

Spelthorne Borough Council Draft Statement of Accounts 2022/23



Narrative Statement

By the Chief Finance Officer

Introduction

Welcome to Spelthorne Borough Council's statement of accounts for 2022/23. 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 prescribe format below.

The Narrative Statement presents an overview of the Council's accounts for the fiscal year ended 31 March 2023 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. It includes comment on the financial performance and economy, efficiency, and effectiveness in the use of resources over the fiscal year and in the context of the "Cost of Living Crisis," which followed on quite quickly from the COVID-19 pandemic and the Council's Medium Term Financial Strategy (MTFS), as set out in its Outline Budget reports.

As is the case across the country the biggest challenge faced by the Council and its residents and business communities during 2022/23 has been dealing with the impacts of the Cost-of-Living Crisis and the tail end of the COVID-19 pandemic, it has been a challenging year. The Council continues to provide support to our vulnerable residents and communities and distributing grant support funding by Government to support both businesses and residents, via, the Energy Rebate Grant, Alternative Fuel Repayment Grant, Hardship Support and providing support to refugees from Ukraine and Afghanistan. During the year, the combined value of business rates relief provided to retail, leisure and hospitality businesses and direct business support grants exceeded £7.6m (2020/21: in excess of £50m)

As we come out of the pandemic and move into the Cost-of-Living Crisis the Council has continued to refine and deliver on a broad ranging Recovery Plan addressing the need to support our community and businesses to recover and to use it as an opportunity to do so on a climate change friendly basis as possible. Inflationary pressures directly impacted on the Council's own operating costs particularly staff, food for our Meals on Wheels and lunches at our community day centres for our elderly residents, and fuel & energy on the Revenue Budget and on the Capital Programme construction inflation of approximately 20% made delivering our housing delivery programme more challenging particularly when combined with a significant rise in interest rates.

Basis of preparation

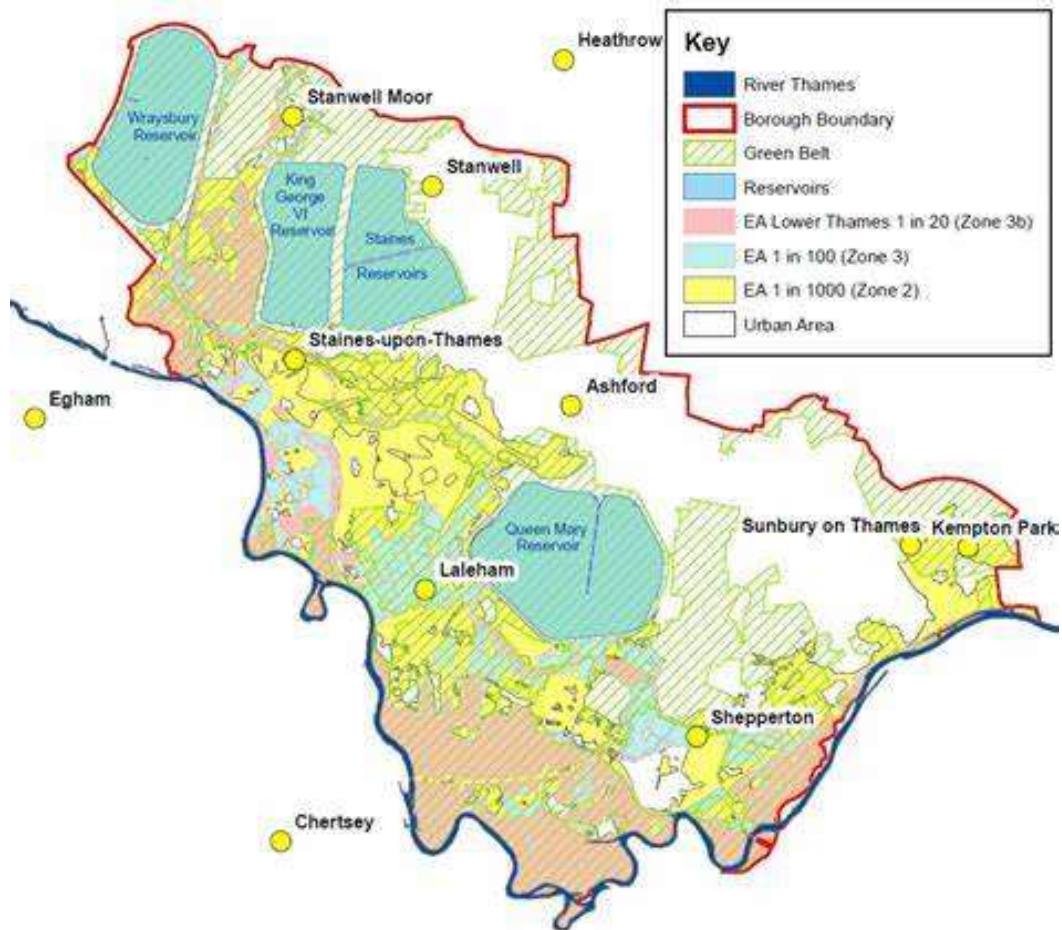
These accounts are presented on an International Financial Reporting Standards (IFRS) basis having been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

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 (shown below), 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 new Shepperton Studios expansion and with exceptional motorway links, this makes Spelthorne an ideal place for employers to locate their business. There are 8,580 self-employed trades and professionals many of these provide services to residents and businesses in Spelthorne.

The local economy comprises over 7,140 businesses including large employers like BP, Samsung, Wood Group Kenny and Shepperton Studios, 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 2022/23 Municipal Year

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

Conservative Party 15
Liberal Democrat Party 8
United Spelthorne Group 4
Greens 3
Labour Party 3
Independent Spelthorne Group 2
Breakthrough Party 2
Independents 2

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

On 26 May 2022 Cllr John Boughtflower became Leader and Cllr Tony Mitchell became Deputy Leader.

Following the Local elections on 4 May 2023, the political make up changed to the following:

Conservative Party 12
Liberal Democrats 10
Independent Spelthorne Group 7
Labour Party 7
Green Party 2
Independent Green 1

On 25 May 2023, Cllr Jo 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 2023 the Council employed 388.43 FTE equivalent staff (2021/22: 397.56 FTE).

Cost of Living Crisis and COVID-19

The current financial year which had been anticipated to be a year of recovery from the economic impacts of the COVID-19 Pandemic, however, this has been overshadowed by the impacts of the Cost-of-Living Crisis, with rising energy costs, food prices and numerous increases in the Bank of England Base rate, in quick succession, impacting on the United Kingdom economy.

In the context of these issues the Council achieved better than anticipated local tax collection rates, achieving 97.2% (2021/22: 96.7%) for Council Tax and 97.15% (2021/22: 85.4%) for Business Rates.

Revenue Outturn for 2022/23

Please note that due to the Borough elections and pre-election period, Council has yet to approve the 2022/23 Revenue Outturn figures and the statement of accounts are subject to any amendments recommended by the Corporate Policy & Resources Committee at their meeting on 26 June 2023.

The Council achieved a modest underspend of (£0.48m) on its revenue budget which enabled the level of the General Fund Reserve at the end of 2022/23 to increase to £2,482,000. This was a prudent move to assist in protecting residents, services, and finances in future years, as it provides funds for general use, specifically during challenging times, as we saw in the past with the COVID-19 pandemic and will see in the future with the Cost-of-Living Crisis.

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 an exceptionally good collection rate collecting for 2022/23 of 98.91% to date, (2021/22: 99.98%) of the rents on invoiced. The Council in response to the pandemic has been reviewing on a weekly basis worst case and expected case scenario modelling its rental income, projected over ten years of its sinking funds (funds set aside from the commercial rental stream to cover future potential income dips arising from voids, rent free periods, refurbishments, etc). This analysis indicates that the sinking fund balances as at 31 March 2023 of £37.7m. (2021/22: £33.6m) are more than sufficient to insulate the Council's Revenue Budget and Council Taxpayers from any significant dips in rental income. In 2021/22 based on the financial modelling Council approved an additional £2.49m was put into the sinking fund, over and above that already budgeted, to cover expected use of the sinking funds reserves will be applied to offset dips in income arising from the predicted turnover of a few tenants in the portfolio in 202/24 and 2024/25.

