



Department for Levelling Up,
Housing & Communities

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Eastleigh Borough Council (EBC) Best Value Notice issued on 19 December 2023

The Department expects authorities to identify and implement arrangements to secure continuous improvement and acknowledges the steps you are already taking to address issues in Eastleigh Borough Council, including responding to the recommendations identified in the CIPFA capital review. Ministers remain concerned as to Eastleigh Borough Council's capacity to comply with its Best Value Duty under the Local Government Act 1999. The Parliamentary Under Secretary of State has therefore made the decision to issue Eastleigh Borough Council with this Best Value Notice.

This Best Value Notice ("Notice") is a formal notification that the Department has concerns regarding an authority and is a request that the authority engages with the Department to provide assurance of improvement. The Department expects authorities that have been issued with Best Value Notices to continue leading their own improvement.

This Notice is issued to Eastleigh Borough Council ('the Authority') following concerns highlighted by the capital review of Eastleigh, undertaken by the Chartered Institute for Public Finance and Accountancy (CIPFA) which was shared with the Authority on 25 July 2023.

- The Authority has significant debt relative to its size, as of 31 March 2023 it had debt 45 times their core spending power, which has been used to acquire a commercial, regeneration and housing investment portfolio.
- Shortages in terms of capacity and expertise in the Authority's asset management team, finance, and internal audit has impacted capacity to manage the scale and ambition of its commercial and housing developments.

The Authority has engaged constructively and openly with the CIPFA capital review and has indicated it is already taking some steps to address the concerns raised in the review. We expect the Authority to continue to improve and, specifically, to commission an external governance review which aims to provide more in-depth assurance on the local authority's governance and leadership structures in line with Best Value principles, including a review of:

- The effectiveness and efficiency of internal decision-making and scrutiny processes and further exploring the issues identified by CIPFA regarding financial management.

- Culture and leadership including the Authority's sense of strategic vision and direction, effectiveness of leadership, and attitudes and behaviours towards positive and open relationships.
- Capacity and capability, including evidence of continuous improvement.
- Delivery of services.

The Authority should also agree plans to address concerns and deliver all recommendations set out in the CIPFA review at pace. In particular, the Authority should:

- Outline what steps they plan to take to reduce and manage the overall debt of the Council.
- Review their overall commercial portfolio and consider whether there remains an economic development and/or regeneration purpose for retaining assets.
- Put in place a moratorium on new debt-funded asset investment with a view to ensuring that the overall debt burden does not rise.
- Strengthen their internal audit by enlarging the function with suitable specialists or commission, as a formal part of the annual internal audit plan, specialised reviews, which are then undertaken by externally sourced experts.
- Ensure appropriate capacity/capability is in place in key functional areas such as finance and asset management and to manage the housing commitments.
- Manage the impact of reopening the housing revenue account with specific consideration to its impact on authority functions and how its creation will change the council's culture, strategic character and decision-making.

While the Authority may continue to receive and be awarded government funding whilst under this Notice, we would emphasise that receipt of funding does not indicate the Department's broader view of the performance of the Authority, nor would it indicate any change in the status of this Notice, with individual funding programmes being managed and assured independently by their respective departments.

This Notice will remain in place for 12 months, after which time, should the Department deem it necessary to continue to seek assurance through such a Notice, the Notice will be reissued. The Notice may be withdrawn or escalated at any point based on the available evidence.

This Notice is issued outside the statutory powers held by the Secretary of State under the Local Government Act 1999 to inspect or intervene in local authorities where there is evidence of Best Value failure and, separately, under section 230 of the Local Government Act 1972 to request information from local authorities. However, a failure to demonstrate continuous improvement may be judged to contribute to Best Value failure and the Secretary of State will consider using these powers as appropriate.

It is important to ensure transparency in relation to the challenges faced by local authorities and the Department's engagement on these. A copy of this Notice will therefore be published on gov.uk. I encourage you to make a copy of this Notice available on the Authority's website, and to share it with full Council and the Audit Committee. In line with this, we will notify your external auditor of this action.

Separately to this notice, I would encourage you to continue your engagement with the Local Government Association, making use of the full range of support they have to offer, including in setting up a comprehensive and on-going member training programme for the Authority. We also expect the Authority to engage regularly with the Department during the period of the notice and in determining the scope of the external governance review. A member of my team will be in touch with you to make arrangements. I look forward to receiving updates on your progress.

Yours sincerely,

Suzanne Clarke
Deputy Director, Local Government Finance