loss on Revaluation	0	0	(251)	0	0
1,768	Impact on Other Comprehensive Income	0	0	(251)	0	(251)
20,477	Net Gain/ Loss for the Year	25,469	(3,186)	(251)	(973)	21,059

Fair values of financial assets and financial liabilities

Some of the Council's financial assets are measured at fair value on a recurring basis and are describe in the table below, including the valuation techniques used to measure them.

Fair Value

Basis for recurring fair value measurements:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities that the Council can access at the measurement date, for example bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for example interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs for the asset or liability, for example non-market data such as cash flow forecasts or estimated creditworthiness.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

Balance sheet 31 Mar 24	Fair value 31 Mar 24	FV - Financial Liabilities	Fair value	Balance sheet 31 Mar 25	Fair value 31 Mar 25
£'000	£'000		Level	£'000	£'000
<i>Financial liabilities held at amortised cost:</i>					
1,054,191	1,054,191	Long-term loans from PWLB	2	1,042,272	1,042,272
1,871	1,871	Other long-term liabilities	2	1,964	1,964
57,548	57,548	Liabilities for which fair value is not disclosed*		56,790	56,790
1,113,610	1,113,610	Total Financial Liabilities		1,101,026	1,101,026

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Balance sheet 31 Mar 24 £'000	Fair value 31 Mar 24 £'000	FV - Financial Assets	Fair value Level	Balance sheet 31 Mar 25 £'000	Fair value 31 Mar 25 £'000
<i>Financial assets held at fair value:</i>					
4,500	1,528	Money market funds – short term	1	4,500	4,311
5,314	2,931	Strategic pooled funds – short term	1	4,606	2,931
<i>Financial assets held at amortised cost:</i>					
31,114	28,190	Long-term loans to companies	2	45,152	39,332
11,287	11,287	Assets for which fair value is not disclosed*		18,585	18,585
<i>Financial assets held at amortised cost:</i>					
35,151	35,151	Long term Investments		2,965	2,965
384	384	Short term Investments		8,046	8,046
87,750	79,471	Total Financial Assets		83,854	76,170

* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is lower than their balance sheet carrying value amount because interest rates have risen since the investment was originally made.

Transfer between levels of the fair value hierarchy

There were no transfers between level 1 and 2 during the year.

Changes in the valuation technique

There has been no change in the valuation technique used during the year for the financial instruments.

Reconciliation of fair value measurements for financial assets carried at fair value categorised within Level 3 at the fair value hierarchy for financial assets

There were no instruments, measured at fair value, that were at level 3 in the hierarchy.

The fair values of financial assets and financial liabilities that are not measured at fair value but for which fair value disclosures are required

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long term debtors and creditors are carried on the Balance Sheet at amortised cost. Their fair values can be assessed by calculating the net present value of cash flows that take place over the remaining life of the instruments, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Credit Risk: Treasury Investments

The Council manages credit risk by restricting treasury investments to certain institutions including commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

The Council also has a £0.4m investment in Funding Circle as a means of diversifying investment, through which small and medium sized organisations are invested in, and for which credit ratings are not readily available (categorised as 'BBB+' in the Credit Risk table below).

A limit of £10m is placed on the amount of money that can be invested with a single counterparty and £10m on secured investments with AAA rated banks and unlimited with UK government. For unsecured investments in banks, building societies and companies, lower limits apply (£2m for banks, £1m for corporates and registered providers). The Council also sets limits on investments in certain sectors. No more than £70m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio, by credit rating and remaining term to maturity:

Long Term	Short Term		Long Term	Short Term
31 Mar 24	31 Mar 24	Credit Risk	31 Mar 25	31 Mar 25
£'000	£'000		£'000	£'000
Credit Rating				
0	0	A	0	0
0	0	A-	0	0
28,144	1,582	BBB+	44,289	13,387
16	5,000	Unrated local authorities	16,100	13,000
28,160	6,582	Total	60,389	26,387
36,422	1,528	Credit risk is not applicable *	2,931	4,311
64,581	8,110	Total investments	63,320	30,698

* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any particular sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, adjusted for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent.

Note 20 Debtors

	2023/24		2024/25	
	Long Term	Short Term	Long Term	Short Term
	£'000	£'000	£'000	£'000
Trade Receivables	0	9,696	0	15,200
Local Taxation (Council Tax and Business Rates)	0	2,366	0	1,939
Prepayments	0	2,157	0	1,194
Other Receivable amounts	31,114	5,262	45,152	4,859
Less Provision for Bad Debts	0	(9,194)	0	(4,606)
Total	31,114	10,287	45,152	18,585

Note 21 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following amounts:

	2023/24	2024/25
	£'000	£'000
Cash held by the Authority	5	1
Bank current accounts	2,868	(249)
Short term deposits	6,941	9,354
Total	9,814	9,106

Note 22 Assets Held for Sale

The Council has classified three properties (formerly used for operational purposes) as held for sale following a formal decision to dispose of the asset, marketing commenced in April 2025 and sale is expected to complete within 12 months. In accordance with IFRS 5, the asset is no longer depreciated and is measured at the lower of its carrying amount and fair value, less costs to sell. These assets are Ashford Hospital Victory Place, Thameside House and Summit Centre.

	2023/24	2024/25
	£'000	£'000
Balance at 1 April	0	0
Assets newly classified as held for sale		
Transfer from Property, Plant & Equipment	0	17,090
Other Movement	0	(84)
Balance at 31 March	0	17,006

Note 23 Short Term Creditors

	2023/24	2024/25
	£'000	£'000
Trade Payables	(3,853)	(8,076)
Other Payables	(8,262)	(4,550)
Local Taxation (Council Tax and Business Rates)	(11,252)	(16,716)
Total	23,367	29,343
Receipts in advance	(15,627)	(17,797)
Total	(15,627)	(17,797)

Note 24 Provisions

During 2024-25, the Municipal Mutual Insurance and Business Rate Appeals provisions have been reclassified as long term provisions as they are likely to be settled after 12 months.

The Longford Housing provision was set up to cover any damages in relation to leasing temporary accommodation from a private landlord. However, it is not possible to produce a reliable estimate therefore this provision has been derecognised and classed as a contingent liability (see Note 38).

The Expected Credit Loss provision for Debtors (Trade Receivables) has been derecognised as there is bad debt provision set up for Debtors (see Note 20).

Short term provisions	Municipal Mutual Insurance	Business Rate Appeals	Expected Credit Loss	Longford Housing	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	(200)	(800)	(221)	(13)	(1,234)
Additional provisions made	0	0	(165)	0	(165)
Amounts used	0	0	0	0	0
Unused amounts reversed	0	0	386	13	13
Transfer to long term provisions	200	800	0	0	1,000
Balance at 31 March	0	0	0	0	0

Long term provisions	Municipal Mutual Insurance	Business Rate Appeals	Total
	£'000	£'000	£'000
Balance at 1 April	0	0	0
Transfer from short term provisions	(200)	(800)	(1,000)
Additional provisions made	0	(3,277)	(3,277)
Amounts used	0	1,966	1,966
Balance at 31 March	(200)	(2,111)	(2,311)

Municipal Mutual Insurance

The insurance provision includes amounts in relation to Municipal Mutual Insurance. In January 1994, the Council's then insurer, Municipal Mutual Insurance (MMI) made a Scheme of Arrangement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities, a clawback clause will be triggered, which can affect claims already paid. The rate of Levy may be adjusted by the Scheme Administrator if, following a review of the financial position MMI, he determines that the rate requires to be increased or decreased. Any such adjustment would be applied to the carried forward gross payments at the time.

Business Rates Appeals

The Business Rates appeals provision was set up to cover the Council's share of the estimated reduction in business rates collectable due to rating appeals. It was calculated using information provided by the Valuation Office Agency about outstanding appeals, and our historical knowledge of the likely success rate of these appeals.

Note 25 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

The General Fund Balance is the accumulation of surplus or deficit on operational services attributable to Council taxpayers. Such funds are not held for any specific purpose but are available to assist with the management of financial risks and to deal with any emergencies that might arise.

The Medium-Term Financial Strategy sets out the Council's policy for the recommended value of the General Fund Balance in order to provide assurance against the estimates and assumptions used in the annual budget process, with Earmarked Reserves set aside to meet specific future running costs and investments. The Medium-Term Financial Strategy sets out the Council's policy for Earmarked Reserves, including their nature and suggested requirements. Full details of the movements on each reserve can be found at Note 9.

The position at 31 March 2025 for each category of Usable Reserve is as follows:

	2023/24 Restated	2024/25
	£'000	£'000
General Fund	(3,083)	(3,895)
Earmarked Reserves	(56,746)	(50,106)
Capital Receipts Reserve	(2,028)	(2,681)
Capital Grants Unapplied	(1,506)	(1,777)
Total Usable Reserves	(63,362)	(58,459)

Capital Receipts Reserve

The Useable Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment. This also includes capital receipts from a previous housing stock transfer agreement where there is a Right to Buy sharing arrangement in place with the housing association.

	2023/24	2024/25
	£'000	£'000
Balance at 1 April	(1,536)	(2,028)
Capital Receipts received in year	(492)	(653)
Capital Receipts used for financing	0	0
Balance at 31 March	(2,028)	(2,681)

Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the balance of grants received where the conditions have been met but the expenditure has not yet been incurred. Any grants received in advance of conditions being satisfied are held as Capital Grant Receipts in Advance until the conditions are satisfied and the grant can then be recognised in the CIES. The Council currently does not have any Capital Grant Receipts in Advance.

	2023/24 Restated	2024/25
	£'000	£'000
Balance at 1 April	(1,777)	(1,506)
Unapplied capital grants received in-year	(1,625)	(2,105)
Capital grants applied in-year	1,897	1,833
Balance at 31 March	(1,506)	(1,777)

Note 26 Unusable Reserves

	2023/24 Restated	2024/25
	£'000	£'000
Revaluation Reserve	(41,792)	(53,942)
Available for Sale Reserve	(2,851)	(2,600)
Capital Adjustment Account	378,830	430,267
Deferred Capital Receipts Reserve	(27,509)	(27,224)
Pension Reserve	6,151	10,461
Collection Fund Adjustment Account	3,155	4,338
Accumulated Absences Account	405	353
Total Unusable Reserves	316,389	361,653

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only the revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2023/24	2024/25
	£'000	£'000
Balance at 1 April	(27,754)	(41,792)
Upward revaluation of assets	(10,263)	(21,963)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,642	12,119
Depreciation written down on revaluation	(8,656)	(1,673)
Difference between fair value and historic cost depreciation	(350)	(633)
Amount written off to Capital Adjustment Account	589	0
Balance at 31 March	(41,792)	(53,942)

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued upwards/downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

	2023/24	2024/25
	£'000	£'000
Balance at 1 April	(1,083)	(2,851)
Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(1,768)	252
Balance at 31 March	(2,851)	(2,600)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling posting from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and enhancement.

The Account contains the accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 (Adjustments between Accounting Basis and Funding Basis under Regulations) provides details of the source of all transactions posted to the account, apart from those involving the Revaluation Reserve.

	2023/24 Restated	2024/25
	£'000	£'000
Balance at 1 April	249,616	378,830
Reversal of items relating to capital debited or credited to the Comprehensive Income and Expenditure Statement (CIES)		
Depreciation, Amortisation and Impairments	6,441	39,486
Changes in the valuation of Investment Property	129,840	30,260
Current value of asset disposals	10,412	11,201
Revenue Expenditure funded from Capital under Statute	1,223	1,564
Adjustments to depreciation on revalued assets	(239)	632
Net written out amount of the cost of non-current assets consumed in the year	147,676	83,143
Capital financing applied in the year		
Use of Capital Receipts Reserve	0	0
Capital grants and contributions credited to the CIES	(4,467)	(12,081)
Direct revenue funding	(1,599)	(357)
Minimum revenue provision	(12,397)	(19,268)
Capital financing applied in year	(18,463)	(31,706)
Balance at 31 March	378,830	430,267

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2023/24 Restated	2024/25
	£'000	£'000
Balance at 1 April	(30,140)	(27,509)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,376	0
Transfer to the Capital Receipts Reserve upon receipt of cash	255	285
Balance at 31 March	(27,509)	(27,224)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pension for which it is directly responsible. In 2024-25 the Surrey Pension Fund moved into an overall surplus and as result the reserve has moved from a debit balance to a credit balance. The debit balance on the Pensions Reserve for 2023-24 was showing a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them, the movement into a credit balance means potentially future employer contributions can be slightly reduced. The statutory arrangements will ensure that funding will have been set aside by the time the benefits fall due.

	2023/24	2024/25
	£'000	£'000
Balance at 1 April	15,547	6,151
Remeasurement of net defined benefits liabilities/(assets)	(9,372)	4,848
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	4,069	3,540
Employers pension contributions and direct payments to pensioners payable in the year	(4,093)	(4,078)
Balance at 31 March	6,151	10,461

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

The Collection Fund is accounted for on an agency basis, the Council being the agent in relation to the collection of Council Tax and business rates. The balance showing below reflects the Council's share of the Collection Fund balance at the end of the financial year.

	2023/24	2024/25
	£'000	£'000
Balance at 1 April	(2,861)	3,155
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(430)	(715)
Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	6,446	(1,936)
Balance at 31 March	3,155	504

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2025. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2023/24	2024/25
	£'000	£'000
Balance at 1st April	331	405
Settlement or cancellation of accrual made at the end of the preceding year	(331)	(405)
Amounts accrued at the end of the current year	405	353
Balance at 31st March	405	353

Note 27 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2023/24	2024/25
£'000	£'000
(2,478) Interest received	(2,093)
25,359 Interest paid	25,648
(1,639) Dividends received	(1,323)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2023/24	2024/25
£'000	£'000
(2,559) Depreciation and amortisation	(2,985)
(133,723) Impairment and downward revaluations	(66,761)
2,294 Increase/decrease in provision for bad debts	6,036
11,467 Increase/decrease in creditors	(5,975)
3,112 Increase/decrease in debtors	10,071
(8) Increase/decrease in inventories	6
24 Movement in pension liability	538
(15,065) Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(581)
(9,609) Other non-cash items charged to the net surplus or deficit on the provision of services	(867)
(144,067) Total	(60,518)

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2023/24		2024/25
£'000		£'000
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,663)
(1,160)	Any other items for which the cash effects are investing or financing cash flows	(12,433)
(1,160)		(14,096)

Note 28 Cash Flow Statement – Investing Activities

2023/24		2024/25
£'000		£'000
39,887	Purchase of property, plant and equipment, investment property and intangible assets	22,538
397,594	Purchase of short-term and long-term investments	567,175
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
(412,872)	Proceeds from short-term and long-term investments	(588,360)
(2,185)	Other receipts from investing activities	(2,185)
22,424	Net Cash Flows from Investing Activities	(833)

Note 29 Cash Flow Statement – Financing Activities

2023/24		2024/25
£'000		£'000
(43,000)	Cash receipts of short- and long-term borrowing	(51,347)
(2,797)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance-sheet PFI contracts	478
53,721	Repayments of short- and long-term borrowing	70,340
7,924	Net Cash Flows from Financing Activities	19,471

Note 30 Members Allowances

The Council paid the following amounts to members of the Council during the year.

	2023/24	2024/25
	£'000	£'000
Salaries	0	0
Allowances	370	362
Expenses	1	1
Total	371	363

Note 31 Officers' Remuneration

The number of exit packages with total cost of the compulsory and other redundancies are set out in the table below.

Exit packages per cost band (including special payments)		Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
		2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
£	£	No.	No.	No.	No.	No.	No.	£	£
40,001	60,000	0	1	0	0	0	1	0	57,999
20,001	40,000	0	2	0	0	0	2	0	50,885
0	20,000	0	4	1	3	1	7	6,967	57,109
Total		0	7	1	3	1	10	6,967	165,993

The remuneration of senior employees, defined as those who are members of Management Board, or those holding statutory posts is as follows:

Post holder information 2024/25	Pay, fees and allowances	Pension contributions	Total
	£	£	£
Chief Executive – Daniel C Mouawad	164,795	26,664	191,458
Deputy Chief Executive & Chief Financial Officer	123,817	19,977	142,794
Deputy Chief Executive	115,840	18,983	134,823
Group Head of Corporate Governance	77,790	12,975	90,765

Post holder information 2023/24	Pay, fees and allowances	Pension contributions	Total
	£	£	£
Chief Executive – Daniel C Mouawad	144,363	23,780	168,144
Deputy Chief Executive & Chief Financial Officer	106,542	19,331	125,872
Deputy Chief Executive	101,901	18,465	120,336
Group Head of Corporate Governance	84,317	14,909	99,226

Taxable pay is a net figure reflecting additional voluntary contributions, the figures do not therefore in all cases reflect underlying salaries.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding pension contributions) were paid the following amounts:

Remuneration banding		2023/24	2024/25
£	£	Number	Number
50,000	54,999	18	20
55,000	59,999	9	13
60,000	64,999	7	9
65,000	69,999	1	2
70,000	74,999	4	5
75,000	79,999	0	0
80,000	84,999	7	3
85,000	89,999	0	3
90,000	94,999	0	0
95,000	99,999	0	1
100,000	104,999	1	1
105,000	109,999	1	0
110,000	114,999	0	1
115,000	119,999	0	0
120,000	124,999	0	0
125,000	129,999	0	0
130,000	134,999	0	0
135,000	139,999	0	0
140,000	144,499	1	0
145,000	149,999	0	1
150,000	154,999	0	0
		49	59

Note 32 External Audit Costs

The Council has incurred the following cost in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council’s external auditor. The External Audit in 2023/24 was undertaken by Grant Thornton and the 2024/25 Audit is also being provided by them.

	2023/24	2024/25
	£'000	£'000
Fees payable to external auditor with regard to external audit services carried out by the appointed auditor for the year	223	222
Total	223	222

Note 33 Grants and Contributions

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2024/25:

	2023/24 Restated	2024/25
	£'000	£'000
Credited to Services		
NNDR Cost of Collection	(122)	(122)
Housing Benefit Subsidy	(19,653)	(19,205)
Other revenue grants	(7,790)	(17,761)
Total	(27,566)	(37,089)
Credited to Taxation and Non-Specific Grant Income		
Capital grants and contributions	(1,160)	(5,387)
Non-ringfenced grants and contributions	(4,838)	(2,105)
Total grants and contributions credited to Net Cost of Services	(33,563)	(44,581)

The Council has received a number of grants and contributions that have yet to be recognised as income, as they have conditions attached to them that could require the money to be returned to the awarding body. The balances shown below are included in the Balance Sheet under Long Term Liabilities. The balances as at 31 March 2025 are as follows:

	2023/24 Restated	2024/25
	£'000	£'000
Capital grants and contributions receipts in advance	0	0
Developer's contributions	(620)	(4,348)
Total	(620)	(4,348)

Note 34 Related Parties

Under the Code of Practice for Local Authority Accounting, the Council is required to disclose any material transactions with related parties – bodies or individuals, which are not disclosed elsewhere. Examples of related parties to Spelthorne Borough Council include central government, other local authorities and precepting bodies, joint ventures and joint venture partnerships, together with Council’s Members and Senior Officers, that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central government

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, providing a significant amount of funding in the form of grants and it prescribes the terms of many of the transactions the Council has with other parties (e.g. Council Tax, housing benefits). Details of balances with government departments are set out in notes 16 (Receivables) and 19 (Payables) above and details of cash received from government grants is set out in note 28 above.

Members

Members of the Council have direct control over the Council’s financial and operating policies. The total of members’ allowances paid in 2024/25 is shown in Note. Several members are connected with local organisations that have dealings with the Council. The appropriate analysis has been undertaken with regard to related party transactions and the conclusion was reach that there are no material transactions between the Council and Council members.

During 2024/25, the Council awarded 25 grant payments amounting to £252,015 (2023/24: £224,919).

	2023/24	2024/25
	£	£
Age Uk	30,000	32,000
Catalyst Support	0	6,000
Citizens Advice Bureau Runnymede and Spelthorne	70,000	72,000
CREST	5,000	3,500
Cruse Bereavement Support	2,500	5,965
Didasko Ladies Netball Club	0	1,000
East to West	0	5,000
Families Thriving Together	0	4,000
Home-Start	24,919	28,600
Midas Plus Fundraising	2,000	2,000
North Surrey Domestic Abuse Service	6,000	0
Rentstart	0	16,000
Salvation Army Staines	0	3,000

Shepperton Village Fair	1,000	0
Spelthorne Committee for Access Now	1,500	1,500
Spelthorne Dementia Support	0	250
Spelthorne Volleyball Club	1,400	0
Staines Swimming Club	0	1,500
Stanwell Foodbank	0	1,000
Staines & Egham Unit 317 of the Sea Cadet Corps	0	2,000
Staines Shopmobility	15,000	12,500
Staines Helping Hands	0	1,000
Staines Lammas Youth FC	0	1,000
Staines Parish Community Care Trust	2,000	0
Sunbury Shepperton & Chertsey NCT	1,100	0
Surplus to Supper	10,000	0
Surrey Association for Visual Impairment (Sight for Surrey)	2,500	2,500
Surrey Care Trust	0	5,000
Surrey Drug and Alcohol Care Ltd	3,000	0
Thames Sailability	2,500	3,000
The Breastfeeding Café CIC	1,500	3,700
The Mulberry Centre	3,000	0
Voluntary Support North Surrey	35,000	38,000
4th Ashford Scout Group	2,500	0
8th Ashford Scouts	2,500	0
Total	224,919	252,015

In all instances, the grants were made with proper consideration of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, which is open to public inspection, and it is updated annually.

Officers

Senior officers also have the ability to influence the Council and during 2024/25 there were no related party transactions between the Council and senior officers.

Applied Resilience

Applied Resilience is a Public Service Mutual Company set up in 2015/16 to provide risk and resilience services. The Council invested £10,000 in the company at launch equating to a 10% holding. In August 2022, the Council extended the contract for another three years to continue providing emergency planning and resilience services at a cost of £165,000 over the contract.

Entities controlled or significantly influenced by the Authority

The Council has incorporated two companies – both private limited by shares: Knowle Green Estates Ltd (KGE) and Spelthorne Direct Services Ltd (SDS). Officers made a related party declaration in respect of both companies.

Knowle Green Estates Limited

Knowle Green Estates Ltd was set up as a subsidiary company of the Spelthorne Borough Council in May 2016 to provide housing accommodation services to the Council. The company is 100% owned by the Council. A 10-year debenture with 3.8% interest of £2.5m was issued in July 2024 by the Council and further loan of £11.27m was issued for the acquisition of housing properties. The loan is repayable on maturity in 2075/76, and interest is charge at 5.2%. The following Council representatives held office in the Company during the year 2024/25, noting the changes mentioned below:

- Cllr Lawrence Nichols - Director
- Mr Terry Collier, Deputy Chief Executive – resigned 1 January 2025
- Mrs Coralie Holman, Group Head of Assets - appointed 19 February 2025

Draft unaudited accounts for the year ending 31 March 2025 indicate a total loss before tax of £541k (2023/24: £892k loss). However, rental income grew in the year to £2,029k (2023/24: £1,265k). The business plan for the company is to continue to increase their property portfolio including assured short-hold tenancies and affordable housing. Therefore, the company has no intention of selling any assets in the short to medium term.

The Post House Ltd

The Post House Ltd is a subsidiary company of Knowle Green Estates and it was acquired in July 2024. The director shown below have held office during the year 2024/25:

- Mr Terry Collier, Deputy Chief Executive

During 2024/25 there has been no financial activity within the company and the accounts are dormant.

Spelthorne Direct Services Ltd

Spelthorne Direct Services Ltd was established as a 100% owned subsidiary of Spelthorne Borough Council in June 2020 to provide for the collection, treatment and disposal of non-hazardous waste and combined facilities support activities. The director shown below have held office during the year 2024/25:

- Mrs Jackie Taylor, Group Head of Neighbourhood Services

Other changes in directors holding office are as follows:

- Mr Paul Taylor, Chief Accountant – resigned 1 July 2024
- Mr Mahmud Rogers, Joint Financial Services Manager - appointed 1 July 2024 and resigned on 28 February 2025
- Cllr Paul Woodward – appointed on 24 March 2025

The company continues to grow and has seen the client base rise significantly. The turnover for the year was £613k (2023/24: £580k) however not as high as expected to meet the overall higher costs. Therefore, the unaudited accounts for the year ending 31 March 2025 indicate a loss for the year of £21k (2023/24: £51k profit). There are two reasons for the loss: higher labour costs (increased by £20k) and waste disposal costs (increased by £40k). The company had to invest in staff to service the growing customer base as well due to changes in the Government legislation on Simpler Recycling. The price per tonne for general waste disposal has also increased from £127 to £150 per tonne.

Note 35 Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed below:

	2023/24 Restated	2024/25
	£'000	£'000
Opening Capital Financing Requirement	1,128,532	1,151,211
Capital Investment		
Property, Plant and Equipment	33,308	9,883
LAHF Properties	6,384	21,449
Intangible Assets	227	222
Revenue Expenditure funded from Capital under Statute	1,223	1,564
Total	41,142	33,118
Sources of Finance		
Capital Receipts	0	0
Capital Grants and Other Contributions	(4,467)	(12,081)
Sums set aside from revenue:		
Direct revenue contributions	(1,559)	(357)
MRP/loans fund principal	(12,397)	(19,268)
Total	(18,463)	(31,706)
Closing Capital Financing Requirement	1,151,211	1,152,623
Explanation of movements in year:		
Increase/(decrease) in underlying need to borrow	22,679	1,412
Increase/(decrease) in Capital Financing Requirement	22,679	1,412

Note 36 Leases

Change in Accounting Policies for Leases – Council as Lessee

In 2023/24 the Council voluntarily applied IFRS16 Leases as permitted by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is when the Council is the lessee in a transaction. In this case, where arrangements were previously accounted for as operating leases (that is to say, without recognising the leased item as an asset and future lease payments as a liability), a right-of-use asset has been brought onto the Balance Sheet as at 1 April 2023. Where those leases have a commercial rent attached to them, a corresponding lease liability discounted to their present value has also been recognised in the Balance Sheet as at 1 April 2023. Where leases are at nil consideration, or a peppercorn, then no lease liability is recorded and instead are treated as donated assets and included within Taxation and Non-Specific Grant income in the Comprehensive Income and Expenditure Statement.

In 2024/25 the Council conducted further review of its leases and has brought additional leases onto the Balance Sheet as at 1 April 2024. The Council also reclassified four assets from land and building assets to right-of use assets. In all cases, IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code:

- Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Council's incremental borrowing rate
- The weighted average of the incremental borrowing rates used to discount liabilities was 5%
- Right-of-use assets are measured at the amount for the lease liability, adjusted for any prepaid or accrued lease payments that were in the Balance Sheet on 31 March 2024 – any initial direct costs have been excluded. Note 13 provides information on the assets recognised on the Council's Balance Sheet for the rights the Council has secured to use items over their respective lease terms.
- Leases determined to be of a low value asset (value when new of less than £10,000), and short-term leases of 12 months or less (including leases due to expire before 1 April 2025) have not been included as a right-of-use assets and continue to be expensed to the Comprehensive Income and Expenditure Statement.

Lease liabilities as at 31 March 2025

The lease liabilities at 31 March 2025 are as follows:

	2023/24		2024/25	
	Long Term	Short Term	Long Term	Short Term
	£'000	£'000	£'000	£'000
Land and property	0	0	32	3
Vehicles	1,871	304	1,905	502
Total	1,871	304	1,937	505

Transactions under leases

The Council incurred the following expenses and cash flows in relation to leases:

	2023/24	2024/25
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Interest expense on lease liabilities	96	130
Expense relating to short-term leases	28	12
Expense relating to exempt leases of low-value items	0	8
Cash Flow Statement		
Total cash outflows for leases	124	150

Maturity analysis of lease liabilities

The lease liabilities, measured at the undiscounted amounts of expected cash payments, are due to be settled over the following time bands:

2023/24			2024/25	
Land & Property		Vehicles	Land & Property	Vehicles
£'000		£'000	£'000	£'000
Less than one year	0	480	5	607
One to five years	0	1,984	12	2,082
More than five years	0	60	127	3
Total	0	2,524	144	2,692

Council as Lessor

Finance leases

The Council has no currently determined finance leases as lessor.

Operating leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of the community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are (measured at the undiscounted amounts of expected cash receipts):

	2023/24	2024/25
	£'000	£'000
Less than one year	48,283	47,193
One to five years	162,399	146,944
More than five years	208,873	150,299
Total undiscounted liabilities	419,555	344,435

Note 37 Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS), administered locally by Surrey County Council. This is a funded defined benefit final salary scheme (from 2014 this was based on career average revalued earnings), meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Arrangements for the award of discretionary post- retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme, and the governance of the scheme is the responsibility of the pensions committee of Surrey County Council. Policy is determined in accordance with the Pensions Fund Regulations.

In general participating in a defined benefit pension scheme means that the Council is exposed to several risks:

- Investment risk – the Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk – the Fund's liabilities are assessed using market yields based on high quality corporate bonds to discount the liabilities. As the Fund holds assets, such as equities, the value of the assets and the liabilities may not move in the same way.
- Inflation rate risk - all the benefits under the Fund are linked to inflation, and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk - if the members live longer than assumed, a deficit will emerge in the Fund. There are also some other demographic risks, but longevity is the main demographic risk.

In addition, as many unrelated employers participate in the Surrey Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that any shortfall may fall on the remaining employers.

All of these risks may also benefit the Council (e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually are inherited by the remaining employers). However, these risks are also mitigated, to a certain extent, by the statutory requirement to charge the amount required by statute as described in Note 1 (vii) at page 36.

Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to post-employment benefits

The cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2023/24			2024/25		
Funded £000	Unfunded £000	Total £000	Funded £000	Unfunded £000	Total £000
Comprehensive Income and Expenditure Statement					
Cost of Services:					
3,348	0	3,348	3,264	0	3,264
0	0	0	0	0	0
0	0	0	0	0	0
3,348	0	3,348	3,264	0	3,264
Financing and Investment Income and Expenditure					
721	0	721	276	0	276
0	0	0	0	0	0
4,069	0	4,069	3,540	0	3,540
Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services					
Remeasurement of the net pensions liability charged to the Comprehensive Income and Expenditure Statement					
(7,204)	0	(7,204)	10	0	10
Actuarial (gains) and losses arising from changes in:					
(5,199)	0	(5,199)	(17,710)	(12)	(17,722)
(682)	0	(682)	(207)	0	(207)
3,713	0	3,713	(1,201)	0	(1,201)

0	0	0	Change in the effect of the asset ceiling	23,968	0	23,968
(9,372)	0	(9,372)	Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure	4,860	(12)	4,848
(5,303)	0	(5,303)	Total Charged to Comprehensive Income and Expenditure Statement	8,400	(12)	8,388
(4,069)	0	(4,069)	Movement in Reserves Statement			
			Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(3,540)	0	(3,540)
			Actual amount charged against the General Fund balance for the year			
3,908	185	4,093	Employers' contributions payable to scheme	3,883	195	4,078

Pensions assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

2023/24				2024/25		
Funded £'000	Unfunded £'000	Total £'000		Funded £'000	Unfunded £'000	Total £'000
(115,829)	(1,894)	(117,723)	Present value of the defined benefit obligation	(101,731)	(1,687)	(103,418)
111,572	0	111,572	Fair value of plan assets	(116,925)	0	116,925
(4,257)	(1,894)	(6,151)	Sub-total	15,194	(1,687)	(13,507)
0	0	0	Impact of the asset ceiling	(23,968)	0	(23,968)
(4,257)	(1,894)	(6,151)	Net liability arising from defined benefit obligation	(8,774)	(1,687)	(10,461)

The Scheme actuaries have assessed the Council's estimated future service costs less the estimated minimum funding requirement contributions to establish the economic benefit available to the Council. The net pensions asset has therefore been adjusted by the effect of the asset ceiling.

The effect of the asset ceiling has been determined by the Scheme's actuary on the basis of the limitation on the Council's ability to recover the full economic benefit of its assets through reductions in future employer's contributions. This is because the minimum funding requirement imposed on it by the Funding Strategy for the Scheme in place as at 31 March 2025.

Reconciliation of the movements in the fair value of the scheme (plan) assets

Scheme Liabilities

The following table provides a reconciliation of the present value of scheme liabilities:

2023/24				2024/25		
Funded £'000	Unfunded £'000	Total £'000		Funded £'000	Unfunded £'000	Total £'000
(113,857)	(2,079)	(115,936)	Balance as at 1 April	(115,829)	(1,894)	(117,723)
(3,348)	0	(3,348)	Current service cost	(3,264)	0	(3,264)
(5,471)	0	(5,471)	Interest cost	(5,628)	0	(5,628)
(991)	0	(991)	Contributions from scheme participants	(1,062)	0	(1,062)
Remeasurement gain/(losses) arising from:						
682	0	682	- Changes in demographic assumptions	207	0	207
5,199	0	5,199	- Changes in financial assumptions	17,710	12	17,722
(3,713)	0	(3,713)	- Other	1,201	0	1,201
0	0	0	Past service cost	0	0	0
0	0	0	Loss on curtailments/settlements	0	0	0
0	0	0	Liabilities assumed on entity combinations	0	0	0
5,670	185	5,855	Benefits paid	4,934	195	5,129
0	0	0	Liabilities extinguished on settlements	0	0	0
(115,829)	(1,894)	(117,723)	Balance as at 31 March	(101,731)	(1,687)	(103,418)

Scheme Assets

The following table provides a reconciliation of the fair value of the scheme assets:

2023/24				2024/25		
Funded £'000	Unfunded £'000	Total £'000		Funded £'000	Unfunded £'000	Total £'000
100,389	0	100,389	Balance as at 1 April	111,572	0	111,572

4,750	0	4,750	Interest income	5,352	0	5,352
0	0	0	Remeasurement gain/(loss)	0	0	0
			- The return on plan assets, excl. amount included in net interest expense		0	
7,204	0	7,204		(10)		(10)
0	0	0	- Other (if applicable)	0	0	0
0	0	0	The effect of changes in foreign exchange rates	0	0	0
3,908	185	4,093	Contributions from employer	3,883	195	4,078
991	0	991	Contributions by employees into the scheme	1,062	0	1,062
(5,670)	(185)	(5,855)	Net benefits paid out	(4,934)	(195)	(5,129)
0	0	0	Administration expenses	0	0	0
0	0	0	Settlements	0	0	0
0	0	0	Other (if applicable)	0	0	0
111,572	0	111,572	Balance as at 31 March	116,925	0	116,925

Asset ceiling

The following table provides a reconciliation of the movement on the asset ceiling:

2023/24				2024/25		
Funded £'000	Unfunded £'000	Total £'000		Funded £'000	Unfunded £'000	Total £'000
0	0	0	Balance as at 1 April	0	0	0
0	0	0	Changes in the effect of liability	0	0	0
0	0	0	Additional liability	(23,968)	0	(23,968)
0	0	0	Balance as at 31 March	(23,968)	0	(23,968)

Local Government Pension Scheme assets comprised:

2023/24				2024/25		
Quoted £'000	Unquoted £'000	Total £'000		Quoted £'000	Unquoted £'000	Total £'000
8,922	0	9,922	Equities	8,756	0	8,756
0	17,077	17,077	Private equity	0	0	0
0	4,262	4,262	Property	1,582	22,017	23,599
			Pooled funds:			
62,171	0	62,171	Equities	64,496	0	64,496
16,260	0	16,260	Bonds	17,176	0	17,176
(64)	0	(64)	Derivatives	436	0	436
1,726	0	1,726	Cash & cash equivalents	2,462	0	2,462
90,233	21,339	111,572	Total Assets	94,908	22,017	116,925

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that are payable in future years dependant on assumptions about mortality rates, salary levels etc.

The Local Government Pension Scheme and discretionary liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Surrey Pension Fund which the Council is a member of, being based on the latest full valuation of the scheme as at 31 March 2025. For estimating liabilities, the actuary has selected iBOXX Sterling Non-Gilt Index, one of the five main sterling corporate indices, to determine the discount rate to place a value on the fund's liabilities.

The principal assumptions used by the actuary have been:

2023/24	Principal assumptions	2024/25
3.25%	Rate of inflation - CPI	3.20%
3.95%	Rate of increase in salaries	3.90%
2.95%	Rate of increase in pensions	2.90%
4.90%	Discount rate	5.80%
	Mortality assumptions for members retiring in normal health:	
	Longevity at 65 for current pensioners:	
21.8 years	Men	21.7 years
24.5 years	Women	24.5 years
	Longevity at 65 for future pensioners:	
22.4 years	Men	22.3 years
25.9 years	Women	25.8 years

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decrease for men and woman. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2025	Approximate increase in Defined Benefit obligation	
	%	£'000
0.1% decrease in Real Discount Rate	2%	1,659
1 year increase in member life expectancy	4%	4,137
0.1% increase in the salary increase rate	0%	76
0.1 % increase in pensions increase rate (CPI)	2%	1,628

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Surrey County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The most recent triennial valuation was carried out at 31 March 2022, with new rates applying from April 2023. The next formal valuation was due on 31 March 2025, which will determine contributions rates for the period from April 2026 to March 2029.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public services schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates paying £3.879m expected contributions to the scheme in 2025/26 (2024/25: 3.908m).

The weighted average duration of the defined benefit obligation for scheme members is 16 years for 2024/25 (2023/24: 16 years).

Note 38 Contingent Liabilities

At 31 March 2025, the Council had four potentially significant contingent liabilities:

- An employment claim was brought against the Council for protected disclosures which was unsuccessful. A previous claim for disability discrimination was not upheld at a pre-hearing. The claimant has appealed to the Employment Appeal Tribunal for the disability claim to be included and the outcome of the Employment Tribunal hearing regarding detriment following whistleblowing claim. The claim is due to be heard in June 2025. No provision has thus been made for this contingency.
- A leisure centre operator submitted an initial claim for lost income between 15 October 2024 and 31 January 2025 relating to the teaching pool closure at Eclipse Leisure Centre for the value of £150k. However, the Council will seek to be reimbursed by the Leisure Centre construction contractors hence no provision has been made for this contingency.
- There could be a claim from a private landlord in relation to any damages to accommodation that was provided for Afghan families. The lease expires in late 2025 but no reliable estimate of damages can be provided however the costs likely to be incurred.

Note 39 Contingent Assets

There are no contingent assets.

Note 40 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, including:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss may arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services (both revised in 2021) and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting: the Council's overall borrowing, its maximum and minimum exposures to the maturity structure of its debt, its management of interest rate exposure and its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the start of the new financial year. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved at the Council meeting on 22 February 2024 and is available on the Council website.

The key issues within the strategy were:

- the Authorised Limit for 2024/25 was set at £1,270m. This is the maximum limit of external borrowings or other long-term liabilities. This represents a limit beyond which external debt is prohibited

- the Operational Boundary was set at £1,170m. This is the expected maximum level of external debt during the course of the year and focuses on day-to-day treasury management activity. This limit is lower than the Authorised Limit because cash flow activities may lead to occasional, but not sustained, breaches of the Operational Boundary.
- the Council's current strategy for funding capital developments was to borrow, when necessary, as possible given in the context of current interest rate risk issues, while maintaining the investment portfolio that has been built up.
- moving forwards the Council's Capital Programme will continue to be reviewed and reduced beyond 2025-26, which will significantly reduce the need for future long term additional borrowing. The Council moving forwards will also be looking to generate capital receipts to enable the paying down of some of the long-term debt.
- the Council has significant levels of long-term borrowing of £1,042m as at 31st March 2025, which is a £11.9m reduction from previous year.
- Long term borrowing tends to be used to part fund purchase of properties for resettlement of refugee families and temporary accommodation (Local Authority Housing Fund – LAHF is provided to offset some of the (about 40% to 50%) cost of purchase), financing spend on the new Spelthorne Leisure Centre, past regeneration schemes as well as some of the development and to fund in the past the acquisition of the investment properties portfolio.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. This risk is minimised through the Annual Investment Strategy, which is available on the Council's website. The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The Council manages credit risk by restricting treasury investments to certain institutions including commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. The Council also has an investment in Funding Circle as a means of diversifying investment, through which small and medium sized organisations are invested in, and for which credit ratings are not readily available (categorised as 'BBB+' in the Credit Risk table below).

A limit of £10m is placed on the amount of money that can be invested with a single counterparty and £10m on secured investments with AAA rated banks and unlimited with UK government. For unsecured investments in banks, building societies and companies, lower limits apply (£2m for banks, £1m for corporates

and registered providers). The Council also sets limits on investments in certain sectors. No more than £70m in total can be invested for a period longer than one year.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, adjusted for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a “D” credit rating or equivalent.

Credit Risk - Trade Receivables

The way in which the Council manages credit risk on receivables depends on the type of receivable. Receivables relating to investment properties is addressed in the next section.

For general trade receivables, departments are responsible for management of income. This process is strengthened through on going development of central debt management support and review of receivables accounts. No formal assessments are generally carried out in respect of individual customers. However, in the event of a significant commitment, financial checks would be carried out to minimise the Council’s exposure to loss and default.

The following analysis summarises the Council's trade and lease receivables by due date. Only those receivables meeting the definition of a financial asset are included.

	2023/24	2024/25
	£'000	£'000
Less than three months	1,588	6,840
Three to six months	1,829	299
Six months to one year	484	413
More than one year	449	895
Total	4,350	8,448

Loss allowances (bad debt provision) on trade receivables have been calculated by reference to historic data on UK small to medium entities.

Credit Risk - Investment properties

For investment properties, where the rents are high value, various measures are taken to reduce the risk of rent loss. For potential tenants, the financial strength, viability and ability to pay is assessed by Deloitte which produces detailed reports on relevant companies. If necessary, where for example financial strength is not sufficiently high, guarantees from parent companies are obtained to cover potential rent default.

Rents are due from tenants on quarter days for the following three-month period and are paid within two weeks of invoicing by most tenants of investment properties. Any delays are addressed directly with the tenants to ensure that rent is paid, with the option of ending the tenancy where appropriate. With these measures in place, the risk of default is therefore very low as demonstrated by a 98.9% collection rate for 2024/25.

Collateral and other credit enhancements

The Council has not either pledged collateral for liabilities or contingent liabilities or held collateral which is permitted to sell or re-pledge the collateral even if there has been no default.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed. In the event of unexpected cash requirements, the Council has ready access from the money markets to cover any day-to-day cash flow need and the Public Works Loan Board (PWLb) and other local authorities, and at higher rates from banks and building societies. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no perceived risk that the Council will be unable to raise finance to meet its commitments under financial instruments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans. The maturity analysis of financial liabilities as follows:

	2023/24	2024/25
	£'000	£'000
Less than one year	33,877	29,969
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 5 and 20 years	23,065	23,944
Between 20 and 40 years	7,698	8,000
Over 40 years	1,023,428	1,010,328
Total	1,088,068	1,072,421

All trade and other payables are due to be paid in less than one year. The Council's only other long-term liabilities are a selection of rent deposits held from tenants, which are of small scale and unlikely to fall due at the same time - and a deferred lease calculation that has no cash impact and hence no liquidity risk.

Market Risks

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the liabilities borrowing will fall (no impact on revenue balances)
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The Council's Finance team monitors market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2025, if all interest rates had been 1% higher (with all other variables held constant, the financial effect would be:

	2023/24	2024/25
	£'000	£'000
Decrease in Fair Value of investments held at FVPL	(3)	0
Increase in interest receivable on investments	2	95
Impact on Surplus or Deficit on the Provision of Services	(1)	95
Decrease in Fair Value of investments held at FVOCI	(304)	0
Impact on Comprehensive Income and Expenditure	(305)	95
Decrease in Fair Value of loans and investments held at amortised cost	(1,031)	0
Decrease in Fair Value of fixed rate borrowing	(88,706)	(88,706)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council does not invest in marketable bonds or equity shares and is therefore not exposed to losses arising from movements in the prices of such shares.

The market prices of the Council's units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 41 Prior Period Adjustments

During the preparation of the 2024/25 Statement of Accounts the Council identified the following issues requiring restatement of 2023/24:

1. Recognition of abortive costs – a decision was made to abort capital schemes by 31 March 2024, so the associated revenue costs were recognised in the same year. As the costs had been capitalised, this also meant reversing transactions in the Balance Sheet, i.e. additions to Property, Plant and Equipment. The revenue costs were funded by transfers from the Earmarked Reserves.
2. Review of the Fixed Asset Register (FAR) – a recent external audit identified a need to undertake a detailed review of the FAR in order to substantiate the balances carried on the Balance Sheet and therefore make the Statement of Accounts more robust. This review was done on an asset by asset basis and identified the need to correct prior year balances and some associated capital charges.
3. Correct LAHF Accounting – errors were identified in the accounting treatment for LAHF (Local Authority Housing Fund). LAHF The Council participated in the Local Authority Housing Fund (LAHF) that was launched by Department for Levelling Up, Housing and Communities (DLUHC) in December 2022. The purpose of the scheme was to deliver affordable housing to a number of Afghan and Ukrainian families under resettlement schemes, as well as a small number of temporary accommodation units to assist in meeting housing needs of homeless people in the borough. The purchased properties were transferred to Knowle Green Estate Ltd that is owned by the Council, and the company mission is to provide high-quality, affordable, and sustainable housing for Spelthorne residents. The accounting involved some complex, atypical entries which were reviewed and corrected to ensure proper accounting practices were being followed.
4. Correct Accounting for Capital Grants – a review of the accounting for capital grants identified errors in prior year which affected the CIES and MIRS. These errors were corrected.
5. Correcting Accounting for S106 liabilities – the council identified S106 liabilities being recognised as Earmarked Reserves within Usable Reserves. These were corrected and S106 liabilities are now recognised as long-term liabilities.

Effect on the Comprehensive Income and Expenditure Statement for 2023-24:

2023/24							
	Net Expenditure as Originally Stated	PPA 1 – Recognise Abortive Costs	PPA 2 – Review of Fixed Asset Register	PPA 3 – Correct LA Housing Fund Accounting	PPA 4 – Correct Accounting for Capital Grants	PPA 5 – Correct Accounting for S106 Liabilities	Restated Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Community Wellbeing & Housing	4,864	0	2,195	1,376	0	0	8,589
Corporate Policy and Resources	8,637	0	(34)	0	0	0	8,603
Environment & Sustainability	6,428	82	1,843	0	0	0	8,353
Business Infrastructure - Growth	3,235	14,968	121	0	0	0	18,323
Cost of Services	23,163	15,050	4,125	1,376	0	0	43,869
Other Operating Expenditure	3,934	0	(189)	2,437	0	0	6,182
Financing and Investment Income and Expenditure	113,193	0	(156)	0	0	0	113,038
Taxation and Non-Specific Grant Income	(17,170)	0	0	0	2,571	0	(14,599)
(Surplus) or Deficit on Provision of Services	123,120	15,050	3,780	3,813	2,571	0	148,490
(Surplus) or Deficit on revaluation of Property, Plant and Equipment	4,438	0	(18,715)	0	0	0	(14,277)
Remeasurements of the net defined benefit liability/asset	(9,507)	0	0	0	0	0	(9,507)
(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income	(1,768)	0	0	0	0	0	(1,768)
Other Comprehensive (Income) and Expenditure	(6,837)	0	(18,715)	0	0	0	(25,552)
Total Comprehensive (Income) and Expenditure	116,283	15,050	(14,935)	3,813	2,571	0	122,937

Effect on the Movement in Reserves Statement for 2023/24 – Usable Reserves:

2023/24	Net Amounts as Originally Stated	PPA 1 – Recognise Abortive Costs	PPA 2 – Review of Fixed Asset Register	PPA 3 – Correct LA Housing Fund Accounting	PPA 4 – Correct Accounting for Capital Grants	PPA 5 – Correct Accounting for S106 Liabilities	Restated Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April 2023	(74,167)	0	0	0	0	0	(74,167)
(Surplus)/Deficit on provision of services	123,121	15,050	3,780	3,813	2,571	620	148,955
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure	123,121	15,050	3,780	3,813	2,571	620	148,955
Adjustments between accounting & funding basis under regulations (Note 8)	(125,769)	0	(3,561)	(6,250)	(2,571)	0	(138,151)
Net (increase)/decrease before Transfers to Earmarked Reserves	(2,648)	15,050	219	(2,437)	0	620	10,804
Transfer to or from Earmarked Reserves (Note 9)	0	0	0	0	0	0	0
(Increase)/Decrease in-year	(2,648)	15,050	219	(2,437)	0	620	10,804
Balance carried forward 31st March 2024	(76,815)	15,050	219	(2,437)	0	620	(63,362)

Effect on the Movement in Reserves Statement for 2023/24 – Unusable Reserves:

2023/24	Net Amounts as Originally Stated	PPA 1 – Recognise Abortive Costs	PPA 2 – Review of Fixed Asset Register	PPA 3 – Correct LA Housing Fund Accounting	PPA 4 – Correct Accounting for Capital Grants	PPA 5 – Correct Accounting for S106 Liabilities	Restated Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April 2023	203,791	0	0	0	0	0	203,791
(Surplus)/Deficit on provision of services	0	0	0	0	0	0	0
Other Comprehensive Income and Expenditure	(6,837)	0	(18,715)	0	0	0	(25,552)
Total Comprehensive Income and Expenditure	(6,837)	0	(18,715)	0	0	0	(25,552)
Adjustments between accounting & funding basis under regulations (Note 8)	125,769	0	3,561	6,250	2,571	0	138,151
Net (increase)/decrease before Transfers to Earmarked Reserves	118,932	0	(15,154)	6,250	2,571	0	112,599
Transfer to or from Earmarked Reserves (Note 9)	0	0	0	0	0	0	0
(Increase)/Decrease in-year	118,932	0	(15,154)	6,250	2,571	0	112,599
Balance carried forward 31st March 2024	322,723	0	(15,154)	6,250	2,571	0	316,390

Effect on the Movement in Reserves Statement for 2023/24 – Total Reserves:

2023/24	Net Amounts as Originally Stated	PPA 1 – Recognise Abortive Costs	PPA 2 – Review of Fixed Asset Register	PPA 3 – Correct LA Housing Fund Accounting	PPA 4 – Correct Accounting for Capital Grants	PPA 5 – Correct Accounting for S106 Liabilities	Restated Net Amounts
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April 2023	129,624	0	0	0	0	0	129,624
(Surplus)/Deficit on provision of services	123,121	15,050	3,780	3,813	2,571	620	148,955
Other Comprehensive Income and Expenditure	(6,837)	0	(18,715)	0	0	0	(25,552)
Total Comprehensive Income and Expenditure	116,284	15,050	(14,935)	3,813	2,571	620	123,403
Adjustments between accounting & funding basis under regulations (Note 8)	0	0	0	0	0	0	0
Net (increase)/decrease before Transfers to Earmarked Reserves	116,284	15,050	(14,935)	3,813	2,571	620	123,403
Transfer to or from Earmarked Reserves (Note 9)	0	0	0	0	0	0	0
(Increase)/Decrease in-year	116,284	15,050	(14,935)	3,813	2,571	620	123,403
Balance carried forward 31st March 2024	245,908	15,050	(14,935)	3,813	2,571	620	253,027

Effect on the Balance Sheet for 2023/24:	Net Amounts as Originally Stated	PPA 1 – Recognise Abortive Costs	PPA 2 – Review of Fixed Asset Register	PPA 3 – Correct LAHF Accounting	PPA 4 – Correct Accounting for Capital Grants	PPA 5 – Correct Accounting for S106 Liabilities	Restated Net Amounts
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property, Plant & Equipment	177,979	(15,050)	14,950	(6,384)	0	0	171,495
Heritage Assets	203	0	0	0	0	0	203
Investment Property	625,210	0	156	0	0	0	625,366
Intangible Assets	347	0	34	0	0	0	381
Long-term Investments	35,151	0	0	0	0	0	35,151
Long-term Receivables	31,114	0	0	0	0	0	31,114
Long-term Assets	870,004	(15,050)	15,139	(6,384)	0	0	863,710
Short-term Investments	384	0	0	0	0	0	384
Inventories	20	0	0	0	0	0	20
Short-term Receivables	10,492	0	(205)	0	0	0	10,287
Cash & Cash Equivalents	9,814	0	0	0	0	0	9,814
Current Assets	20,710	0	(205)	0	0	0	20,505
Short-term Borrowing	(33,877)	0	0	0	0	0	(33,877)
Short-term Payables	(23,367)	0	0	0	0	0	(23,367)
Short-term Provisions	(1,234)	0	0	0	0	0	(1,234)
Receipts in Advance	(15,627)	0	0	0	0	0	(15,627)
Lease Liabilities	(304)	0	0	0	0	0	(304)
Current Liabilities	(74,409)	0	0	0	0	0	(74,409)
Long-term Borrowing	(1,054,191)	0	0	0	0	0	(1,054,191)
Pension Scheme Liabilities	(6,151)	0	0	0	0	0	(6,151)
S106 Liabilities	0	0	0	0	0	(620)	(620)
Lease Liabilities	(1,871)	0	0	0	0	0	(1,871)
Long-term Liabilities	(1,062,213)	0	0	0	0	(620)	(1,062,833)
Net Assets/(Net Liabilities)	(245,908)	(15,050)	14,935	(6,384)	0	(620)	(253,026)
Usable Reserves	(76,815)	15,050	219	(2,437)	0	620	(63,362)
Unusable Reserves	322,723	0	(15,154)	8,821	0	0	316,389
Total Reserves	245,908	15,050	(14,935)	6,384	0	620	253,026

Collection Fund Accounts

Collection Fund Revenue Accounts

The Collection Fund is an agent's statement that reflects the statutory obligation for billing Councils to maintain a separate Collection Fund. The statement shows the transactions of the billing Council in relation to the collection from taxpayers and distribution to local Councils and the Government of Council Tax and non-domestic rates.

Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
2023/24	2023/24	2023/24		2024/25	2024/25	2024/25
£'000	£'000	£'000		£'000	£'000	£'000
Income						
0	0	0	Prior Year Adjustments	(3,843)	(2,413)	(6,255)
0	0	0	Successful Appeals	(2,952)	0	(2,952)
0	(90,668)	(90,668)	Council tax receivable	0	(96,066)	(96,066)
(46,805)	0	(46,805)	Business rates receivable	(50,933)	0	(50,933)
(4,219)	0	(4,219)	Transitional protection	(2,398)	0	(2,398)
Contribution received based on Deficit/ (Surplus)						
0	(100)	(100)	Spelthorne Borough Council	(1,462)	153	(1,309)
0	(1,895)	(1,895)	Surrey County Council	(366)	1,214	848
0	(340)	(340)	Surrey Police & Crime Commissioner	0	239	239
0	0	0	Central Government	(1,828)	0	(1,828)
(51,204)	(93,003)	(144,207)	Total Income	(63,782)	(96,873)	(160,655)
Expenditure						
Demands, precepts and shares						
21,397	8,765	30,161	Spelthorne Borough Council	22,304	8,728	31,031
5,349	66,918	72,267	Surrey County Council	5,576	69,009	74,585
0	12,407	12,407	Surrey Police & Crime Commissioner	0	12,697	12,697
26,746	0	26,746	Central Government	27,880	0	27,880
Charges to the Collection Fund						
1,433	873	2,306	Bad Debt Provision	(2,707)	(1,757)	(4,463)
2,620	0	2,620	Provision for Appeals	6,230	0	6,230
122	0	122	Cost of Collection	122	0	122

57,667	88,963	146,630	Total Expenditure	59,405	88,677	148,082
6,644	(4,038)	2,602	(Surplus)/Deficit arising during the year	(4,378)	(8,196)	(12,575)
Movement on the Collection Fund						
(6,555)	(2,364)	(8,920)	(Surplus)/Deficit brought forward	9,560	(6,403)	3,157
16,115	(4,038)	12,077	(Surplus)/Deficit arising during the year	(4,378)	(8,196)	(12,575)
9,560	(6,403)	3,157	(Surplus)/Deficit carried forward	5,182	(14,599)	(9,417)

Note 1 Council Tax Base

Council Tax derives from charges raised according to the value of residential properties which have been classified into eight valuation bands at 1991 prices, the bands ranging from A to H. The Council Tax base for the year, i.e. the estimated number of chargeable dwellings in each band (adjusted for dwellings where discounts and reliefs apply), converted to an equivalent number of Band D dwellings, was as follows:

Valuation band	Number of dwellings on Valuation List	Number of chargeable dwellings	Ratio to band D	Band D equivalents
A-	1	1	5/9	1
A	374	319	6/9	213
B	1,473	1,193	7/9	928
C	8,508	7,316	8/9	6,503
D	13,730	12,752	9/9	12,752
E	9,298	9,039	11/9	11,048
F	4,364	4,310	13/9	6,226
G	2,046	2,036	15/9	3,393
H	110	110	18/9	219
Total	39,904	37,076		41,283
	Number of band D equivalents in lieu			24
	Allowance for losses on collection and appeals		5.00%	(2,065)
	Council Taxbase for 2024/25			39,242

Note 2 Non-Domestic Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a national non-domestic rate multiplier. The total non-domestic rateable value for the Spelthorne area as at 31 March 2025 was £129,409,383 (2022/23: £128,776,948) and the national non-domestic rate multiplier for 2024/25 was £0.546 and £0.499 for small businesses (2023/24 was £0.511 and £0.499).

Annual Governance Statement (AGS)

Annual Governance Statement 2024-25

Introduction

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

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

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

The Purpose of the Annual Governance Statement

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

Reviewing our Effectiveness and the Governance Framework

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

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

- An annual self-assessment assurance process by Group Heads and MAT members to prompt consideration of the existence and adequacy of governance arrangements during 2024/25.
- Corporate Risk Register which monitors the management of threats, concerns, and issues across the Council.
- The Joint Annual Report on effectiveness of Internal Audit from the Monitoring Officer, and the Chief Finance Officer which provides an opinion on the adequacy and effectiveness of the Council's risk management, control, and governance processes.
- The work of the designated Data Protection Officer (DPO).
- The work of the Audit Committee which includes responsibility for monitoring the development and operation of corporate governance in the Council.
- The Council's internal management processes, such as performance monitoring and reporting; the staff continuous performance management framework; employee awareness of corporate policies; monitoring of policies such as the corporate complaints and health and safety policies and budget management systems, which is regularly refreshed at staff meetings.
- The report of the Council's External Auditor.
- The consideration of any significant matters arising in the year, which are discussed and monitored by various Committees.
- Recommendations from external review agencies and inspectorates, such as Best Value Inspectors. Specific governance assurance statements are provided from the following statutory officers.

a) Head of Paid Service

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

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

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

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

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

Like most councils, we face a challenging medium-term future and the uncertainties of local government funding reform. The Council is looking to drive transformation and savings across many areas of the Council to assist in closing the budget gap we face for 2026-27. The government's Local Government Reorganisation White Paper and Surrey's accelerated devolution timeline will necessitate significant ramping up of the transformation processes.

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

b) Section 151 Officer

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

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

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

The Council, along with the rest of the sector, continues to experience financial challenges, having identified in February a significant Budget gap for 2026-27. This was factoring in the potential adverse impact of the Local Government Funding reform changes starting to take effect in 2026-27 and also the need to take

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

c) Monitoring Officer

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

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

Best Value Inspection

In May 2024, following on from the Chartered Institute of Public Finance and Accountancy (CIPFA) review in the previous year, the Minister announced a Best Value Inspection (BVI) to review the extent to which the Council was delivering against the Best Value standards. The BVI review was originally intended to finish by 31 August 2024 but was extended due to the impact of the timing of the General Election leading to a delay in appointing the third and fourth BV Inspectors. The Review concluded at the end of January 2025, and the Government published the BVI report in March 2025. The BVI Report sets out 13 Recommendations as follows:

- 1. Commissioner-led intervention:** The Secretary of State should consider appointing Commissioners with expertise in finance, commercial investments, property, and transformation to oversee the Council's recovery process and ensure effective governance.
- 2. Comprehensive commercial strategy:** The Council should, with Commissioners' support, develop a comprehensive commercial strategy, with clear approaches to its investment and regeneration portfolios, including exit strategies for the commercial investments and realistic and deliverable strategies for the regeneration sites. Progress should be reported regularly to Committees, alongside an annual report to full Council. The sinking fund should be updated with more accurate income and expenditure forecasts, with adequate provisions made for future costs.
- 3. Review and strengthen assets function:** The Council should, with Commissioners' support, review its assets function, ensuring that it has the necessary skills and experience to manage the high risks associated with its investment and regeneration portfolios. Consultants should be used more effectively.

4. Review of MRP provision and accounts treatment for suspended capital projects: The Council should urgently review its current MRP provision with its external auditors, Grant Thornton, as it is underfunded. Additionally, revenue costs associated with suspended capital projects should be charged to the 2024/25 accounts.

5. Revised Medium-Term Financial Strategy (MTFS): The Council, with Commissioners' support, should update its MTFS to reflect the costs and risks identified in this report and by their external auditors. The MTFS should align with the new commercial strategy and include proactive measures to reduce costs and improve financial viability.

6. Debt reduction strategy: The Council should, with Commissioners' support, develop a comprehensive debt reduction strategy to achieve a prudent level of debt within a realistic timeframe to ensure long-term financial stability.

7. Transformation strategy development: The Council should, with Commissioners' support, secure additional expertise to develop a comprehensive transformation strategy to deliver the savings outlined in its MTFS.

8. Review and strengthen finance function: The Council should, with Commissioners' support, review its finance function, identifying gaps in skills and ensuring the recruitment of individuals with the necessary skills and experience to address the high financial risks.

9. Improvement and recovery plan: The Council should develop a comprehensive improvement and recovery plan, integrating recommendations from KPMG, CIPFA, the LGA, and the external auditor as per their January 2025 reports, with quarterly progress reports to both the Audit Committee and the Corporate Policy and Resources Committee, alongside an annual report to full Council.

10. Revised Corporate Plan: The Council should revise its Corporate Plan to ensure it is achievable and supported by a performance framework, establishing a golden thread between the Corporate Plan, the budget, service plans, and individual appraisals. Quarterly progress updates should be made to Committees, alongside an annual report to full Council.

11. Audit Committee structure: The Council should review the structure and reporting processes of its Audit Committee. This could include recruiting a second independent member who acts as chair, in line with CIPFA guidance, and ensuring annual reports to Council.

12. Culture reset and relationship building: The Council should, with Commissioners' support, reset its culture and rebuild relationships between members and senior officers.

13. Housing delivery: The Council should, with Commissioners' support, develop a realistic plan to deliver housing numbers outlined in its Local Plan and assess the viability of Knowle Green Estates, developing a business case and future options for the company and the housing it currently manages.

The Council is pro-actively engaging and working with the Commissioners to implement and an Improvement and Recovery Plan (IRP) to deliver all the recommendations in the BVI report. Progress will be reported quarterly to the Improvement and Recovery Board and to MHCLG. The IRP is now being refined and will go to Council in October 2025 for approval. The Council is putting in place, in collaboration with the Commissioners, a Programme Coordinator to ensure that the Improvement and Recovery Plan is effectively monitored and implemented.

Governance arrangements

How we run the Council and its subsidiary companies

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

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

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

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

Scrutiny of decisions. During the period to which this Annual Governance Statement covers, the majority of decisions were made by the Committees or delegated to officers. There are structures and processes in place to hold these to account. We have an Audit Committee which have cross party representation to review our risk management arrangements, performance, influence certain areas of policy decisions. Moving forwards the Audit Committee is going to increase its frequency of meetings to six per annum. This will assist the Committee in monitoring progress of the Action Plans designed to address the Annual Audit Report and Audit Findings Report for 2023-24. In addition, the Council is actively attempting to appoint another lay member to the Audit Committee to further enhance the Audit Committee's oversight of the Council's reporting and processes.

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

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

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

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

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

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

Commercial Property Investments

Thirty eight percent of the money we need to run the Council and provide services for residents now comes from our investment properties. It is essential that these investment work for us and deliver best value for the Council. We have a range of measures in hand to ensure that this happens. We have already strengthened our staff resources and implemented changes to our governance systems to ensure that we are proactively and professionally managing this multi million pounds portfolio. We will continue to do this. The Council's portfolio performed well with more than 98.8% of the commercial rent invoiced for 2024-25 collected 2023-24- 99.1%).

The Council has continued its strategy of mitigating future risk by setting aside a proportion of rental income into sinking funds to ensure that, if required, the Council has funds to offset short-term dips in rental income. At the end of 2024-25 the Sinking Funds Reserves balances stood at £26.3m. The Council had however been anticipating the need to make some use of the sinking funds reserves to offset the impact of some churn of tenants across the portfolio in-year (occupancy rate at the year-end 90%). During 2024-25, we did a major refresh of our sinking fund modelling which in turn informed our medium term financial projections which identified the need over time to put more funds into the reserves to ensure that in future years that we have a sufficient safety cushion when leases for key tenants come up for renewal.

Systems of internal control

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

Budget Process

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

External Audit

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

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

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

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

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

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

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

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

Internal audit

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

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

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

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

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

Review of the Governance Framework

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

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

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

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

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

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

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

The Council’s Chief Finance Officer and Monitoring Officer have specific statutory responsibilities to ensure that decisions taken by the Council are lawful and in line with constitutional requirements. The Council’s statutory officers meet with the Chief Executive monthly to discuss any emerging issues or matters of concern.

B – Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defining outcomes

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

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

Interventions

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

The Council has a variety of strategies, policies and procedures which underpin the delivery of the corporate strategy. Officers are in the process of implementing a more consistent approach to reviewing and updating these documents. This includes setting up a central database of strategies, which sets out who the document owner is, when the document needs to be reviewed, and who has responsibility for sign-off.

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

Optimise the achievement of the intended outcomes

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

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

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

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

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

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

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

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

How we will deal with significant governance issues

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

Issue Identified in 2023-24	Action Taken
Wider externalities	Corporate Risk Register has continued to highlight a range of ongoing external factors impacting on the Council’s financial sustainability and identify mitigating actions Following the transfer of internal audit arrangements at the start of 2024-25 to SIAP, the Council has refreshed its approach to Corporate Risk Management. The Deputy Chief Executive (Lee O’Neil) has become the Corporate Risk Management Champion and has reshaped and focused the Corporate Risk Register. The Corporate Risk Register has been refreshed to reflect the key risks highlighted in the Annual Audit Report 2023-24. Moving forwards to place greater emphasis on risk, the Committee report template is being updated to ensure that report authors address risk upfront. The Deputy Chief Executive commissioned SIAP to undertake during 2024-25 an internal audit of risk management. This audit report is at draft stage.
Financial Risk	Best Value Inspection and Grant Thornton have highlighted a number of financial risks which will be addressed through Action Plans and through the Finance theme of the improvement and Recovery Plan. The Finance theme will have a Programme Board with a lead councillor, lead commissioner and Senior Responsible Officer (Chief Finance Officer) who will monitor progress on a

	monthly basis and report to the Improvement and Recovery Board which will produce quarterly monitoring reports. In March 2025 a new experienced interim Chief Accountant was appointed and since then working with the Commissioners a number of accountants have been appointed, and additional external expertise has been brought in. As part of the Finance theme a major exercise is being undertaken to refresh the Medium Term Financial Planning analysis.
Housing – Development and Targets	The Council refined its Local Plan and took it through the Planning Inspection process. The outcome of the assessment is expected in November 2025.
Housing Supply and Demand – addressing Need	The Council used the Local Authority Housing Fund to lever in funding to acquire 81 TA and resettlement properties. The Council responded to the increasing pressure on its homelessness budget and demand for Temporary Accommodation (TA) by leveraging in a significant amount of Local Authority Housing Fund capital grant to enable it to acquire 81 temporary and permanent housing units. These units were transferred to and are managed by Knowle Green Estates the Council's wholly owned housing management company.
Climate Change and Environmental Sustainability	Council has continued to roll out its Carbon Literacy programme achieving Bronze level accreditation and is close to achieving silver. Council completed its Passivhaus Eclipse leisure centre in 2024 and it is estimated it will save 60% on energy compared to a conventional centre. Monitoring over the first year will confirm energy savings as compared to a conventional site.
Periodical Review of procedural practices and policy frameworks	The Council has created a central register of policies to enable close monitoring and timely reviews.
Audit Trails and Decision making	Officers have addressed the specific recommendations in audit reports produced in 2023-24
Corporate Procurement	Training for staff and elected members on the Procurement Act 2023 took place in the summer and autumn of 2024. Internal processes have been reviewed and updated addressing some recommendations in the 2023 Internal Audit of Procurement and all staff briefing took place in early 2025.

	In spring 2025 the Council was looking to entered into an arrangement with NHS Commercial Solutions for targeted procurement support. The Council was also exploring opportunities for joint working with another Surrey Borough Council to deliver continuous improvement through staff training, upskilling and support.

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

Note that the appointment of Commissioners

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

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

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

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

- 4) As another early action to address recommendation 11 in the Best Value Inspection Report, the Council undertook a recruitment process for the appointment of a second independent member of the Audit Committee. This process was successful, and the Council has confirmed appointment at the meeting on 17 July 2025. This appointment will provide further independent oversight and constructive challenge.

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

1. Commercial Theme

Commercial property rationalisation plan
Commercial governance
People, systems and data management
Commercial strategy
Contract management and procurement process review

2. Regeneration and Housing Theme

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

3. Finance Theme

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

4. Governance Theme

Decision making process review

Risk culture

Internal audit

Reports and guidance

Culture and continuous improvement

5. Local Government Reorganisation Theme

Data collection / sharing

HR rationalisation

Financial rationalisation

Systems and contracts

Elections and governance

Change management

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

Conclusion

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

Cllr Joanne Sexton
Leader of the Council

Daniel Charles Mouawad
Chief Executive

Glossary of Terms

This glossary helps to define some of the terms and phrases found in these accounts.

AAA RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING STANDARDS

The pronouncements of standard setting bodies that local authorities are required to follow (subject to adaptation by the Accounting Code). Primarily the IFRS framework administered by the International Accounting Standards Board.

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices the Authority applies in preparing and presenting the financial statements.

ACCOUNTS AND AUDIT REGULATIONS 2015

The statutory rules that establish requirements for internal control and financial systems and specify the arrangements for the annual accounts and audit process.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

Changes in the Authority's pensions liabilities calculated at the end of the previous year as a result of actual events being different from those predicted by the actuary or because the actuary has updated their assumptions.

ACTUARY

The expert engaged by the Authority to calculate its pensions liabilities.

ADDED YEARS

Additional entitlement to pensions benefits sometimes added to an officer's years of service upon early retirement.

ADDITIONAL VOLUNTARY CONTRIBUTIONS

Contributions made by officers to secure pensions benefits additional to those available under the Local Government Pension Scheme.

ADJUSTMENT ACCOUNT

A statutory reserve in the Balance Sheet that allows the General Fund Balance to be managed so that expenditure can have an impact on the setting of Council Tax in a different year from that in which it would be an expense under proper accounting practices.

AMORTISATION

The spreading of the cost of an asset over a number of financial years to fairly represent the period over which the Authority benefits from the asset.

AMORTISED COST

A way of measuring financial instruments that ignores changes in fair value but takes into account the spreading of transactions costs over the instrument term and the impact of any concessionary interest rates.

AMORTISED COST FINANCIAL ASSETS

Investments for which any gains and losses in fair value are not accounted for until the investment matures or is sold. Defined as financial assets: held within a business model whose objective is to hold investments in order to collect their contractual cash flows, and which have the form of a basic lending arrangement (i.e., contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding).

ANNUAL GOVERNANCE STATEMENT

A statement published with the Statement of Accounts prepared in accordance with the CIPFA/SOLACE publication Delivering Good Governance in Local Government: Framework. It assesses the effectiveness of the arrangements the Authority has put in place to govern decision-making and accountability.

ASSET CEILING

The limit on the amount of any net pensions asset that will be recoverable in the form of reductions in future contributions to the pension fund.

ASSETS

Present economic resources controlled by the Authority as a result of past events. Assets include such things as the Authority's property, cash and investments and sums owed to it.

ASSETS HELD FOR SALE

An asset (or group of assets and liabilities) whose value will be recovered principally by being sold rather than through its continued use in the provision of services.

ASSETS UNDER CONSTRUCTION

Property, plant and equipment that is being constructed for use by the Authority, but which is not yet operational.

AUDIT OF ACCOUNTS

Activity that investigates whether the Authority's financial systems and other accounting arrangements are adequately designed and operating effectively, and that the information they produce is reliable for the purposes of preparing financial statements.

AUDIT COMMITTEE

A committee of the Authority that oversees the work of internal auditors and considers reports from the external auditors.

BALANCE SHEET

The financial statement that summarises the assets and liabilities of the Authority at the end of the financial year and shows how net assets are balanced by the reserves held by the Authority.

BEST VALUE

The statutory duty that the Authority has to make arrangements to secure continuous improvement in the way in which it exercises its functions, combining economy, efficiency and effectiveness.

BID (BUSINESS IMPROVEMENT DISTRICT)

A local area in which business have voted to pay extra business rates in order to fund additional or enhanced services.

BILLING AUTHORITY

An authority that is responsible for administering the collection of Council Tax and business rates, including issuing bills and distributing amounts collected to other authorities.

BOND

A financial instrument under which the issuer takes an investment from the holder in return for an obligation to repay (usually on a specified date) and to pay interest (usually at a fixed rate).

BOOK VALUE

The amount at which an asset or liability is recorded in the Balance Sheet.

BORROWING COSTS

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BROUGHT FORWARD AMOUNTS

Balances of resources outstanding at the end of the preceding financial year that were available to be spent in the current year.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

BUSINESS MODEL

Arrangements for holding financial assets, whose objectives can involve making a return by either collecting the cash flows payable under the contracts for each investment (i.e. interest) or hoping to sell investments to gain from increases in their value.

BUSINESS RATES

The tax raised on non-domestic properties, based each year on a multiplier set by the Government applied to an assessment of the value of the property.

BUSINESS RATES RETENTION

The system under which the Authority is able to keep a proportion of the business rates raised in any year in excess of a baseline measure.

CAPITAL ADJUSTMENT ACCOUNT

The unusable reserve that absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets (largely depreciation) and for the financing of the acquisition, construction or enhancement of those assets from revenue, grants, contributions and capital receipts as determined under statutory provisions. (The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.)

CAPITAL EXPENDITURE

The expenditure incurred by the Authority that is intended to provide longer-term benefits and qualifies to be paid for from capital resources, rather than charged to revenue as it is incurred. The definition covers expenditure that results in the recognition of non-current assets in the Balance Assets and other transactions specified in Government regulations.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL FINANCING REQUIREMENT

The measure of the Authority's capital expenditure that has yet to be financed, as defined in the Prudential Code. It increases as capital expenditure is incurred and reduces when resources are set aside as capital finance.

CAPITAL GRANTS

Grants given to meet the cost of capital expenditure.

CAPITAL GRANTS UNAPPLIED

The amount in the Balance Sheet of capital grants that have not yet been used and will have to be repaid if conditions for their use are not met.

CAPITAL PROGRAMME

The Authority's plans for capital expenditure, usually detailing the individual projects that are to be carried out, their budgeted cost and the expenditure incurred to date on them.

CAPITAL RECEIPT

Income received from the sale of non-current assets (particularly land and property) and from other transactions specified in Government regulations. Their use is largely restricted to financing capital expenditure.

CAPITAL RECEIPTS RESERVE

The reserve in the Balance Sheet that holds the capital receipts that have yet to be applied to financing capital expenditure.

CAPITAL STRATEGY

The annual strategy that the Prudential Code requires the Authority to prepare. It gives an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, how associated risk is managed and the implications for future financial sustainability.

CAPITALISATION

The accounting process by which expenditure is recorded as an asset on the Balance Sheet, rather than being charged as an expense when it is incurred.

CARRIED FORWARD AMOUNTS

Balances of resources outstanding at the end of the current financial year that will be available to be spent in the next year.

CARRYING AMOUNT

The amount at which an asset or liability is recorded in the Balance Sheet.

CASH FLOW STATEMENT

The financial statement that summarises the Authority's cash inflows and outflows for the year, split into amounts for operating, investing and financing activities.

CIPFA

The Chartered Institute of Public Finance and Accountancy - the accountancy body primarily concerned with public services that issues guidance on accounts preparation for local authorities.

CIPFA LASAAC CODE BOARD

The partnership between CIPFA and the Local Authority (Scotland) Accounts Advisory Committee responsible for preparing and maintaining the Accounting Code of Practice.

CIPFA/SOLACE FRAMEWORK

A framework of recommended practice for governance contained in the Delivering Good Governance in Local Government publication

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING (THE ACCOUNTING CODE)

The document that specifies the contents of the Authority's statement of accounts, the accounting policies it must follow, the presentation of the financial statements and the notes to be provided.

The 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code) is based on International Financial Reporting Standards (IFRSs) and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. It constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003.

COLLECTION FUND

The separate accounting arrangements for the collection of Council Tax and business rates and the sharing of the proceeds between the Authority, Government and other public bodies.

COLLECTION FUND ADJUSTMENT ACCOUNT

The unusable reserve that manages the differences arising from the recognition of Council Tax and business rates income as it falls due from taxpayers compared with the statutory arrangements for paying across annual entitlements from the Collection Fund to the General Fund.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

The financial statement that summarises the expenditure that the Authority has incurred in providing services and the income it has generated during the year and other gains and losses arising from changes in the value of assets and liabilities.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONDITIONS

Terms attached to a grant or a donated asset that specify how the funding/donation is to be used and that will result in repayment/return to the donor if not satisfied.

CONSOLIDATED FINANCIAL STATEMENTS

Financial statements that bring together the transactions and balances of two or more entities on a line-by-line basis.

CONSTRUCTIVE OBLIGATION

An obligation that does not have a legal basis but arises from the Authority's actions demonstrating that it will accept certain responsibilities and by which a valid expectation has been created that it will discharge those responsibilities.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY

A possible obligation for the Authority that arises as a result of something that has happened before the year-end, but whose existence will not be confirmed until an uncertain future event (not wholly within the Authority's control) either takes place or does not.

CONTROL (GROUP ACCOUNTS)

Circumstances where the Authority is exposed to variable returns from its involvement in another entity and has the ability to affect those returns through its power over the investee.

CORPORATE BOND

A bond issued by a bank or other commercial organisation.

COST

The amount the Authority paid to acquire an asset or incurred in its construction and preparation for use, in contrast to its current value.

COST OF SERVICES

The line in the Comprehensive Income and Expenditure Statement that summarises the Authority's net expenditure on providing services, before considering non-service specific items.

COSTS TO SELL

The costs that would be incurred directly as the result of disposing of an asset.

COUNCIL TAX

The tax raised on households, based each year on the position of the property in eight valuation bands A to H.

CREDIT LOSSES

A measure of how much the Authority would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are due contractually to the Authority under a financial asset and those that it actually expects to receive (discounted using the investment's effective interest rate).

CREDIT RATING

An assessment of the risk that an entity that has borrowed money from the Authority or with which the Authority has made an investment might default on repayments.

CREDIT RISK

The risk that someone that the Authority has lent money to or has made an investment with will not pay back some or all of the loan or investment.

CREDITORS

Amount owed by the Authority and unpaid at the balance sheet date in respect of work done, goods received, or services rendered before the end of the accounting period, with the actual payment being made in the next financial year.

CURRENT ASSET

An asset that the Authority expects to realise or consume in the provision of services within the next twelve months.

CURRENT LIABILITY

A liability that the Authority expects to settle within the next twelve months.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

CURRENT VALUE

The measurement bases for property, plant and equipment, reflecting the economic environment for the service the item is supporting. Possible methods comprise: existing use value, existing-use value - social housing, depreciated replacement cost and fair value.

DEBTORS

Amount owed to the Authority and unpaid at the balance sheet date.

DEFERRED CAPITAL RECEIPTS RESERVE

The unusable reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place.

DEFICIT

An excess of expenditure over income.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DERECOGNITION

The process by which assets and liabilities are removed from the Balance Sheet, as a result of being disposed of, consumed or settled.

DIRECT REVENUE FINANCING

Financing capital expenditure from revenue rather than from capital resources.

DISCLOSURE

The inclusion of information in the Statement of Accounts.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets fewer total liabilities.

EQUITY INSTRUMENT

A financial instrument that gives the holder a residual interest in the net assets of an entity (e.g., if it is wound up). The commonest example is shares in a company.

EQUITY METHOD

The method for bringing the transactions and balances of associates and joint ventures into the group accounts - i.e., recognising the Authority's share of the profit/loss of the entity and of its net assets.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED CREDIT LOSS PROVISION

A debt that the Authority is unlikely to recover. A provision is made in the accounts for doubtful debts each year based on how long debts have been outstanding.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXPENDITURE AND FUNDING ANALYSIS

A note to the financial statements that compares the Authority's net expenditure for the year in accounting terms (as shown in the Comprehensive Income and Expenditure Statement) to the net spend against the General Fund Balance (against which the Authority monitors its progress against budget, as shown in the Movement in Reserves Statement).

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS

Investments for which gains and losses in fair value are recognised on the Balance Sheet but do not impact on the Authority's income as they arise but only when the investment matures or is sold. Defined as financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling investments, and which have the form of a basic lending arrangement.

FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

Defined as financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income. Movements in their fair value are recognised as income and expenditure when they arise.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

FINANCIAL REPORTING STANDARD (FRS)

Accounting standards governing the treatment and reporting of income and expenditure in an organisation's accounts.

FINANCIAL INSTRUMENTS REVALUATION RESERVE

An unusable reserve that contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The Authority might benefit in the future from the gains when the investments mature or are sold, or they might be lost in falls in value.

FINANCIAL LIABILITIES

Liabilities that take the form of a contractual obligation to deliver cash (or another financial asset) to another entity, such as taking out a loan. The definition also includes more complicated arrangements involving the exchange of financial instruments that might result in a loss for the Authority.

FINANCIAL STATEMENTS

A general term for the published accounts as a whole but also used specifically to refer to the primary elements - Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement.

GENERAL FUND

The fund into which the Authority pays all its revenue income and from which it incurs all its revenue expenditure, unless specifically mandated by law not to.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

GROSS EXPENDITURE

The expenditure of the Authority before taking any income into account.

GROSS INCOME

The income of the Authority before any deductions for expenditure.

GROUP

The Authority and its subsidiaries, associates and joint ventures.

GROUP ACCOUNTS

Financial statements that bring together the transactions and balances of a local authority and its subsidiaries, associates and joint ventures as if they were a single economic entity.

HERITAGE ASSETS

Heritage asset are assets with historic, artistic, scientific, technological, geophysical, or environmental qualities held and maintained principally for its contribution to knowledge and culture.

HISTORICAL COST

An accounting convention based on what items actually cost to acquire or construct and the cost of their subsequent enhancement, rather than the value they currently have.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths, and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software, licences and websites.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Accounting practices recommended by the major accounting bodies and applied internationally.

INVENTORIES

Items of raw materials and building supplies an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LASAAC

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) is an independent committee that develops and promotes proper accounting practice for local government in Scotland.

LEVY

A statutory demand from another organisation for the Authority to provide it with funding.

LIABILITIES

Liabilities are present obligations of the Authority to transfer an economic resource as a result of past events.

LIQUIDITY RISK

The risk that the Authority might at any time not have sufficient cash to make payments that are due.

LONG TERM ASSET

An asset that the Authority does not expect to realise or consume in the provision of services within the next twelve months.

LONG TERM LIABILITY

A liability that the Authority does not expect to settle within the next twelve months.

MARKET RISK

The risk that the Authority might make losses on financial instruments from adverse movements in market prices, such as changes in variable interest rates or quoted prices for investments.

MARKET VALUE

The price at which an asset could sold in a competitive market.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MEASUREMENT

The accounting process for determining the amount that an asset or liability should be recorded at in the Balance Sheet.

MHCLG

Ministry for Housing, Communities and Local Government.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

MOVEMENT IN RESERVES STATEMENT (MIRS)

The financial statement that shows the balances of capital and revenue resources available to the Authority at the year-end, detailing how these balances have been arrived at by adjustments to the financial performance established by proper accounting practices in the Comprehensive Income and Expenditure Statement.

NET ASSETS

The amount by which assets in the Balance Sheet exceed liabilities.

NET CURRENT ASSETS

The amount by which current assets in the Balance Sheet exceed current liabilities.

NET CURRENT LIABILITIES

The amount by which current liabilities in the Balance Sheet exceed current assets.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The amount by which borrowings and lease liabilities are greater than investments.

NET EXPENDITURE

The expenditure of the Authority after taking income into account.

NON-CURRENT ASSET

An asset that the Authority does not expect to realise or consume in the provision of services within the next twelve months.

NON-CURRENT LIABILITY

A liability that the Authority does not expect to settle within the next twelve months.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government, and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used, or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease that does not transfer substantially all the risks and rewards incidental to ownership of the leased asset.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

OTHER COMPREHENSIVE INCOME AND EXPENDITURE

Items in the Comprehensive Income and Expenditure Statement that do not arise as a result of the provision of services but from revaluations of assets and remeasurements of net pensions liabilities.

OUTTURN

An actual financial outcome, usually used in relation to expenditure incurred against a budget.

PENSION FUND

A fund kept by an administering authority that collects together the pensions contributions paid by organisations and individuals that participate in a pension scheme, manages the investment of these contributions and pays out pensions to retired employees.

PENSIONS RESERVE

An unusable reserve that absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. For instance, a debit balance on the Reserve shows that the Authority has made commitments to fund pensions that the Government has permitted it to fund from contributions to be made in future years.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

POOLED INVESTMENT FUNDS

Collective investment schemes in which a number of investors pool their money, which is then invested in a portfolio of assets.

POOLED INVESTMENT FUNDS ADJUSTMENT ACCOUNT

The unusable reserve that accumulates the gains and losses arising from changes in the fair value of investments in qualifying pooled investment funds, as required by statutory provisions. The balance is released to revenue when the investment is disposed of.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRECEPTING AUTHORITIES

Other local authorities that have a right to raise a precept on the Authority.

PREPAYEMENTS

Payments made by the Authority in advance of goods or services being supplied.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROPERTY, PLANT AND EQUIPMENT

A class of assets with physical substance that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes (and expected to be used for more than one year).

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PRUDENTIAL CODE

The Code of Practice for capital financing issued by CIPFA. The Authority is required by law to have regard to the Code when taking decisions about incurring capital expenditure and taking out borrowing.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The value assigned to a property by the Valuation Office for the purposes of calculating business rates payable for the year.

RECEIPTS IN ADVANCE

Payments taken by the Authority in advance of goods or services being supplied to recipients.

RELATED PARTY TRANSACTIONS

Persons or entities with which the Authority has a relationship, such as a company in which the Authority has an interest or an organisation that is controlled by a member or chief officer.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits, and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The amount that an item of property, plant or equipment could be sold for (less costs of disposal), if it were in the condition expected at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVALUATION GAIN

The excess of the revalued amount of an asset over its previous carrying amount.

REVALUATION LOSS

A shortfall in the revalued amount of an asset compared with its previous carrying amount.

REVALUATION RESERVE

The unusable reserve that accumulates the gains made by the Authority from increases in the value of its Property, Plant and Equipment assets. The Authority might benefit from these gains in the future from the continued use of the assets or from their sale. (The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.)

REVENUE EXPENDITURE

Expenditure on the day-to-day costs of providing services. Defined technically as the expenditure of the Authority that does not meet the definition of capital expenditure

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure that would normally be charged to revenue resources, but which Government regulations allows to be treated as capital expenditure and funded from capital receipts.

REVENUE SUPPORT GRANT (RSG)

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

RICS

Royal Institution of Chartered Surveyors - responsible for the professional standards applied in valuing local government property.

STATEMENT OF ACCOUNTS

The formal name for the financial statements that the Authority is required to prepare each year.

STATUTORY ADJUSTMENTS

The adjustments made under law and regulations to the outcomes of the Accounting Code's requirements before establishment of the General Fund Balance, allowing the budgetary impact of specified items of expenditure on particular financial years to be managed. Adjustments relate primarily to the revenue impact of capital expenditure and pensions costs.

STRAIGHT-LINE BASIS

A basis for spreading an item of expense or income over a number of years by charging equal amounts for each year.

SUBSIDIARY

An entity that is controlled by the Authority.

SUPPORT SERVICES

The activities of the Authority that support the providers of services directly to the public (e.g., HR, finance).

SURPLUS

An excess of income over expenditure.

SURLPUS ASSETS

Property, plant or equipment that is not being used to provide services but that does not meet the criteria for an investment property, or an asset held for sale.

SURLPUS/DEFICIT ON THE PROVISION OF SERVICES

The line in the Comprehensive Income and Expenditure Statement that summarises the Authority's net expenditure on providing services, after considering non-service specific items.

TERMINATION BENEFITS

Employee benefits given in relation to the termination of an officer's employment, usually as a result of redundancy or early retirement.

TRUE AND FAIR

The standard against which local authority accounts are prepared, requiring compliance with statutory requirements and the Accounting Code, the absence of material misstatements and bias in the presentation of information, and faithful representation of transactions and events.

TRUST FUNDS

A separate legal entity that holds assets for the benefit of specified organisations or individuals, overseen by a trustee or trustees.

UNUSABLE RESERVES

The reserves in the Balance Sheet that are not balances of usable resources, comprising revaluation reserves and adjustment accounts.

USABLE RESERVES

The reserves in the Balance Sheet that are balances of usable resources, both revenue and capital.

USEFUL ECONOMIC LIFE (UEL)

The period for which an asset is expected to be available for use by the Authority.

VALUATION

An estimate by an appropriately qualified person of the amount the Authority could sell an asset for or of the benefit of continuing to use it for the provision of services. The basis of valuation will depend on the nature of the asset being valued.

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Committee Report Checklist

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

Stage 1

Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing	Yes	05/11/25
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	N/A	
Relevant Group Head review	Y	12/09/25
MAT+ review (to have been circulated at least 5 working days before Stage 2)	N/A	
This item is on the Forward Plan for the relevant committee	Y	
	Reviewed by	
Finance comments	LH	12/09/25
Risk comments	LH	07/11/25
Legal comments	LH	12/09/25
HR comments (if applicable)	N/A	

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

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

Stage 2

Report checklist – responsibility of report owner

ITEM	Completed by	Date
Monitoring Officer commentary – at least 5 working days before MAT	L Heron	12/09/25
S151 Officer commentary – at least 5 working days before MAT	T.Collier	2/11/25
Confirm final report cleared by MAT		

Audit Committee

27 November 2025

Title	Review of Effectiveness of Audit Committee
Purpose of the report	To inform and assure
Report Author	Linda Heron, Monitoring Officer Terry Collier, Chief Finance Officer
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Community Addressing Housing Need Resilience Environment Services
Recommendations	Committee is asked to: 1. Consider and endorse the findings of the assessment of effectiveness of Audit Committee (Appendix A); 2. Develop a plan to identify opportunities to improve and strengthen the work of the Audit Committee (Appendix B); and 3. Agree the revised Terms of Reference for Audit Committee (Appendix C) for consideration by the Committee System Working Group.
Reason for Recommendation	To present the Audit Committee with the findings of the review of effectiveness carried out during July – September 2025

1. Executive summary of the report *(expand detail in Key Issues section below)*

What is the situation	Why we want to do something
CIPFA sets out its guidance on the function and operation of audit committees in local authorities and police bodies	This report seeks to inform the Audit Committee of the findings of the of the independent review of effectiveness undertaken during July – September

	2025 against CIPFA's view of best practice
This is what we want to do about it	These are the next steps
Consider the findings of the assessment	Endorse action(s) to improve and develop the effectiveness of the Audit Committee as appropriate

2. Key issues

- 2.1 Audit Committees are a key component of governance and an important source of assurance about an organisation's governance, the arrangements for managing risk, maintaining an effective internal control environment and reporting on financial and other performance.
- 2.2 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 ("CIPFA Guidance") sets out the latest best practice published guidance on the function and operation of Audit Committees in the public sector.
- 2.3 CIPFA Guidance recommends that local authority Audit Committees conduct an annual assessment of their effectiveness; a template for self-assessment is contained within CIPFA Guidance.
- 2.4 Rob Winter, an external consultant on public sector audit, risk and governance, has undertaken a review of the effectiveness of the Audit Committee during July – September 2025 and summary report is attached in Appendix A ("the Report").
- 2.5 The findings of the review of effectiveness of the Audit Committee are set out in paragraphs 11 – 43 (inclusive) and are divided into 4 sections: Terms of Reference, Committee membership and structure, Audit Committee management and Audit Committee impact and influence. The corresponding recommendations are set out in Appendix 1 of the Report.
- 2.6 Taking each section in turn:

Terms of reference

Recommendations 1-5 (inclusive) state as follows:

- review Terms of Reference and change the format to assist agenda planning
- responsibility for approval of the statutory accounts and the Annual Governance Statement to rest with Council not the Audit Committee
- undertake wider review of the Terms of Reference of other Committees
- review format of the Audit Committee reports.

Committee membership and structure

Recommendations 6-11 (inclusive) state as follows:

- consider the appointment of one of the independent members as Committee Chair
- increase quoracy to 4 members and 1 independent member

- stop use of substitutes
- no policy committee chairs are to be members of the Audit Committee
- each Committee member to complete a training needs assessment
- make provision for training sessions in advance of each meeting

Audit Committee management

Recommendation 12 states as follows:

- increase the number of formal meetings to 8 per annum

Audit Committee impact and influence

Recommendations 13-15 state as follows:

- review the nature of the Chair's briefing
- the Chair should have scheduled meetings with the Head of Internal Audit and the Council's statutory officers (Chief Executive, Monitoring Officer, and Chief Finance Officer)
- the Chair and Committee should have scheduled meetings with the Head of Internal Audit and the External Audit lead without management present
- suggested actions to raise the profile and impact of the Audit Committee

- 2.7 The Committee is invited to consider the Report and prepare an action plan for endorsement by the Council. It is suggested that progress against the action plan should be considered at each Audit Committee meeting and further reported to the Council.

3. Options appraisal and proposal

- 3.1 The Audit Committee is asked to consider the draft responses to the recommendations in the Report (please see Appendix B) and develop an action plan to address areas for improvement.
- 3.2 **Option 1: Recommended** – Agree the report in its entirety and accept all the recommendations; agree the action plan in Appendix B and the updated Terms of Reference for Audit Committee in Appendix C.
- 3.3 **Option 2:** Committee to suggest modifications to recommendations or highlight specific recommendations it does not wish to progress.
- 3.4 **Option 3:** Committee to reject the report and its recommendations.

4. Risk implications

- 4.1 There are no risk implications arising directly from the report, but it should be noted that proposed improvements will assist the Audit Committee to provide an effective and robust independent review of the Council's governance, risk management and internal control arrangements and their effectiveness.

5. Financial implications

- 5.1 There are no financial implications directly arising from this report, but it should be noted that the implementation of some of the recommendations is likely to require direct expenditure (e.g. training).

6. Legal comments

- 6.1 There are no legal implications directly arising from this report, but it should be noted that this report supports the Audit Committee to meet CIPFA Guidance and best practice requirements.

Corporate implications

7. S151 Officer comments

- 7.1 The S151 Officer is fully supportive of the recommendations. There is budget to cover the implementation of the recommendations.

8. Monitoring Officer comments

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

9. Procurement comments

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

10. Equality and Diversity

- 10.1 There are no equality and diversity implications directly arising from this report.

11. Sustainability/Climate Change Implications

- 11.1 There are no sustainability and climate change implications directly arising from this report.

12. Other considerations

- 12.1 None.

13. Timetable for implementation

- 13.1 Please see Appendix B.

14. Contact

- 14.1 Terry Collier t.collier@spelthorne.gov.uk
Linda Heron l.heron@spelthorne.gov.uk

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

Background papers:

CIPFA's Position Statement: Audit Committees in Local Authorities and Police
(2022)

Appendices:

Appendix A – Review of the effectiveness of the Audit Committee

Appendix B – Draft responses to recommendations in the Report

Appendix C – Revised terms of reference for Audit Committee

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Spelthorne BC – Review of the effectiveness of the Audit Committee

Introduction

1. An independent review of the effectiveness of the Council's Audit Committee has been undertaken at the request of the Council.
2. The objectives of the review have been to:
 - Help the Committee members and those working with the Committee to establish a shared understanding of the role of the Committee and where it can have maximum impact and influence.
 - Address the recommendations from the Best Value Inspection and those by the External Auditor Grant Thornton: The Council should review the structure and reporting processes of its Audit Committee. This could include recruiting a second independent member who acts as chair, in line with CIPFA guidance, and ensuring annual reports to Council. [Note - a second independent member has subsequently been recruited]
 - Review the operation of the Committee, including its terms of reference, how it has fulfilled those terms of reference, demonstrated the impact of its work and suggest changes.
 - Consider any areas where the scope and impact of the Committee's work could be strengthened to increase its impact and influence.
 - Identify areas for improvement and support to develop an improvement plan for the Committee and where further training or support to the Audit Committee members is recommended and the value of another independent committee member
 - Share knowledge and experience of working with other audit committees in local government.
3. The overall conclusion from undertaking this review is that despite an obvious commitment to try and perform as an effective audit committee there are areas where its effectiveness can be improved that will add greater challenge and support to the Council as it navigates through its overall improvement journey.
4. An effective audit committee is an essential ingredient in good governance. It must have the status, profile, and support in a council to add value and make a significant contribution to improving governance and overall public accountability. Fulfilling the role as per good practice and guidance is important to give the committee credibility.

5. Ineffective audit committees have been cited as a common theme in reports on councils that have found themselves in financial and governance difficulties. Whilst audit committees are generally not directly responsible for a council's governance arrangements, they have an important role to ensure the council has effective governance in place and be able to challenge and support the council to identify weakness and therefore make improvements. An effective audit committee is not passive and does, and is seen to, contribute to the success of the council.

Acknowledgement

6. Having an independent review like this can be challenging. However, sincere thanks go to the Committee and key officers for their openness and accessibility to facilitate this review. Everyone has demonstrated a clear desire to improve the governance of Spelthorne BC. It is also clear from the discussions there is an acceptance and willingness to change.

Methodology

7. The review has considered the Committee's terms of reference and whether they are appropriate, how the meetings are conducted, the agendas, reports, and minutes. This has been undertaken by reviewing the agendas and viewing the You Tube recordings of meetings. Two meetings have been attended live (July and September 2025).
8. Interviews have been held with all the active members of the Committee, key officers, internal and external auditors, and a Committee Chair to ensure as rounded a view and perspective as possible (24 interviewees in total).
9. The CIPFA guidance on Audit Committees (2022) has been used plus a wide experience of audit committee practice across local government.
10. A summary of the recommendations for the Council / Audit Committee to consider are shown at Appendix 1.

Key findings

Terms reference

11. The Committee's terms of reference (ToR) are typical of many councils. They are however narrow in their scope. This is not necessarily a problem if the key areas of governance, beyond a largely internal audit, external audit, accounts and risk management focus, are considered elsewhere by members. However, there is no provision for any other member body to consider wider governance matters beyond those mentioned above and given the issues and wider context of the Council it would seem appropriate for the ToR for the audit committee to be enhanced.
12. It is therefore recommended (R1) to review the ToR and ensure they cover the full range of the Council's governance arrangements. Having a clear focus on the wider aspects of governance links to how the Council is looking to change its approach to risk / governance management. Reviewing the Council's approach to risk management is the subject of a separate review but has implications for the Audit and other Committees.
13. As well as broadening the remit of the Audit Committee it is also recommended (R2) to capture the new ToR in a format that assists in agenda planning and provides greater clarity regarding the purpose of reports, who is responsible for them and their frequency to the Committee. A suggested format is provided at Appendix 2.
14. Broadening the remit of the Committee will introduce wider engagement across the senior managers of the Council. This will help the Committee to demonstrate its role as an advocate for good governance and hold management to account for having effective governance, risk management, and internal controls in place and that there is consistent and timely compliance.
15. The Council does not have a dedicated overview and scrutiny committee. The scrutiny role lies with the other service / policy committees. Although this review has not examined the effectiveness of those committees, it has been observed that the Audit Committee has been operating in a scrutiny / performance committee way. This is clearly not appropriate.
16. The Audit Committee has been delegated the responsibility to approve the statement of accounts and annual governance statement (AGS). Whilst this is not uncommon, CIPFA's guidance recommends that audit committees should be

non-executive and therefore not have any decision-making powers. In the case of the accounts and AGS it should be the full council, i.e., those charged with governance (TCWG) that approves these two documents. It is however appropriate for the Audit Committee to consider these, make comments and refer / recommended them to full Council for formal approval. It is recommended (R3) therefore that the ToR are changed to ensure the formal decision-making responsibility for the approval of the statutory accounts and AGS rests with the full Council.

17. A review of the Committee's terms of reference should ensure there is a focus on the Council's *arrangements* for governance, risk, and internal control. It is an important role of an audit committee to have that over-arching focus on the organisation's arrangements and that they are effective and discharged appropriately to help ensure the efficient and economic delivery of services. Observations of meetings highlights a propensity to focus on detail, on performance and not on arrangements. By way of example, in considering risk reports, considerable time has been observed spent discussing the merits of particular risk scores rather than actions, impact and accountabilities.
18. It is important that the Audit Committee has a focus on the Council's governance, risk, and control arrangements and that other member bodies perform the scrutiny / performance role. To enable the Audit Committee to do this will rely on the service / policy committees adopting greater rigour and challenge on policy decisions and service and corporate performance. A wider review of the terms of reference is therefore recommended (R4) to re-establish the roles of the various committees.
19. The focus on *arrangements* needs to be supported by a different style of report. The Audit Committee should be better informed and assured from receiving a report. Audit committee reports are not for decision-making and as such can and should be formatted to ensure a focus on explaining the relevant arrangements in place (or not) and how effective (or not) they are. It is perfectly appropriate for an audit committee to use examples of governance, risk, and controls to 'test' the arrangements, but actual performance should be the preserve of the other committees. It is therefore recommended (R5) that the format of audit committee reports is reviewed such that they better serve the specific needs of the Committee (to be informed and assured) and to receive such information and assurances via presentations as well as through formal reports.
20. It is likely following this change, that report authors will require training / guidance to ensure they prepare audit committee reports appropriately.

Committee membership and structure

21. The number of councillor members of the Audit Committee at 7 is within the range recommended in CIPFAs guidance. Up to recently, there was one independent member. An additional independent member has been appointed with their first meeting in September. It is recommended to have at least one independent member and there is speculation that future guidance or indeed legislation will mandate their inclusion and possibly to appoint an independent member as chairperson.
22. The SBC Audit Committee is constituted with 3 Conservative councillors, 2 Liberal Democrats, 1 Labour and 1 Independent, broadly reflecting the political balance of the Council. The Chair is a Labour member, and the vice chair a Conservative. Each member of the Committee interviewed was asked if meetings operated without political bias. The consensus was that politically focussed questions and comments were made which were not appropriate. A fundamental premise for an effective audit committee is for it to operate in a non-political manner.
23. All councillor members of the Committee were united in valuing the input from the existing independent member and welcomed the addition of a second.
24. To reinforce the non-political approach, it is recommended (R6) that consideration is given to appointing one of the independent members as Committee Chair.
25. Although in the period of meetings reviewed, there were no meetings that were inquorate, the quoracy level is just 3 members. This seems low, and it is therefore recommended (R7) to increase the quoracy level to 4 members and 1 independent member.
26. Substitute members are used for the Committee. Whilst this may ensure quorate meetings, it is not recommended practice due to the lack of continuity and the difficulty in seeing matters through. It is recommended (R8) that the use of substitute members should stop to fall in line with recommended practice.
27. The councillor membership of the Audit Committee has changed significantly in the 20-month period included in the review (13 different councillors as core members across the 10 meetings included). Whilst this is somewhat inevitable in a political environment, this does not support continuity of focus and the ability to improve the awareness and expertise within the Committee. Every attempt should be made to commit to have as much continuity as possible.

28. It is recommended by CIPFA that members of an audit committee should not hold an executive or policy committee chair position. It is recommended (R9) that the membership of the Committee be reviewed to ensure that no policy committee chairs are members. Consideration should be given to extend non-audit committee membership to the policy committee vice-chairs, although it is accepted that given the number of members in total and the number of other committees it may not be possible.
29. When asked about training for Committee members, all stated that there had been very little and no induction training as such. It is essential that members of the Committee, both councillor and independent, receive a broad induction regarding how the Committee operates and the requirements of its members.
30. The work of the audit committee is broad, and it is therefore important that all members are sufficiently trained / aware of the various elements of its ToR. Whilst it is not appropriate nor practical to expect audit committee members to become subject-matter experts, it is necessary to ensure sufficient awareness such that the committee can ask the necessary questions to obtain the assurances they require. The ability to ask appropriate questions even with little technical awareness is an important element of the committee.
31. In order to design an appropriate training and awareness programme it is recommended (R10) that following the approval of the new ToR, each audit committee member completes a training needs assessment. This would be used to prioritise the training to be delivered.
32. To facilitate additional and regular training and awareness, it is also recommended (R11) that provision is made for training sessions in advance of each formal meeting and that provision is also made in the meeting calendar for a 'development' session, an informal meeting of the Committee at which additional training can be delivered and the ToR reviewed. Both the pre-meeting sessions and the development session have been used in other councils.
33. Consideration should also be given to open the pre-meeting and other training sessions to non-audit committee members to broaden the general awareness of good governance and to ensure there is a wide appreciation of the work of the Committee.
34. In so far as time and resources allow, audit committee training should be delivered by both internal and external sources.

Audit Committee management

35. The Committee is now scheduled to meet 6 times a year. It is noted that additional meetings have been needed to accommodate the items on the agenda.
36. With the change in ToR, it is recommended (R12) to consider increasing the number of formal meetings to 8. Ensuring the Committee's attention is on the Council's *arrangements* for governance moving forward should help in having more focussed questioning and therefore more effective meetings. Even with a further 2 meetings and a more focussed approach, it may still be necessary to have additional meetings. It is important however that any additional meetings remain focussed on the Council's *arrangements* and not stray into policy committee territory. It is perfectly acceptable and appropriate however for an audit committee to refer a matter to another committee whose remit is better placed to consider it.
37. The new ToR will require a revised committee workplan and agenda structure. Both documents should be populated somewhat by default based on the Committee's broader remit. Although there will be a significant degree of consistent scheduling of items, it is nevertheless important that the Committee exercises its right to add additional items, or follow-up items relevant to the ToR. The agendas of effective audit committee are characterised by being committee-led.

Audit committee impact and influence

38. It was noted that the Chair, Vice-chair, and independent members of the committee have detailed and lengthy pre-meetings / briefings with key officers. Although these meetings are used to ensure the reports are clear and accurate it is important that they do not become a 'rehearsal' of the formal meeting. Again, following the change in the Committee's ToR and format of the reports (with a clearer focus on information and assurance) it is recommended (R13) to review the nature of the Chair's briefing.
39. It is good practice for the committee chair (at least) to have regular meetings (perhaps no more frequently than quarterly) with the statutory officers and the Head of Internal Audit. Effective audit committees need to be in tune with the current and emerging issues a council faces and how they relate to the work of the committee. It is therefore recommended (R14) that the Chair (at least) has scheduled meetings with those key officers.

40. More formally and within the actual Audit Committee meeting structure, provision should be made for the Committee to meet with the Head of Internal Audit and the External Audit Engagement Lead without management present. This is good practice as per the CIPFA guidelines for audit committees. It is recommended (R15) therefore that an item is formally included in the Committee's workplan to meet both auditors at least annually but with further provision that should the Committee or either auditor require an additional meeting that this is accommodated in a timely manner.
41. There was a consensus from the audit committee members interviewed that the committee did not have much of an impact or influence. There is a general issue that audit committees can exist in their own bubble and not have the profile, status and therefore the impact that they should have.
42. The revised ToR will help to raise the profile of the Committee. The 'refresh' of the other committees will highlight the relationship between them and the Audit Committee, particularly around the consideration of risk registers.
43. There are a number of things the committee should consider to raise its profile and impact. It is therefore recommended (R16) that the following are considered:
- Open invitation (and encouragement) for other committee chairs / vice-chairs to observe an Audit Committee meeting
 - The Audit Committee Chair to attend other committees
 - Prepare an 'assurance' summary after each Audit Committee meeting to be presented to full Council alongside the formal minutes
 - Ensure there is a formal annual report from the Audit Committee, timed to contribute to the consideration of the annual governance statement
 - Communicate across the Council about the Committee's work to raise awareness more generally
 - Include the work of the Audit Committee in the corporate induction process for managers / staff

Next steps

44. It is recommended (R17) that the Audit Committee considers this report and prepare an action plan. This action plan should be considered by the Committee at its November meeting and subsequently endorsed by full Council. Progress against the action plan should be considered at each Audit Committee meeting

with an updated position shared with full Council as part of the Committee's minutes / assurance report.

Wider governance considerations

45. Although not specifically part of the scope of the review, given the major challenges the Council faces, and to strengthen the focus on good governance and compliance, consideration should be given to establish a 'governance group'. Such a group would comprise the three statutory officers and the Head of Internal Audit, plus the chairs of the Audit Committee and Corporate Policy and Resources Committee. It would not necessarily have a status of a formal 'committee' as such but have the appropriate profile to influence and manage governance matters. There is of course the Governance Theme within the Improvement and Recovery Plan which could encompass that wider perspective on governance and compliance across the Council.
46. This governance group would have the remit to consider emerging governance or compliance issues and have general oversight of the governance assurance framework. Other senior managers should be expected to be invited to the governance group to discuss any specific service matters and explore how governance and/or compliance could be improved.

Conclusion

47. There is a clear commitment to improve the effectiveness of the Audit Committee and in so doing improve overall governance at the Council. The changes recommended will require a change in culture and such a change is not always easily adopted and implemented. It is important that the Audit Committee and wider Council embrace the changes needed as quickly as possible to realise the improvements needed.

Summary of recommendations

Ref	Recommendation	Response	Action	Responsible Officer	Timeframe
R1	To review the Committee's ToR and ensure they cover the full range of governance arrangements.				
R2	To capture the new ToR in a format that assists in agenda planning and provides greater clarity regards the purpose of reports, who is responsible for them and their frequency to the Committee.				
R3	To change the Committee's ToR to ensure the formal decision-making responsibility for the approval of the statutory accounts and AGS rests with the full Council.				
R4	To review the ToR of the other committees to re-establish their roles.				
R5	To review the format of audit committee reports to ensure they better serve the specific needs of the Committee.				
R6	To consider appointing one of the independent members as Audit Committee Chair.				

Ref	Recommendation	Response	Action	Responsible Officer	Timeframe
R7	To increase the quoracy level to 4 members and 1 independent member.				
R8	To stop the use of substitute members to fall in line with recommended practice.				
R9	To review the membership of the Committee to ensure that no policy committee chairs (and vice-chairs if practical) are members.				
R10	That all Audit Committee members complete a training needs assessment following the revision of the ToR.				
R11	That provision is made for training sessions in advance of each formal meeting and that provision is also made in the meeting calendar for a 'development' session.				
R12	To increase the number of formal meetings to 8.				
R13	To review the nature of the Chair's briefing.				
R14	That the Chair (at least) has scheduled meetings with the statutory officers and Head of Internal Audit				
R15	That an item is formally included in the Committee's workplan to meet both Internal and External				

Ref	Recommendation	Response	Action	Responsible Officer	Timeframe
	Audit at least annually but with further provision that should the Committee or either auditor require an additional meeting that this is accommodated in a timely manner.				
R16	To improve the profile and impact of the Committee the following are considered: • Open invitation (and encouragement) for other committee chairs / vice-chairs to attend an audit committee meeting • The audit committee chair to attend other committees • Prepare an 'assurance' summary after each audit committee meeting to be presented to full Council alongside the formal minutes • Ensure there is a formal annual report from the audit committee, timed to contribute to the consideration of the annual governance statement. • Communicate across the Council about the Committee's work to raise awareness more generally.				

Ref	Recommendation	Response	Action	Responsible Officer	Timeframe
	Include the work of the audit committee in the corporate induction process for managers / staff				
R17	That an action plan is prepared and monitored at each meeting.				
R18	Consideration should be given to establish a 'governance group.'				

Suggested revised terms of reference for the Audit Committee

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
A General Remit				
1 To provide independent assurance of the adequacy of the risk management framework and the associated control environment.	Receive the Risk Management Strategy and Framework for periodic review.	XXX	Annually	Review the Risk Management Strategy and Framework and consider the assurances it provides that appropriate and effective arrangements for the management of risk are in place.
	Receive an annual Risk Management report.	XXX	Annually	Review the annual report and consider the assurances it provides regarding risk management activity during the year and that it aligns with the Annual Governance Statement.
	Receive update reports and presentations on the Council's strategic and other key risks.	XXX / Relevant COs / GHs	At each meeting	Receive presentations from the relevant Senior Officers on their strategic risks and consider the assurances they provide that the strategic risks are being managed effectively.
2 To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.	Receive regular reports demonstrating the Council's financial and performance arrangements.	Chief Finance Officer	Quarterly	Review the financial and performance monitoring reports (considered by CP&R) and consider the assurances they provide that the arrangements are fit for purpose and effective.
3 To oversee the financial reporting process.	To receive the draft and final statement of accounts in accordance with statutory requirements.	Chief Finance Officer	As per the statutory timescales	Review the draft and final accounts and consider the degree of assurance provided that they meet professional accounting standards and statutory timeframes, commenting as

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
				necessary and referring them for formal approval to full Council.
4 To promote the application of and compliance with effective governance arrangements across the Authority and its partner organisations.	To receive reports regarding the Council's governance arrangements (assurance reports) and particularly the preparation of the statutory Annual Governance Statement.	XXX	As per the statutory timescales	Review the periodic governance assurance reports and reports regarding the preparation of the Annual Governance Statement and consider the assurances they provide that the Council's governance arrangements are in place and effective.
B Internal Control incorporating Risk Management, Financial Probity and Stewardship				
To consider the overall adequacy and effectiveness of the system of internal control and the arrangements for risk management, control and governance processes and securing economy, efficiency, and effectiveness (value for money).	Through a programme of reports and presentations covering the Authority's risk, control, and governance arrangements.	XXX	At each meeting / Annually	Review the Committee's workplan and consider whether it covers the necessary areas to fulfil the Committee's terms of reference and therefore provide the necessary information and assurances.
To ensure that the highest standards of financial probity and stewardship are maintained throughout the Authority, within policies set by the Council from time to time.	Receive for consideration and recommendation for approval the Council's Financial Regulations and supporting policies.	Chief Finance Officer	As per review cycle or as required.	Review the Council's Financial Regulations (and related policies) and consider whether they are fit for purpose and therefore provide assurances to the Committee and to recommend to CP&R Committee / Council (as appropriate) for formal approval.
	Receive and consider relevant Corporate Assurance reports	XXX	Quarterly, within Corporate Assurance update reports.	Consider the assurances provided within the quarterly Corporate Assurance reports such that the Committee is assured of appropriate management action being taken to address any control weaknesses identified.

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
To consider such policies for consideration and approval by the Council.	Receive relevant draft policies for consideration and recommendation for approval.	XXX	As required	Review the draft policies and consider whether they are fit for purpose and will therefore provide the necessary control, risk, and governance framework.
To promote effective internal control by the systematic appraisal of the Authority's internal control mechanisms and by the development of an anti-fraud culture.	Receive regular Corporate Assurance reports (incorporating anti-fraud reports) and other governance assurance reports.	Head of Internal Audit and Governance Leads	At each meeting	Review the various reports and consider the degree of assurance they provide regarding the effectiveness of internal control arrangements.
To promote effective risk management throughout the Council in accordance with the Council's Risk Management Policy Objectives Statement.	Receive the Risk Management Strategy and Framework for periodic review.	XXX	Every 2 years	Review the Risk Management Strategy and Framework and consider the assurances it provides that appropriate and effective arrangements for the management of risk are in place.
To periodically review the Authority's strategic risk register and to invite, when appropriate, a Member of the Management Team to meetings to discuss strategic risks within their specific service area.	Receive update reports and presentations on the Council's strategic and key other risks.	XXX / MAT / GHs	At each meeting	Receive presentations from the relevant senior officers on their strategic risks and consider the assurances they provide that the strategic risks are being managed effectively.
To consider, challenge and comment on the Annual Governance Statement.	Receive the draft and proposed final Annual Governance Statement.	XXX	Annually as per statutory timescales	Review the draft and proposed final Annual Governance Statement and consider (and comment as required) that it has been prepared in accordance with recommended practice and adequately reflects the governance issues and areas for improvement determined through the annual governance review process.

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
				Recommend the Final Annual Governance Statement to Full Council for formal approval and publication.
To receive reports on additional corporate functions contributing to overall assurance against the corporate priorities and specifically in relation to: • Human Resources • Health & Safety • Business Continuity and Emergency Resilience • Information Governance • Strategic Procurement and contract management • Asset Management • Ethical Framework • Equality and Inclusion • Partnership and Collaboration Governance • Environmental Governance.	Receive governance assurance reports	Governance Lead Officers	Each governance area at least annually.	Review the governance assurance report and consider the extent to which assurances are provided that the arrangements in place are effective and efficient.
To encourage wider dialogue with members of the Management Team by inviting them to meetings on a periodic basis to give assurance about issues identified within reports relating to various Council	Invite relevant senior management to provide assurances regarding and control, risk or governance issues identified in Corporate Assurance (Internal Audit) or other audit or inspection reports.	Relevant Senior Officer	As and when required	To consider the explanations provided and the assurances they provide that suitable improvements have been made regarding any weaknesses or issues raised in Corporate Assurance reports.

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
activities and in particular those which are subject to reported Corporate Assurance implications.				
C Internal Audit				
To oversee, in consultation with the HoIA, the preparation and approval of an annual IA plan for the Authority and to receive periodic reports from the HoIA on performance against the plan.	Receive the corporate IA plan preparation methodology.	Head of IA	Annually (January)	Review the methodology for the preparation of the annual IA plan and consider the assurance it provides that an appropriate and risk-informed plan of work is prepared.
	Receive the proposed corporate assurance (internal audit) plan.	Head of IA	Annually (March)	Review the proposed IA plan and consider the assurance it provides that an appropriate plan of work has been determined that will support the Head of IAs annual opinion.
To monitor compliance with IA reports following their consideration by management.	Receive quarterly IA progress reports that include details of management's compliance.	Head of IA	Quarterly	Review the quarterly IA progress reports and consider the assurances they provide regarding management's compliance.
To review the performance of the IA Team by way of quarterly performance management reports.	Receive quarterly IA progress reports that include details of the function's performance.	Head of IA	Quarterly	Review the quarterly IA progress reports and consider the assurances they provide regarding the function's performance.
To consider the Head of IA annual audit report and opinion, and a summary of activity (actual and planned) and the level of assurance it can give over the Council's corporate governance arrangements.	Receive the Head of IA annual reports covering internal control, risk and governance assurance, and anti-fraud activity.	Head of IA	Annually	Review the various Head of IA annual reports and consider the assurances they provide regarding the effectiveness and efficiency of the Council's internal control, risk and governance arrangements and arrangements for anti-fraud.

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
To enhance the profile, status and authority of the IA function and demonstrate its independence.	Have a private meeting with the Head of IA as part of the Committee's workplan.	Head of IA	Throughout the year	Hold a private meeting with the Head of IA at least annually to be assured of their independence and unfettered access to the Committee.
	Ensure the Head of IA has unfettered access to the Committee.	Director of Finance	Throughout the year	Review the Head of IA annual report and the preparation and delivery of the IA Plan and consider the assurances they give that the function is adequately resourced.
	Support the work of the IA Team in being assured it has sufficient resources and skills to discharge its professional responsibilities.	Head of IA	Throughout the year	
To approve and periodically review the IA Charter.	Receive the IA Charter.	Head of IA	Annually	Review the IA Charter and consider the assurances it provides that it has been prepared in accordance with professional standards and can be delivered.
D External Audit and other Inspectorates or Regulatory Bodies				
To oversee, in consultation with external auditors, the preparation of the annual audit plan for the Authority and to receive periodic reports from the external auditor on performance against the plan.	Receive the External Audit proposed plan of work and periodic progress / update reports on the delivery of the plan.	External Audit Engagement Lead	Annually and at each meeting.	Review the plan proposals and consider the assurances it will provide. Review the progress reports and consider the progress made against the plan.

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
To consider and report to CP&R and the Council the annual audit and inspection letter.	Receive the External Auditor's ISA260 Report and Annual report.	External Audit Engagement Lead	Annually	Review the External Auditor's annual reports and consider the assurances they provide regarding the Council's statutory accounts and consider External Audit's assessment of the Council's value for money arrangements.
To consider the appointment of the Council's external auditor.	Receive a report on the Council's arrangements to appoint the External Auditor.	Chief Finance Officer	As per the required timescales	Review the Director of Finance's recommendation regarding the method of appointing the Council's external auditor and consider whether the proposal will ensure an appropriate appointment.
To monitor compliance with external audit, external inspectorate and Ombudsman reports following their consideration and resolution by the CP&R and/or Council.	Receive relevant reports.	XXX	As and when required	Review the reports and consider if any additional action or recommendations are required and monitor any subsequent progress.
E Other				
To consider general issues and statistics in relation to the Council's Confidential Reporting (Whistleblowing Policy) "Whistleblowing" Policy.	Receive an annual report.	XXX	Annually	Review the report and consider the assurance it provides that the Council's Whistleblowing / Confidential Reporting arrangements are fit for purpose and that appropriate action has been taken in relation to any concerns raised.
To review the Authority's use of the Regulation of Investigatory Powers Act	To receive an annual report on RIPA (Regulation of Investigatory Powers Act) activity.	XXX	Annually	Review the report and consider the assurance it provides that the Council has utilised the Regulation of Investigatory Powers Act appropriately and that appropriate action has been taken in relation to any concerns raised.
To review the Authority's arrangements for establishing	Receive draft framework documents.	XXX	Annually	Review the draft framework documents and consider the assurances they provide that they

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
an appropriate anti-fraud framework.				will ensure effective anti-fraud arrangements are in place.
To monitor compliance with and the effectiveness of anti-fraud and corruption policies and procedures.	Receive periodic reports and an annual report on anti-fraud activities.	XXX	Annually and mid-year	Review the reports and consider the assurances they provide that the Council's anti-fraud arrangements are effective.
To monitor compliance with the Authority's Partnership Governance Framework.	Receive relevant assurance reports and the management of partnership governance.	XXX	As and when required / annually	Review any Corporate Assurance reports that refer to partnership governance matters and consider the assurance they provide that the Council's arrangements are effective. Review an annual assurance report and consider the assurance it provides that the arrangements are fit for purpose.
To consider and review compliance with the Authority's Treasury Management policy.	Receive relevant reports regarding the Council's treasury management responsibilities	Director of Finance	Annually / periodically throughout the year	Review the reports and consider the assurances they provide that the Council is meeting its treasury management responsibilities.
F Accounts				
To review the financial statements, external auditor's opinion, and reports to Members, and monitor management action in response to the issues raised by External Audit	Receive the draft and final statutory financial statements and the External Auditor's opinion.	Director of Finance / External Audit Engagement Lead	As per the statutory timescales	Review the draft and final financial statements and consider whether they have been prepared in accordance with professional accounting standards and be assured of management's response to any issues / recommendations raised by External Audit. Recommend the presentation of the financial statements to Full Council.
To contribute to the annual review, consideration, and challenge of the financial statements.	Receive the draft and final statutory financial statements and the External Auditor's opinion.	Director of Finance / External Audit Engagement Lead	As per the statutory timescales	Review the draft and final financial statements and consider whether they have been prepared in accordance with professional accounting standards.

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
	Receive any necessary briefings / training regarding the preparation of the financial statements.	Director of Finance	As required	Participate in the training provided.

Summary of recommendations

Ref	Recommendation	Response	Action	Responsible Officer	Timeframe
R1	To review the Committee's ToR and ensure they cover the full range of governance arrangements.	Agree	Agree revised ToR presented on 27 November Present to Committee System Working Group, Standards Committee and Council	LH/TC	By 11/12/25
R2	To capture the new ToR in a format that assists in agenda planning and provides greater clarity regards the purpose of reports, who is responsible for them and their frequency to the Committee.	Agree	As above	LH/TC	As above
R3	To change the Committee's ToR to ensure the formal decision-making responsibility for the approval of the statutory accounts and AGS rests with the full Council.	Agree	As above	LH/TC	As above
R4	To review the ToR of the other committees to re-establish their roles.	Agree	As above	LH/TC	As above

Ref	Recommendation	Response	Action	Responsible Officer	Timeframe
R5	To review the format of audit committee reports to ensure they better serve the specific needs of the Committee.	Agree	Update template and internal guidance as appropriate and agree revised template with the Committee	LH/TC	Q4 2025/26
R6	To consider appointing one of the independent members as Audit Committee Chair.	<i>Whilst this is acknowledged as a practice that other Councils are adopting, it is felt that with the implementation of the other actions it is not necessary to appoint an independent member as Chair at this point in time.</i>	None		
R7	To increase the quoracy level to 4 members and 1 independent member.	Agree	Incorporate in the new ToR	LH/TC	By 11/12/25
R8	To stop the use of substitute members to fall in line with recommended practice.	<i>Whilst it is acknowledged that the CIPFA guidance recommends that substitute members are not used for an audit committee, it is established Council practice for all our Committees to have substitute members and therefore felt unnecessary to make an exception of the Audit committee.</i>	None		

Ref	Recommendation	Response	Action	Responsible Officer	Timeframe
R9	To review the membership of the Committee to ensure that no policy committee chairs (and vice-chairs if practical) are members.	Agree Note that Chair of Commercial Assets Sub-Committee is not felt to fall within the definition of a Chair of a Policy Committee as the Sub-Committee does not make policy	Discuss any necessary changes within relevant Groups and advise CX in accordance with the established practice	Group Leaders	By 31/12/25
R10	That all Audit Committee members complete a training needs assessment following the revision of the ToR.	Agree	Each member of Audit Committee to complete a training needs assessment	Chair of Audit Committee	By 31/12/25
R11	That provision is made for training sessions in advance of each formal meeting and that provision is also made in the meeting calendar for a 'development' session.				
R12	To increase the number of formal meetings to 8.	This will be considered once a new workplan has been agreed reflecting the new Terms of Reference for the Committee.			
R13	To review the nature of the Chair's briefing.	Agree	In discussion with Chair, the Committee and looking at the approach taken elsewhere,	TC	By 24/02/26

Ref	Recommendation	Response	Action	Responsible Officer	Timeframe
			restructure the format of the Chair's briefing		
R14	That the Chair (at least) has scheduled meetings with the statutory officers and Head of Internal Audit				
R15	That an item is formally included in the Committee's workplan to meet both Internal and External Audit at least annually but with further provision that should the Committee or either auditor require an additional meeting that this is accommodated in a timely manner.	Agree	Update Committee's workplan accordingly	TC	By 24/02/26
R16	To improve the profile and impact of the Committee the following are considered: Open invitation (and encouragement) for other committee chairs / vice-chairs to attend an audit committee meeting	Agree	Arrange for appropriate internal communication to all councillors	TC	By 31/12/25

Ref	Recommendation	Response	Action	Responsible Officer	Timeframe
	- The audit committee chair to attend other committees - Prepare an ‘assurance’ summary after each audit committee meeting to be presented to full Council alongside the formal minutes - Ensure there is a formal annual report from the audit committee, timed to contribute to the consideration of the annual governance statement. - Communicate across the Council about the Committee’s work to raise awareness more generally. - Include the work of the audit committee in the corporate induction process for managers / staff	Audit Committee Chair to present to last Council meeting before municipal year end. Audit Committee is already referenced in the induction materials but references will be updated to reflect the new ToR			

Ref	Recommendation	Response	Action	Responsible Officer	Timeframe
R17	That an action plan is prepared and monitored at each meeting.	Agree	First action plan to be prepared for Audit Committee meeting on 24/02/26	TC/Chair of Audit Committee	By 24/02/26
R18	Consideration should be given to establish a 'governance group.'	Keep under review	No immediate action		

Suggested revised terms of reference for the Audit Committee

7 councillors reflecting political balance and two independent non-voting members

The quorum for this Committee is 4 members and 1 independent member

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
A General Remit				
1 To provide independent assurance of the adequacy of the risk management framework and the associated control environment.	Receive the Risk Management Strategy and Framework for periodic review.	Deputy CX	Annually	Review the Risk Management Strategy and Framework and consider the assurances it provides that appropriate and effective arrangements for the management of risk are in place.
	Receive an annual Risk Management report.	Deputy CX	Annually	Review the annual report and consider the assurances it provides regarding risk management activity during the year and that it aligns with the Annual Governance Statement.
	Receive update reports and presentations on the Council's strategic and other key risks.	Deputy CX / Relevant Senior Officers	At each meeting	Receive presentations from the relevant Senior Officers on their strategic risks and consider the assurances they provide that the strategic risks are being managed effectively.

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
2 To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.	Receive regular reports demonstrating the Council's financial and performance arrangements.	Chief Finance Officer / Deputy CX / Relevant Senior Officers	Quarterly	Review the financial and performance monitoring reports (considered by CP&R) and consider the assurances they provide that the arrangements are fit for purpose and effective.
3 To oversee the financial reporting process.	To receive the draft and final statement of accounts in accordance with statutory requirements.	Chief Finance Officer	As per the statutory timescales	Review the draft and final accounts and consider the degree of assurance provided that they meet professional accounting standards and statutory timeframes, commenting as necessary and referring them for formal approval to full Council.
4 To promote the application of and compliance with effective governance arrangements across the Council.	To receive reports regarding the Council's governance arrangements (assurance reports) and particularly the preparation of the statutory Annual Governance Statement.	Chief Finance Officer / Monitoring Officer	As per the statutory timescales	Review the periodic governance assurance reports and reports regarding the preparation of the Annual Governance Statement and consider the assurances they provide that the Council's governance arrangements are in place and effective.
B Internal Control incorporating Risk Management, Financial Probity and Stewardship				
To consider the overall adequacy and effectiveness of the system of internal control and the arrangements for risk management, control and governance processes	Through a programme of reports and presentations covering the Authority's risk, control, and governance arrangements.	Deputy CX	At each meeting / Annually	Review the Committee's workplan and consider whether it covers the necessary areas to fulfil the Committee's terms of reference and therefore provide the necessary information and assurances.

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
and securing economy, efficiency, and effectiveness (value for money).				
To ensure that the highest standards of financial probity and stewardship are maintained throughout the Authority, within policies set by the Council from time to time.	Receive for consideration and recommendation for approval the Council's Financial Regulations and supporting policies. Receive and consider relevant Corporate Assurance reports	Chief Finance Officer Deputy CX	As per review cycle or as required. Quarterly, within Corporate Assurance update reports.	Review the Council's Financial Regulations (and related policies) and consider whether they are fit for purpose and therefore provide assurances to the Committee and to recommend to CP&R Committee / Council (as appropriate) for formal approval. Consider the assurances provided within the quarterly Corporate Assurance reports such that the Committee is assured of appropriate management action being taken to address any control weaknesses identified.
To consider policies not reserved to other service committees for consideration and approval by the Council.	Receive relevant draft policies for consideration and recommendation for approval.	Relevant Senior Officer	As required	Review the draft policies and consider whether they are fit for purpose and will therefore provide the necessary control, risk, and governance framework.
To promote effective internal control by the systematic appraisal of the Council's internal control mechanisms and by the development of an anti-fraud culture.	Receive regular Corporate Assurance reports (incorporating anti-fraud reports) and other governance assurance reports.	Head of Internal Audit and Relevant Senior Officers	At each meeting	Review the various reports and consider the degree of assurance they provide regarding the effectiveness of internal control arrangements.
To promote effective risk management throughout the Council in accordance with	Receive the Risk Management Strategy and	Deputy CX	Every 2 years	Review the Risk Management Strategy and Framework and consider the assurances it provides that appropriate and effective

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
the Council's Risk Management Policy Objectives Statement.	Framework for periodic review.			arrangements for the management of risk are in place.
To periodically review the Council's strategic risk register and to invite, when appropriate, a Member of the extended Management Team (MATplus) to meetings to discuss strategic risks within their specific service area.	Receive update reports and presentations on the Council's strategic and key other risks.	MAT+	At each meeting	Receive presentations from the relevant senior officers on their strategic risks and consider the assurances they provide that the strategic risks are being managed effectively.
To consider, challenge and comment on the Annual Governance Statement.	Receive the draft and proposed final Annual Governance Statement.	Chief Finance Officer / Chief Executive / Monitoring Officer	Annually as per statutory timescales	Review the draft and proposed final Annual Governance Statement and consider (and comment as required) that it has been prepared in accordance with recommended practice and adequately reflects the governance issues and areas for improvement determined through the annual governance review process. Recommend the Final Annual Governance Statement to Full Council for formal approval and publication.
To receive reports on additional corporate functions contributing to overall assurance against the corporate priorities and specifically in relation to:	Receive governance assurance reports	Relevant Senior Officer	Each governance area at least annually.	Review the governance assurance report and consider the extent to which assurances are provided that the arrangements in place are effective and efficient.

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
• Human Resources • Health & Safety • Business Continuity and Emergency Resilience • Information Governance • Strategic Procurement and contract management • Asset Management • Ethical Framework • Equality and Inclusion • Environmental Governance.				
To encourage wider dialogue with members of the extended Management Team (MATplus) by inviting them to meetings on a periodic basis to give assurance about issues identified within reports relating to various Council activities and in particular those which are subject to reported Corporate Assurance implications.	Invite relevant senior management to provide assurances regarding and control, risk or governance issues identified in Corporate Assurance (Internal Audit) or other audit or inspection reports.	Relevant Senior Officer	As and when required	To consider the explanations provided and the assurances they provide that suitable improvements have been made regarding any weaknesses or issues raised in Corporate Assurance reports.
C Internal Audit				
To oversee, in consultation with the Head of Internal Audit (“the HoIA”), the preparation	Receive the corporate IA plan preparation	HoIA	Annually (January)	Review the methodology for the preparation of the annual IA plan and consider the assurance it provides that an appropriate and risk-informed

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
and approval of an annual Internal Audit (IA) plan for the Council and to receive periodic reports from the HoIA on performance against the plan.	methodology. Receive the proposed corporate assurance (internal audit) plan.	HofIA	Annually (March)	plan of work is prepared. Review the proposed IA plan and consider the assurance it provides that an appropriate plan of work has been determined that will support the HoIAs annual opinion.
To monitor compliance with IA reports following their consideration by management.	Receive quarterly IA progress reports that include details of management's compliance.	HofIA	Quarterly	Review the quarterly IA progress reports and consider the assurances they provide regarding management's compliance.
To review the performance of the IA Team by way of quarterly performance management reports.	Receive quarterly IA progress reports that include details of the function's performance.	HofIA	Quarterly	Review the quarterly IA progress reports and consider the assurances they provide regarding the function's performance.
To consider the HofIA annual audit report and opinion, and a summary of activity (actual and planned) and the level of assurance it can give over the Council's corporate governance arrangements.	Receive the HofIA annual reports covering internal control, risk and governance assurance, and anti-fraud activity.	HofIA	Annually	Review the various Head of IA annual reports and consider the assurances they provide regarding the effectiveness and efficiency of the Council's internal control, risk and governance arrangements and arrangements for anti-fraud.
To enhance the profile, status and authority of the IA function and demonstrate its independence.	Have a private meeting with the HofIA as part of the Committee's workplan. Ensure the HofIA has unfettered access to the	HofIA Chief Finance	Throughout the year Throughout the	Hold a private meeting with the HofIA at least annually to be assured of their independence and unfettered access to the Committee. Review the HofIA annual report and the preparation and delivery of the IA plan and

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
	Committee. Support the work of the IA Team in being assured it has sufficient resources and skills to discharge its professional responsibilities.	Officer HofIA	year Throughout the year	consider the assurances they give that the function is adequately resourced.
To approve and periodically review the IA Charter.	Receive the IA Charter.	HofIA	Annually	Review the IA Charter and consider the assurances it provides that it has been prepared in accordance with professional standards and can be delivered.
D External Audit and other Inspectorates or Regulatory Bodies				
To oversee, in consultation with external auditors, the preparation of the annual audit plan for the Council and to receive periodic reports from the external auditor on performance against the plan.	Receive the External Audit proposed plan of work and periodic progress / update reports on the delivery of the plan.	External Audit Engagement Lead	Annually and at each meeting.	Review the plan proposals and consider the assurances it will provide. Review the progress reports and consider the progress made against the plan.
To consider and report to Corporate Policy & Resources Committee and the Council the annual audit and inspection letter.	Receive the External Auditor's ISA260 Report and Annual report.	External Audit Engagement Lead	Annually	Review the External Auditor's annual reports and consider the assurances they provide regarding the Council's statutory accounts and consider External Audit's assessment of the Council's value for money arrangements.

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
To consider the appointment of the Council's external auditor.	Receive a report on the Council's arrangements to appoint the External Auditor.	Chief Finance Officer	As per the required timescales	Review the Director of Finance's recommendation regarding the method of appointing the Council's external auditor and consider whether the proposal will ensure an appropriate appointment.
To monitor compliance with external audit, external inspectorate and Ombudsman reports following their consideration and resolution by the Corporate Policy & Resources Committee and/or Council.	Receive relevant reports.	Deputy CX / Chief Finance Officer	As and when required	Review the reports and consider if any additional action or recommendations are required and monitor any subsequent progress.
E Other				
To consider general issues and statistics in relation to the Council's Confidential Reporting (Whistleblowing Policy) "Whistleblowing" Policy.	Receive an annual report.	Monitoring Officer	Annually	Review the report and consider the assurance it provides that the Council's Whistleblowing / Confidential Reporting arrangements are fit for purpose and that appropriate action has been taken in relation to any concerns raised.
To review the Authority's use of the Regulation of Investigatory Powers Act	To receive an annual report on RIPA (Regulation of Investigatory Powers Act) activity.	Monitoring Officer	Annually	Review the report and consider the assurance it provides that the Council has utilised the Regulation of Investigatory Powers Act appropriately and that appropriate action has been taken in relation to any concerns raised.
To review the Authority's arrangements for establishing	Receive draft framework documents.	Deputy CX	Annually	Review the draft framework documents and consider the assurances they provide that they

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
an appropriate anti-fraud framework.				will ensure effective anti-fraud arrangements are in place.
To monitor compliance with and the effectiveness of anti-fraud and corruption policies and procedures.	Receive periodic reports and an annual report on anti-fraud activities.	Deputy CX	Annually and mid-year	Review the reports and consider the assurances they provide that the Council's anti-fraud arrangements are effective.
To consider and review compliance with the Authority's Treasury Management policy.	Receive relevant reports regarding the Council's treasury management responsibilities	Chief Accountant	Annually / periodically throughout the year	Review the reports and consider the assurances they provide that the Council is meeting its treasury management responsibilities.
F Accounts				
To review the financial statements, external auditor's opinion, and reports to Members, and monitor management action in response to the issues raised by External Audit	Receive the draft and final statutory financial statements and the External Auditor's opinion.	Chief Accountant / External Audit Engagement Lead	As per the statutory timescales	Review the draft and final financial statements and consider whether they have been prepared in accordance with professional accounting standards and be assured of management's response to any issues / recommendations raised by External Audit. Recommend the presentation of the financial statements to Full Council.
To contribute to the annual review, consideration, and challenge of the financial statements.	Receive the draft and final statutory financial statements and the External Auditor's opinion.	Chief Accountant / External Audit Engagement Lead	As per the statutory timescales	Review the draft and final financial statements and consider whether they have been prepared in accordance with professional accounting standards.
	Receive any necessary briefings / training regarding	Chief Accountant	As required	Participate in the training provided.

Function	How Discharged	Lead Officer	Frequency	Audit Committee Action / Output
	the preparation of the financial statements.			



Committee Report Checklist

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

Stage 1

Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing	N/A	
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	N/A	
Relevant Group Head review	N/A	
MAT+ review (to have been circulated at least 5 working days before Stage 2)	N/A	
This item is on the Forward Plan for the relevant committee	Yes	
	Reviewed by	
Finance comments (circulate to Finance)	LH	07/11/25
Risk comments (circulate to Lee O'Neil)	LH	07/11/25
Legal comments (circulate to Legal team)	LH	07/11/25
HR comments (if applicable)	N/A	

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

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

Stage 2

Report checklist – responsibility of report owner

ITEM	Completed by	Date
Monitoring Officer commentary – at least 5 working days before MAT	L Heron	07/11/25
S151 Officer commentary – at least 5 working days before MAT	T.Collier	9/11/25
Confirm final report cleared by MAT		

Audit Committee

27 November 2024

Title	Annual Review of the Confidential Reporting Code
Purpose of the report	To inform and assure
Report Author	Linda Heron, Monitoring Officer
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	This item is not in the current list of Corporate Priorities but still requires a Committee decision.
Recommendations	Committee is asked to: 1. Note the updated Confidential Reporting Code; and 2. Agree to retain the current Confidential Reporting Code as updated.
Reason for Recommendation	The current Code is fit for purpose and covers all relevant matters.

1. Executive summary of the report *(expand detail in Key Issues section below)*

What is the situation	Why we want to do something
An annual review of the Confidential Reporting Code is required	To ensure continued good governance within the Council and to protect employees
This is what we want to do about it	These are the next steps
Note the review that has taken place	Agree the updated Confidential Reporting Code

2. Key issues

- 2.1 This report seeks to provide assurance to the members that the annular review of the Confidential Reporting Code ("the Code") has taken place and that the Code is fit for purpose.

- 2.2 This report also seeks to provide an update on the number of whistleblowing case raised under the Code since the last update in September 2024.
- 2.3 The Confidential Reporting Code forms part of the Council's Constitution and sets out how to raise serious concerns about any aspect of the Council's work. It also sets out legal protection against reprisals under the Public Interest Disclosure Act 1998.
- 2.4 There is a requirement for the Code to be reviewed annually by the Council's Monitoring Officer and this is then reported to the Audit Committee.
- 2.5 The Code details:
- (a) the nature of concerns which may be reported;
 - (b) other policies which exist to deal with employment issues;
 - (c) safeguards against harassment or victimisation as a result of raising a concern;
 - (d) processes for raising and dealing with concerns including the various officers and organisations who could be contacted.
- 2.6 In September 2024 a review of the Code was reported to the Audit Committee. The Monitoring Officer concluded that the Code was effective and did not require amendment.
- 2.7 The Code is currently communicated via different media: indirectly through the intranet and posters on staff boards, as well as presentations at staff meetings.
- 2.8 A compulsory training module on the Code exists in the Workrite e-learning facility which staff are required to complete every twelve months.
- 2.9 The Monitoring Officer has concluded that the current Code continues to be effective and does not require modification save updating contact details. The updated Code is attached at **Appendix A**.
- 2.10 Since the Code was last reviewed in September 2024, there have been no matters raised under the Code.

3. Options appraisal and proposal

- 3.1 **Option 1** (recommended) The Audit Committee can agree to continue with the current Code (as amended).
- 3.2 **Option 2** The Audit Committee can propose alternative amendments. If so, these alternative amendments will need to be recommended to the Council for consideration.

4. Risk implications

- 4.1 Effective arrangements for confidential reporting are essential in helping to ensure the risk of fraud, corruption and other forms of misconduct is kept to a minimum. While it is not possible to eliminate such risks entirely, the presence of effective good policies and procedures supported by structured awareness

initiatives such as scheduled training and regular reviews can significantly reduce the likelihood of such occurrences.

- 4.2 No instances have been recorded since the last review in September 2024, but the number of concerns raised under the Code over the last several years have been relatively low.
- 4.3 Matters raised under the Code are logged on the central register which helps to identify any recurring concerns.

5. Financial implications

- 5.1 There are no financial implications arising directly from this report.

6. Legal comments

- 6.1 The Employment Rights Act 1996 as amended by the Public Interest Disclosure Act 1998 provides protection to employees who raise awareness about malpractice in the workplace, such as the right to bring a claim before an employment tribunal.
- 6.2 The legislation does not require the Council to have a written policy, but in the interests of promoting transparency, accountability and ethical conduct it is accepted good practice to have appropriate written procedures in place.

Corporate implications

7. S151 Officer comments

- 7.1 The S151 Officer supports the refreshed Confidential Reporting Code, having robust whistleblowing arrangements are an important element of good governance arrangements. Applying the Code can be resourced from existing resources and therefore there are no budget implications.

8. Monitoring Officer comments

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

9. Procurement comments

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

10. Equality and Diversity

- 10.1 The Code is accessible by all.

11. Sustainability/Climate Change implications

- 11.1 There are no sustainability / climate change implications arising directly from this report.

12. Other considerations

- 12.1 None.

13. Timetable for implementation

- 13.1 If the Audit Committee agrees to continue with the current Code (as amended), the Monitoring Officer will arrange for the Code to be updated accordingly under the delegation in Part 2 Article 13 para 13.2(b) of the Constitution as soon as reasonably practicable.
- 13.2 If amendments are recommended, these would not come into effect until adopted by Council.

14. Contact

- 14.1 Linda Heron, Group Head Corporate Governance and Monitoring Officer
(l.heron@spelthorne.gov.uk)

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

Background papers: There are none.

Appendices:

Appendix A Confidential Reporting Code

Appendix A

CONFIDENTIAL REPORTING CODE (Whistleblowing)

1. INTRODUCTION

- 1.2 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment it expects staff and others that it deals with who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.
- 1.3 Staff are often the first to realise that there may be something seriously wrong within the Council. However, they may not raise their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern instead of reporting what may just be a suspicion of malpractice.
- 1.4 The adoption of this confidential reporting Code by the Council is intended to encourage and enable all staff to raise any serious concerns they have within the Council, rather than overlooking a problem or 'blowing the whistle' outside. The Code makes it clear that you can raise concerns on a confidential basis, without fear of victimisation, subsequent discrimination or disadvantage. It is based on the Public Interest Disclosure Act 1998, which gives staff raising concerns under its rules legal protection against reprisals.
- 1.5 The Code applies to all staff and contractors working for the Council on Council premises, including agency staff. It also covers suppliers and those providing services under a contract with the Council.
- 1.6 The procedures in this Code are in addition to the Council's existing Complaints Procedure.

2. AIMS AND SCOPE OF THIS CODE

- 2.1 This Code aims to:
 - encourage you to feel confident about raising serious concerns
 - encourage you to question practice and act upon any concern
 - provide clear channels for you to raise those concerns
 - ensure that you receive a response to concerns you raise and that you are clear about how to pursue them if you are not satisfied
 - reassure you that you will be protected from possible reprisals or victimisation if you raise a concern in good faith reasonably believing something is wrong.
- 2.2 The Council has a Grievance Procedure to enable you to lodge a grievance relating to your own employment and a Harassment and Bullying Policy to enable you to raise any concerns about this area, which should be directed to Human Resources. This Confidential Reporting Code is intended to cover

major concerns you might have that fall outside the scope of other procedures. Such concerns might include:

- conduct which is an offence or a breach of law
- disclosures related to miscarriages of justice
- health and safety risks, including risks to the public as well as other staff
- damage to the environment
- the unauthorised use of public funds
- possible fraud and corruption
- serious and organised crime
- sexual or physical abuse of clients, or
- other unethical conduct.

If safeguarding concerns are highlighted then the Safeguarding Policy and procedures must be adhered to.

2.3 Any serious concerns that you have about any aspect of service provision or the conduct of staff or councillors of the Council or others acting on behalf of the Council can be reported under the Confidential Reporting Code. This could be about something that:

- makes you feel uncomfortable in terms of your past experience or what you know about standards set by the Council; or
- is against the Council's Standing Orders and policies; or
- falls below established standards of practice; or
- amounts to improper conduct.

2.4 This Code does not replace the corporate complaints procedure.

3. SAFEGUARDS

Harassment or Victimisation

3.1 The Council is committed to good practice and high standards and wants to be supportive of staff.

3.2 The Council recognises that making the decision to report a concern can be difficult. If what you are saying is true, you should have nothing to fear because you will be doing your duty to the Council and those for whom you are providing a service.

3.3 The Council will not tolerate any harassment or victimisation (including informal pressures) of someone raising something of concern to them and if proven will take appropriate action, including disciplinary procedures to protect you against this when you raise a concern in good faith. If you consider that you are the subject to harassment or victimisation (including informal pressures) due to the raising of your concern you should inform the person dealing with your whistleblowing matter or any other officer named in this policy.

- 3.4 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that already affect you.

4. CONFIDENTIALITY

- 4.1 If someone asks for a matter to be treated in confidence, then we will do our utmost to respect that request. However, it is not possible to guarantee confidentiality. If we are in a position where we cannot maintain confidentiality and so have to make disclosures, we will discuss the matter with you first. We will give you feedback on any investigation and be sensitive to any concerns you may have as a result of any steps taken under this procedure.
- 4.2 In some circumstances the Council may decide that we have to reveal your identity in order to assist in the investigation into the matter. You will be advised beforehand if this is to be the case. Your prior consent will be obtained before such disclosure, unless we have to disclose your identity by law (e.g. safeguarding concerns, money laundering or other criminal offences).

5. ANONYMOUS ALLEGATIONS

- 5.1 This Code encourages you to put your name to your allegation whenever possible. Remember, if you do not tell us who you are it will be much more difficult for us to investigate the matter fully, to ask follow-up questions, to protect your position or to give you feedback.
- 5.2 Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.
- 5.3 In deciding whether to consider anonymous concerns the following are some of the factors which will be taken into account:-
- the seriousness of the issues raised
 - the credibility of the concern; and
 - the likelihood of confirming the allegation from attributable sources

6 UNTRUE ALLEGATIONS

- 6.1 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you in accordance with the Council's disciplinary procedures.

7 HOW TO RAISE A CONCERN

- 7.1 As a first step, you should normally raise concerns with your immediate manager or their manager. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that your management is involved, you should approach the Chief Executive, Chief Finance Officer, Monitoring Officer, or Audit Services.
- 7.2 Concerns may be raised verbally or in writing. If you wish to make a written report it is best to use the following format:
- the background and history of your concern (giving relevant dates);

- the reason why you are particularly concerned about the situation.

- 7.3 The earlier you express your concern the easier it is to take action.
- 7.4 Although you are not expected to prove beyond doubt the truth of an allegation you make, you will need to demonstrate to the person you contact that there are reasonable grounds for your concern.

- 7.5 You can obtain advice/guidance on how to pursue matters of concern from:

Chief Executive	Daniel Mouawad	(01784 446250)
Chief Finance Officer	Terry Collier	(01784 446296)
Deputy Chief Executive	Lee O'Neil	(01784 446377)
Monitoring Officer	~~Karen Limmer~~ <u>Linda Heron</u>	(01784 446248)
Internal Audit Manager	Neil Pitman	neil.pitman@hants.gov.uk
Human Resources Manager (where specifically relates to a Human Resources matter)	Debbie O'Sullivan/Angela Tooth	(01784 446289) (01784 446427)

- 7.6 In addition you could contact any of the following:-

The Chair or Vice Chair of the Standards Committee: the Council has a Standards Committee, the purpose of which is to help the Council operate to the highest ethical standards. Both the Chair and Vice-Chair are non-councillors and can be approached for advice. Their details can be obtained from Committee Services on 01784 446240/444243 or found on the Council's website; or

Protect - This is a registered charity which seeks to ensure that concerns about serious malpractice are properly raised and addressed in the workplace and they can be contacted on 020 3117 2520 [or www.protect-advice.org.uk](http://www.protect-advice.org.uk); or

Your trade union or professional body.

- 7.7 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.
- 7.8 You may invite your trade union, professional association representative or a friend to be present during any meetings or interviews in connection with the concerns you have raised.

8. HOW THE COUNCIL WILL RESPOND

- 8.1 The Council will always respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.

- 8.2 If you raise a concern with your manager which they feel is beyond the scope of their authority or of a serious nature they will refer it to the Monitoring Officer rather than dealing with it personally.
- 8.3 Where appropriate, the matters you raise may:
- be investigated by managers, audit services, or through the disciplinary process
 - be referred to the police
 - be referred to the external auditor
 - form the subject of an independent inquiry.
- 8.4 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle for the Council is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example grievance or sexual harassment) will normally be referred for consideration under those procedures.
- 8.5 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.
- 8.6 Within ten working days of a concern being raised, the manager with whom you raise your concern or the Monitoring Officer will write to you:
- acknowledging that your concern has been received
 - indicating how the Council propose to deal with the matter
 - giving an estimate of how long it will take to provide a final response
 - telling you whether any initial enquiries have been made
 - supplying you with information on staff support mechanisms, and
 - telling you whether further investigations will take place and if not, why not.
- 8.7 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you.
- 8.8 Where any meeting is arranged, which can be away from the offices or your place of work if you so wish, you can be accompanied by a union or professional association representative or a friend.
- 8.9 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.
- 8.10 The Council accepts that you need to be assured that the matter has been properly addressed and so, subject to legal constraints, will inform you of the outcome of any investigation.

9. THE RESPONSIBLE OFFICER

- 9.1 The Council's Monitoring Officer has overall responsibility for the maintenance and operation of this Code. That officer will maintain a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report as necessary to the Council.

10. HOW THE MATTER CAN BE TAKEN FURTHER

- 10.1 This Code is intended to provide you with clear channels within the Council to raise concerns and the Council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:

- Public Concern at Work
- the Council's external auditor
- your trade union
- your local Citizens Advice
- relevant professional bodies or regulatory organisations
- the police.

- 10.2 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information. Check with the contact point about that.

11. POLICY REVIEW

- 11.2 This policy will be reviewed annually by the Council's Monitoring Officer to ensure the effectiveness of the policy and the findings will be reported to the Audit Committee.

Spelthorne Borough Council Services Committees Forward Plan and Key Decisions

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

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

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

Spelthorne Borough Council

Service Committees Forward Plan and Key Decisions for 1 November 2025 to 31 May 2026

Anticipated earliest (or next) date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Audit Committee 27 11 2025	Annual Governance Statement 2024-25	Non-Key Decision	Public	Terry Collier, Deputy Chief Executive
Audit Committee 27 11 2025	Annual Review of Confidential Reporting Code	Non-Key Decision	Public	Linda Heron, Group Head - Corporate Governance, Monitoring Officer
Audit Committee 27 11 2025	Assessment of Effectiveness of Audit Committee	Non-Key Decision	Public	Terry Collier, Deputy Chief Executive, Linda Heron, Group Head - Corporate Governance, Monitoring Officer
Audit Committee 27 11 2025	Corporate Risk Management	Non-Key Decision	Public	Lee O'Neil, Deputy Chief Executive
Audit Committee 27 11 2025	Draft Statement of Accounts	Non-Key Decision	Public	Ola Owolabi, Interim Chief Accountant
Audit Committee 27 11 2025	Improvement and Recovery Plan Progress Updates	Non-Key Decision	Public	Terry Collier, Deputy Chief Executive, Councillor Jon Button
Audit Committee 27 11 2025	Internal Audit Progress Report	Key Decision	Public	Iona Bond, Deputy Head of Southern Internal Audit Partnership
Audit Committee 22 01 2026	Audited Statement of Accounts	Key Decision	Public	Ola Owolabi, Interim Chief Accountant

Date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Audit Committee 22 01 2026	Improvement and Recovery Plan Progress Updates	Key Decision	Public	Terry Collier, Deputy Chief Executive, Councillor Jon Button
Audit Committee 24 02 2026	Audit Findings Report	Non-Key Decision	Public	Natalie Jerams, Deputy Head of Southern Internal Audit Partnership
Audit Committee 24 02 2026	Corporate Risk Management	Non-Key Decision	Public	Lee O'Neil, Deputy Chief Executive
Audit Committee 24 02 2026	Draft Annual Audit Report	Non-Key Decision	Public	Natalie Jerams, Deputy Head of Southern Internal Audit Partnership
Audit Committee 24 02 2026	External Quality Assessment Results	Key Decision	Public	Iona Bond, Deputy Head of Southern Internal Audit Partnership
Audit Committee 24 02 2026	Improvement and Recovery Plan Progress Updates	Non-Key Decision	Public	Terry Collier, Deputy Chief Executive, Councillor Jon Button
Audit Committee 24 02 2026	Internal Audit Progress Report	Key Decision	Public	Iona Bond, Deputy Head of Southern Internal Audit Partnership
Audit Committee 26 03 2026	Counter Fraud, Bribery and Corruption Strategy	Non-Key Decision	Public	Linda Heron, Group Head - Corporate Governance, Monitoring Officer
Audit Committee 26 03 2026	Improvement and Recovery Plan Progress Updates	Key Decision	Public	Terry Collier, Deputy Chief Executive, Councillor Jon Button

Date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Audit Committee 26 03 2026	Internal Audit Charter 26/27	Key Decision	Public	Iona Bond, Deputy Head of Southern Internal Audit Partnership
Audit Committee 26 03 2026	Internal Audit Plan 26/27	Key Decision	Public	Iona Bond, Deputy Head of Southern Internal Audit Partnership
Audit Committee 23 07 2026	Annual Internal Audit Conclusion 2025/26	Key Decision	Public	Iona Bond, Deputy Head of Southern Internal Audit Partnership
Audit Committee 23 07 2026	Improvement and Recovery Plan Progress Updates	Key Decision	Public	Terry Collier, Deputy Chief Executive, Councillor Jon Button
Audit Committee 24 09 2026	Internal Audit Progress Report	Key Decision	Public	Iona Bond, Deputy Head of Southern Internal Audit Partnership
Audit Committee 28 01 2027	Internal Audit Progress Report	Key Decision	Public	Iona Bond, Deputy Head of Southern Internal Audit Partnership