

The Commissioners
Spelthorne Borough Council
Council Offices
Knowle Green
Staines-upon-Thames
TW18 1XB

19 December 2025

Dear Secretary of State,

**Spelthorne Borough Council Statutory Intervention
Commissioners' First Report**

1. This is our first report as Commissioners for the Statutory Intervention in Spelthorne Borough Council, established in your predecessor's Directions to the Council of 8 May 2025.

Context

2. As Inspectors, we produced a [Best Value Inspection report](#) on Spelthorne Borough Council on 31 January 2025 which was published on 17 March 2025. It identified severe weaknesses in the Council's financial position and failures to meet its Best Value Duty in relation to use of resources, culture, governance, leadership and continuous improvement.
3. The Council's external auditor made a number of significant findings and recommendations in its interim [annual report](#) based on its review of the 2023/24 accounts, and it reported this to the 28 January 2025 Audit Committee. Their [report](#) on the 2024/25 accounts, reported to the 21 October 2025 Audit Committee, continued to raise significant weaknesses in each of the three areas of its value for money assessment: financial sustainability; governance and improving economy; and efficiency and effectiveness.
4. Statutory [Directions](#) were issued to the Council under the Local Government Act 1999 on 8 May 2025 appointing the four of us as Commissioners.
5. In Surrey, plans for local government reorganisation have progressed, with the announcement by the Secretary of State on 28 October 2025 of the decision in favour of two Unitary Councils in Surrey with Spelthorne being included in the new West Surrey Council from 1 April 2027.

6. Ambitions over the coming years for the development of Heathrow will have a huge impact on the local area, with a significant portion of the current borough footprint expected to be affected by these plans.

Baseline assessment

7. What we have seen since the start of the intervention in May corroborates the findings of the Best Value Inspection. The Council continues to face a range of very significant challenges in terms of its financial and commercial positions, leadership, culture, governance, continuous improvement and in its housing and regeneration functions.
8. The Council has over £700m of debt at present, following debt restructuring initiated following Commissioner advice, which was predominantly used to acquire office properties in the greater Heathrow economic area to generate additional income to support the delivery of discretionary services. Many of the properties are outside the Borough and create cost and risk to the Council. These commercial assets have lost significant value compared to the purchase prices – on average a reduction of 45%. The surplus from this, originally budgeted at approximately £10m p.a., is currently at a much lower level (estimated at £4m for this financial year). This is before charging an appropriate Minimum Revenue Provision (MRP) which is being implemented in 2025/26 which will mean the properties will be making significant losses, causing a negative impact on the Council's revenue budget position.
9. Commissioners have identified significant weaknesses in the quality of reporting to members, in the Council's governance and assurance and in its management of capital projects.
10. The Council faces capacity challenges in a range of areas across the organisation, which may be exacerbated further by the impact of local government reorganisation in Surrey. This challenge is a significant risk for the Council in its delivery of the improvement activity required over the coming months, particularly in relation to its finance, housing and regeneration functions.

Council Approach

11. The Council has been developing an Improvement and Recovery Plan, in line with the *Directions*, Annex A, 1. The Council has taken longer than anticipated to develop a plan to the satisfaction of the Commissioners, but this has now been achieved. The plan was approved, and a new Improvement and Recovery Board,

chaired by the Lead Commissioner, was established by the Council at its meeting on 23 October 2025.

12. The plan articulates recovery activity required by the Council, in line with the *Directions* and is structured around five themes: finance; commercial; housing and regeneration; governance; and local government reorganisation.
13. Implementation of the plan will be overseen by the Improvement and Recovery Board. The purpose of this board is not to take decisions or otherwise to supplant the proper role of members, but to hold the Council to account for the delivery of the agreed Improvement and Recovery Plan.

Leadership and Pace

14. Since our arrival in the Council in May, we have found many people, both officers and members, including in both the administration and opposition groups, who have responded positively and proactively to the intervention, engaged effectively with Commissioners and sought to address the challenges facing the Council.
15. Many members are acutely aware of the upcoming local government reorganisation in Surrey and are keen to use the time available to them to achieve improvement for local people. This has meant that while they have shown a positive response to the intervention, they also have a strong focus on the achievement of a number of legacy ambitions. In particular, these relate to the development of social and affordable housing within the borough.
16. However, there is a lack of understanding amongst some members about the purpose of the intervention and a lack of acceptance about the necessity of financial steps the Council needs to take. Some have stated publicly that they believe the intervention has been politically motivated.
17. We have identified a number of instances in which there has been a lack of senior officer leadership to grip and address issues of particular concern to members or resourcing challenges facing the Council. It has required action from Commissioners to prompt the required senior engagement with these issues.
18. In terms of the Improvement and Recovery Plan, there have been a number of challenges identified through the process of developing some elements of the plan. For example, the Council has struggled to identify the right improvement actions in some areas. There are also concerns relating to whether workstreams contained in the plan are deliverable, given capacity constraints, or conversely whether they demonstrate sufficient ambition. In addition, we have concerns about improvements becoming embedded and the necessary culture change taking place. The Council is currently recruiting a Programme Director for

Improvement and has secured interim cover for this role in the short term. The Council's approach to implementing the Plan is currently very focused on process rather than embedding the culture change needed to deliver sustained improvement. The interim Programme Director shares the Commissioners concerns on this and is currently working with Senior Responsible Officers to ensure that the Council focuses more strongly on embedding sustainable improvement and change.

19. There are still some challenges in relationships between the Council's officer and members, and between members, characterised by a lack of trust on both sides. In some business areas, there are effective working relationships in place, in which members recognise good work done by officers. In others, there are significant degrees of mismatch between member objectives, the work plans of officers and the views of officers about what is achievable by the Council. Members view officers as unresponsive, and officers view members as inconsistent and in some cases hostile; each sees the other as the architects of the Council's problems. A priority over the coming period will be to work to resolve these tensions and to develop effective working relationships between members and officers.
20. On 12 December 2025, the Council announced that Chief Executive Daniel Mouawad was leaving the Council and that the Council's s.151 Officer, Terry Collier, would assume the role of Head of Paid Service on an interim basis. A recruitment process for an interim Chief Executive is underway who will be in post until 31 March 2027 when Spelthorne is subsumed into the new West Surrey Council.

Quality and Capacity

21. There have been instances of poor quality in the management of projects by officers in the past, with incomplete information leading to poor decision making and failures by contractors going unaddressed for too long. This has led to wasted resources, not just in terms of inefficiencies but the incurring of unnecessary costs. The Council is now addressing these issues.
22. Officers report staffing gaps in a number of business areas. It has been suggested that in part, this is due to staff leaving the organisation in advance of local government reorganisation in Surrey. Unless this is addressed, it presents a significant risk to the delivery of the Improvement and Recovery Plan and especially to the pace of delivery. We are not seeing a sense of urgency and pace in addressing this issue, leaving significant gaps in key senior roles in the organisation. While the risks are recognised, mitigations are not in place.

Financial Recovery

23. The financial position of the Council is stark. The Council's debt stood at over £1bn at 31 March 2025, making it the second most indebted district council in the country after Woking. MRP had been too low, at c. £13m per annum, based in part on an incorrect assessment of the useful economic life of investment properties. These properties have dropped in value relative to purchase price on average by around 45% since their acquisition.
24. Commissioners have worked with the Council to develop financial plans to address high debt levels and the low MRP charge. Firstly, on 17 November 2025, the Council adopted a new MRP policy that is in line with statutory guidance with revised calculations based on an assessment of useful economic level of asset lives from a RICS qualified valuer. The approach to amending the Council's MRP has been underpinned by an independent report to review both its MRP policy and calculations. This revised MRP policy will increase MRP costs in 2025/26 from £13m to more than £59m.
25. Commissioners have supported the Council's s.151 Officer to develop plans to restructure the Council's debt in order to mitigate the impact the increase in MRP will have on the General Fund. The restructuring of debt is in line with the Secretary of State's direction to produce a debt reduction plan. The restructuring involved taking advantage of both the significant discount on total debt available to the Council in exchange for shortening the term of its loans and also prevailing interest rates which are significantly higher than those under which the Council's borrowing was made. Following the Council's decision on 17 November 2025 to carry out this plan for debt restructuring, the total debt has been reduced to £715m. An asset rationalisation strategy will enable the Council to further pay down debt and to reduce risks and potential future liabilities.
26. Reducing debt and rationalising the investment and regeneration properties will, over time, significantly reduce MRP and interest costs. An asset rationalisation strategy will significantly reduce the risks of holding empty properties or investing in refurbishment; it will also reduce the need to use the sinking fund which will be re-purposed to support the revenue budget in the transition to the new unitary council.
27. Since 2019/20, Spelthorne assumed a £10m contribution to its revenue budget from investment property surpluses. With increased costs and reducing returns, this benefit can no longer be assumed. The £10m contribution represents approximately 30% of the Council's gross expenditure, excluding Housing Benefits. In comparison with statistically similar councils, spending is also on average 30% higher.

28. Some of this additional spend is in relation to the cost of homelessness in Spelthorne, with temporary accommodation costs continuing to increase in 2025/26. There is not a firm plan in place to reduce these costs, and the Council invited MHCLG Homelessness Advice & Support Team colleagues to carry out a diagnostic visit to help them to address these challenges and identify areas for development.
29. A priority for the next six months is to identify the reasons for Spelthorne's high spending together with opportunities for efficiency and service rationalisation. The Council has commissioned external specialists to assess how the Council's unit costs for service provision compare to other relevant authorities to support this work. This should put Spelthorne in a better position to transition to the new unitary council with a plan for financial sustainability.
30. The Council's overall medium-term financial plan (MTFP) is to facilitate a smooth transition to Unitary Government in Surrey, working with other councils who will form the new Council. The budget for 2026/27 is therefore a transitional one.
31. The Council's finance team has been supplemented by interim specialist consultancy support in areas of weakness highlighted in the Best Value Inspection and in the external auditor's findings such as preparation of financial statements, treasury management and collection fund accounting. It is still however lacking in capacity and capability in relation to wider areas of financial management, for example supporting the commercial property team, project management and the challenges facing the Council to reduce costs. It has no capacity to support local government reorganisation in Surrey apart from that provided by the s.151 Officer as part of his role.

Commercial

32. The commercial workstream of the Improvement and Recovery Plan is still maturing however some progress has been made in a number of areas:
 - a. A better understanding of the performance of all investment properties has been gained. Further analysis of their value to the Council and assessment of when to divest will be as a result of a review being carried out on each property.
 - b. The assessment of the social value of development will be undertaken to ensure that any divestment or development of sites will be in accordance with the commercial protocols that have been introduced.

- c. A longer-term Commercial Strategy is being developed that will set a path for how the Council approaches all of its commercial activity. This will include how it procures goods, services and partners in the future, and how contracts are managed. Its overall aim will be to ensure that the Council understands and manages the risks associated with commercial lifecycle and that best value is achieved.
- 33. There will continue to be the need for significant professional support to enable the delivery of commercial and regeneration activity as would be the case for any Council developing significant projects in these areas, and in particular for any smaller council in this situation. This will include, for example, contracting with property professionals in order to provide robust valuations and marketing advice.
- 34. The Council is looking to boost capacity and capability in procurement. An arrangement with NHS Solutions to support the Council's procurement function is in place, and the Council has recently taken a report through committee to secure support from a neighbouring Council to assist with training and policy development.

Housing and Regeneration

- 35. Progress on developing realistic and deliverable strategies for the Council's regeneration sites has been hampered by a number of factors, including capacity and capabilities; lack of clarity on the Council's expectation from development; limited understanding of best value principles; lack of alignment between officers and councillors on ambitions for sites; and a weak policy framework to support decision making.
- 36. Ineffective engagement at senior level with the developer/Registered Provider community has further delayed the development of strategies for sites, and the absence of town centre masterplan undermines the confidence of developers/investors in being successful in achieving planning consents for development. The Council's Improvement and Recovery Plan includes a workstream on the development of a Master Plan for Staines to address this gap.
- 37. At the end of the statutory inspection, Inspectors were told that the Council had put in place a review of its wholly owned housing company, Knowle Green Estates. However, the Council was unable to demonstrate that this review had delivered any tangible outcomes or address the £45m debt owed to the Council. Since the intervention, Commissioners have worked with the Council to commission external experts to consider the viability of the existing KGE business plan and options for the future of the company. This will report shortly.

38. Following receipt of this report, the Council will need to consider future options for the housing company to secure a viable future and in preparation for local government reorganisation. To do so, it needs to analyse and fully understand the financial implications of options, comparing capital receipts against outstanding loans, assessing the tax and accounting issues and supporting the board of KGE in its fiduciary duties. It will then need to implement its preferred option in advance of Surrey's local government reorganisation.
39. The Council is currently awaiting the Planning Inspector's findings on the Local Plan. Following receipt of these, it will be in a position to adopt the Local Plan. However, given the low level of housing delivery in recent years, the Council needs to identify opportunities on its own land holdings to bring forward housing delivery, support landowners/developers to bring forward their sites and work more effectively with Registered Providers to support the delivery of affordable housing across the borough. Progress has been hindered by insufficient resource and expertise to proactively engage with the market, lack of clarity around s.106 and commuted sums policy and insufficient progress on the Council-owned regeneration sites. A strategy to deliver the housing numbers required by the local plan is not in yet place, and it will need significant political leadership to deliver.

Governance

40. The conduct of Council meetings is particularly poor. Member behaviour in the chamber is disrespectful to the chair, to other members and to officers. This significantly impedes proper and effective decision-making. Commissioners have written to the political group leaders expressing concern about member behaviour.
41. Commissioners have also seen significant weaknesses in the quality of reports produced for members. This prompted us to make a statement at a recent Committee meeting expressing our concerns with the quality of a report before members which did not support members to take informed decisions. In many cases reports proceed unchallenged through layers of clearance with significant errors or omissions. In other cases, the failure to develop common approaches between different functional areas in the Council has meant that reporting is confused or incomplete. On more than one occasion, Commissioners have intervened and had to amend reports where we have identified that they are not ready to go before members.
42. Initial steps have been taken to address this weakness: the Council has introduced a new approach to report preparation with stronger controls put in place by the Council's monitoring officer to help produce better written and timely reports; members, legal and finance colleagues are being engaged earlier in the process;

and external training has been provided for report writers. However, Commissioners have seen limited improvement in this area and the overall standard of report writing is still very poor. This issue is likely to require significant further attention. The Audit Committee is still not functioning effectively. A second external member has been recruited, and an external review of the committee has taken place with several recommendations made to improve the role and functioning of the committee. The external auditor made several recommendations in its annual audit letter of January 2025, and the appointed auditors are likely to make further recommendations in the next annual letter.

43. It is too soon to judge whether the new internal audit contract is effective. The Council's Annual Governance Statement for 2024-25, published in September, states that the Council anticipates that its Internal Audit opinion for 2024-25 will be a 'limited assurance' opinion.
44. There are widespread gaps in terms of assurance systems and data. There is no evidence that the Council's Management team has a systematic approach to assurance. Performance monitoring data is superficial. Budget monitoring is untimely, unclear, inaccurate and has no wider ownership. It is apparent that regular monitoring of the whole Council budget position across senior managers below the senior leadership team has not been happening. It appears that some staff see the budget as a matter for finance colleagues only. There is no evidence of regular assurance data on people issues such as turnover, sickness, grievances and disciplinary cases. There is no evidence of regular review of internal audit findings nor monitoring of outstanding actions.
45. The Council's approach to risk management remains poor. There is no evidence of active engagement around risk management and there is little officer ownership of risk. Committees do not receive reports on the risks which sit within the remit of their committee. Members continue to raise with Commissioners their unhappiness at the lack of engagement with risk and assurance by senior officers. The Council has engaged an external risk specialist to work with the Council to develop risk awareness and how risk management can be used to get better outcomes for residents. This is work in progress.
46. It is clear that there is not a widespread understanding of risk and assurance amongst officers. There is a significant amount of culture change which will need to take place to embed a mature approach to risk and assurance.

Local Government Reorganisation (LGR)

47. The Council has begun to put in place arrangements for managing the very significant amount of work that will be required by the LGR process to ensure that

it plays its part in helping to establish the new council. The Council's Chief Executive is the lead Chief Executive for the Procurement and Contracts work stream and now that implementation plans are being developed council officers are starting to play a role in various workstreams. The Lead Commissioner is a member of the Surrey LGR implementation board.

Conclusion

48. The Council has made some progress over the period since the beginning of the intervention. In particular, it has published its Improvement and Recovery Plan, agreed a new MRP policy and completed a debt restructuring which has significantly reduced the balance of the Council's outstanding debt.
49. However, thus far the Council's improvement journey has been a matter of discovery and early steps towards recovery – tackling the most pressing issues, in particular those relating to the Council's finances. The work of improvement remains largely ahead and to be carried out alongside the Local Government Reorganisation process. This need to make substantial improvement is reflected in the set of priorities for the Council for the coming six months which are listed below.

Yours sincerely,

Lesley Seary Mervyn Greer Peter Robinson Deborah McLaughlin
Commissioners

Annex: Key priorities for the coming six months

- I Financial steps to place MTFP on a sound footing and set a balanced budget for 2026-27 (paras 8, 25-27, 30).
- II identify the reasons for Spelthorne's high spending together with opportunities for efficiency and service rationalisation so it is in a better position to transition to the new unitary Council with a plan for financial sustainability (paras 27-29).
- III Completion of an asset rationalisation strategy approved by members (paras 25-26).
- IV Delivery of Staines Master Plan to support future development (para 36).
- V Resolve the future of KGE (paras 37-38).
- VI Effective implementation arrangements for LGR in place (para 47).
- VII Governance to ensure delivery of IRP workstreams. (para 18).
- VIII Development of a comprehensive approach to assurance and risk at both officer and member level. (Paras 44-46).
- IX Urgent action to improve governance, including significant improvements to the quality of reports and advice to members; developing a culture of trust between members and officers; improved relationships between members, reflecting the Nolan principles of public life. (Para 40).