

Independent auditor's report to the Members of Spelthorne Borough Council

In our auditor's report dated 13 December 2024 we explained that we could not formally conclude the audit and issue an audit certificate for Spelthorne Borough Council ('the Authority') for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we had completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our work on the Authority's arrangements has now been completed.

Matter on which we are required to report by exception - use of resources

We are required to report to you if, in our opinion, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Authority's arrangements for the year ended 31 March 2021:

Significant weaknesses in arrangements	Recommendation
The Authority holds a significant portfolio of commercial properties which it acquired between 2016 and 2018. These acquisitions were financed by borrowing. The Authority intended to hold the commercial properties for a period of 50 years, with the repayment of borrowing taking place over the same period. The Authority intended to use rental income generated by these commercial properties to: - cover financing and repayment of the borrowing used to finance their acquisitions - provide amounts to be set aside (known as "sinking funds") to cover costs associated with holding the properties, such as maintenance and void periods, and - provide an annual contribution towards the Authority's revenue budget. While rental income generated by the commercial properties provided a contribution to the Authority's 2020/21 revenue budget, the financial modelling in place during the year did not adequately set out how the rental income generated to support the revenue budget would be sustainable and how amounts set aside into the sinking funds would be sufficient in the medium term. Furthermore, the Authority did not have an asset management plan and exit strategies in place during the year in respect of these commercial properties, nor did it have a formal sinking fund policy.	The Authority has been subject to various external reviews and inspections since 2020, which have identified a wide range of matters that need to be addressed, including the significant weaknesses we have identified in respect of financial sustainability and governance. In response, the Authority produced an Improvement and Recovery Plan. The Authority should: - continue to maintain and utilise the Improvement and Recovery Plan to capture and address the recommendations made by external reviews and inspections; and - ensure member oversight of progress against the Improvement and Recovery Plan is transparent and provides opportunity for constructive challenge and scrutiny.

These matters are evidence of a significant weakness in the Authority's financial sustainability arrangements.	
Alongside purchases of commercial properties, the Authority also acquired properties for regeneration purposes between 2018 and 2020, including the development of affordable housing. During the year, the Authority did not develop a strategy that set out how these acquisitions, and the subsequent development of the sites acquired, would support achievement of the Authority's corporate priorities regarding housing and regeneration. Information presented to Cabinet members during the year regarding the financial implications of the housing development programme was inadequate. Key reports concerning the future direction of the programme were difficult to follow and there is no evidence from the minutes of these meetings that members challenged the information presented to them. In addition, there is no evidence that Cabinet members were provided with reports on key performance indicators for services provided by the Authority. This hindered their ability to scrutinise the Authority's performance. These matters are evidence of a significant weakness in the Authority's governance arrangements.	
In May 2016, the Authority set up a wholly owned subsidiary company named Knowle Green Estates Limited ('KGE Ltd'). The intended purpose of KGE Ltd was to manage affordable housing sites once these had been acquired and developed by the Authority. At 31 March 2021, the Authority reported that KGE Ltd had £4.5 million of assets on its balance sheet. The Authority's Deputy Chief Executive was appointed as a director upon the company's incorporation and the Authority's Chief Accountant acted as the company's Head of Finance. The Authority did not have appropriate governance structures in place during the year to enable it to avoid any perceived or actual conflicts of interest that may have occurred. In addition, the Authority did not have a business plan in place for KGE Ltd during the year. These matters are evidence of a significant weakness in the Authority's governance arrangements.	

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

Certificate

We certify that we have completed the audit of Spelthorne Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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Leigh Lloyd-Thomas
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Leigh Lloyd-Thomas, Key Audit Partner
For and on behalf of BDO LLP, Local Auditor
London, UK

24 October 2025

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