

Spelthorne in financial trouble

10 May 2024



Inspectors have been sent to Spelthorne Borough Council as concern grows over its ability to deal with its extreme debt and borrowing. The Department for Levelling Up, Housing and Communities (DLUHC) has been working with the borough since May 2022 and now the Secretary of State has weighed in over the “authority’s extremely high levels of debt and borrowing”.

A letter to Spelthorne Borough Council’s chief executive, confirming the department’s decision to appoint Lesley Seary to carry out a formal inspection of the council over its capital risk was published on Wednesday, May 8.

It read: “As of March 31 2023, Spelthorne’s debt was £1.096 billion, which was 87.1 times the council’s core spending power and 52.4 times its total service expenditure.”

The average borough council has a debt to spending ratio of 5.65.

A July review of the borough’s finances also found the council needed “expert independent support” to assist with its “immediate and ongoing financial challenges” and required help to mitigate its risk as well as improve its governance and decision-making culture.

It comes just four months after another Surrey authority, Runnymede Borough Council was served a notice over its finances, and a year after Woking Borough Council declared itself bankrupt.

Concerns over the council’s finances date back to a 2017/18 report from accountants KPMG – published in November 2022. It highlighted concerns over the council’s investments and set out the auditor’s view that Spelthorne Borough Council had acted unlawfully in borrowing and then purchasing three properties.

The Secretary of State has given certain directions to Lesley Seary’s inspection. First, she will examine concerns over the council’s governance and scrutiny, with particular attention to its financial arrangements and decision making. She is also looking into the council’s ability to carry out its new housing strategy, as well as the impact its investment portfolio has had on service delivery.

The inspector, who will have right-of-access to all council premises and documents, will then report her findings to the Secretary of State by August 30. The council has also been told it cannot destroy any documentation or records.

The letter was sent as part of a best value directive from DLUHC. As part of the process the council must publish its response, together with the letters on its website.

The statement from Spelthorne Borough Council read: “Over a year ago, the Department for Levelling Up, Housing & Communities (DLUHC) asked the professional body for public sector finance, the Chartered Institute of Public Finance and Accountancy (CIPFA), to review Spelthorne Borough Council’s investment portfolio and borrowing position.

“The authority has now received a letter from the department advising that they have appointed an independent inspector to undertake a review of Spelthorne Borough Council to seek assurance that the Council complying with its Best Value Duty.

“The Secretary of State decided to commission this inspection to provide him with direct, independent assurance that the council has ‘arrangements to secure continuous improvement in the way in which its functions are exercised, with regard to economy, efficiency and effectiveness.’

“The government letter outlines concerns around debt relative to size of the Council’s budget and governance whilst acknowledging that Spelthorne Borough Council has engaged constructively with the Department since 2022 and already taken action to mitigate risk.

“DLUHC has appointed Lesley Seary as Lead Inspector, who is independent of government, and has asked her to report her findings to the Secretary of State by 30 August 2024.”

Leader of Spelthorne Borough Council, Councillor Joanne Sexton welcomed the review and would work with the inspector and her team.

She said: “This administration has taken many decisive and positive steps since the May 2023 election including instigating a full external independent review of our commercial property portfolio. Additionally, we have reduced future borrowing requirements by nearly £200m and are pursuing alternative ways to deliver more affordable housing. We will continue to work with DLUHC in an open and transparent way and look forward to receiving the findings of the report.”

“The rental income received from our commercial property portfolio more than covers the financing costs and provides a significant contribution to support council services, additionally there is a reserve to cover possible income variation in future years.”

Spelthorne’s neediest lose out on housing

‘Crisis point’ in local government funding

Relative relief about Epsom and Ewell’s debt?

Leader of Spelthorne Borough Council, Ashford East councillor Joanne Sexton, at the council building in Knowle Green, Staines. Credit: Emily Coady-Stemp