



HOUSE OF COMMONS
LONDON SW1A 0AA

Simon Hoare MP
Parliamentary Under-Secretary of State for Local Government
Department for Levelling Up, Housing & Communities
2 Marsham Street
London
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12th January 2024

Dear Simon,

Further to our recent correspondence, I am writing to update you on more concerning developments regarding Eastleigh Borough Council.

I have recently seen a copy of the Value for Money Arrangements, dated December 2023, produced by EY acting as external auditors for Eastleigh Borough Council. This report contains several topics of the most serious nature.

Of particular note are the auditors' findings on whistleblowing and fraud at Eastleigh Borough Council and their flagship, yet failing, One Horton Heath development. Given your and the Department's recent concerns over fiscal management and the level of debt at EBC, I wish to draw your attention to the following.

The previously published external auditors planning report has now been updated so the risk assessment reflects the following:

"Governance and procurement risks associated with the OHH scheme, as a result of the whistleblowing reports received by the council.

Governance: Capacity and expertise within the Internal Audit service, to respond to wide ranging investigations into alleged fraud and weaknesses in internal control"¹

On reading the report, it is clear the external auditors have no option but to add these incredibly serious matters to their risk assessment. Their findings go into greater detail and outlines two whistleblowing episodes, including allegations of:

"Significant weakness in internal control over payments made to contractors including a reference to the risk of fraud.

A failure to comply with procurement law and internal Council policies on procurement.

¹ Executive Summary, Page 5.

A lack of robust scrutiny and effective governance over the Council's financial and operational plans for the OHH development, including the plan to re-establish a HRA for affordable housing which the Council intends to retain.

Concerns over the size and structure of the team of directly employed staff and consultants engaged by the Council to self-deliver OHH.”²

These are concerns that I, too, have heard from those close to the OHH project but afraid to speak out. It is therefore not surprising that the external auditors have noted serious shortcomings in EBCs response to these allegations. Notably they state that *“Internal Audit concluded that no significant additional work was required”³* and furthermore a *“failure to more comprehensively investigate the second set of allegations”⁴*.

The report states that *“Based on the work of EY Forensics we have concluded that the investigative work undertaken by internal audit is insufficient to address the risk of non-compliance with laws and regulations or fraud in procurement arrangements”⁵*.

Over the years, I have long stated that Eastleigh Borough Council are marking their own homework by acting as landowner, developer and planning authority. It now seems that the Council continue to act by that mantra by not properly investigating the serious material concerns raised by brave whistle-blowers.

The One Horton Heath project is one of the largest developments in Southern England. It is spearheaded by a local authority placing unprecedented risk on the Borough and the residents it is meant to serve.

Even if we do not agree with the principle, design, scope or location of such a mammoth housing estate, we should at least have confidence in the propriety of those leading the project. Two lines from the auditors demonstrates how it is simply not possible to hold such confidence *“we remain concerned that the risk of weaknesses in governance arrangements concerning the OHH programme may not have been fully addressed”⁶* and *“we are unable to conclude that there has been no material non-compliance with fraud or laws and regulations”⁷*

A report of this nature by such reputable external auditors only adds to deep level of mistrust in the OHH project and EBC. The fact that the external auditors will no longer provide an opinion on the Councils' financial statements⁸ should be taken as the red flag it is meant to be.

Most concerning are the following paragraphs:

‘Our findings and conclusions have an impact across our audit responsibilities. Specifically: The fact we are unable to conclude that there has been no material non-compliance with fraud or

² Whistleblowing Allegations, Page 21.

³ Whistleblowing Allegations, Page 22.

⁴ Whistleblowing Allegations, Page 22.

⁵ Executive Summary, Page 8.

⁶ Whistleblowing Allegations, Page 22.

⁷ Executive Summary, Page 8.

⁸ Executive Summary, Page 8.

laws and regulations in respect of the issues raised by the whistleblowing allegations based on work undertaken to date by the Council means that we are not able to give an opinion on the 2021/22 financial statements.

As set out in greater detail over the remainder of this report, based on both our work to address 2021/22 risks of significant weaknesses in VFM arrangements and consideration of further developments to date, we do not consider arrangements to be adequate in a number of areas relating to the 2021/22 and 2022/23 financial years, or the 2023/24 financial year to date. We therefore intend to report by exception across all three VFM criteria.

We are further considering whether we should exercise any other statutory powers available to us as the Council's external auditor in response to our findings and conclusions. For example, we may conclude it is necessary issue a report in the public interest or issue written recommendations under Section 24 and Schedule 7 of the Local Accountability & Audit Act 2014. A summary of auditor reporting and available powers are set out in Section 05 of this report. The need to further exercise other statutory powers available to us will be dependent on the Council's response to the recommendations raised as part of this report and our tracking of progress made against them.'

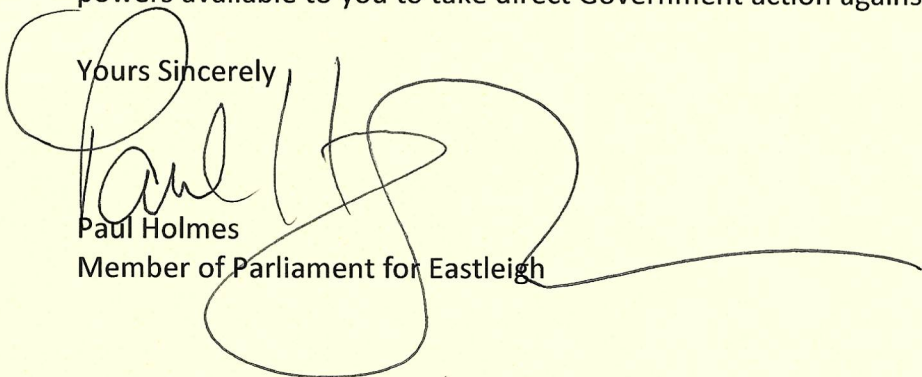
I invite you and your officials to examine the report in full and to see what further action you and the Department can take to stop what I believe is turning into an unmitigated abuse of power by Eastleigh Borough Council.

My constituents deserve better. Local authorities are there to provide essential services we all rely on, not to become speculative property developers. Environmental destruction, unacceptable borrowing ratios, spiralling debt and now allegations of fraud have turned what was meant to be a fairy-tale place to live into the development of nightmares. This has to stop.

As you will know, for the last four years I have used my position as the local MP to highlight the reckless and dictatorial nature of decision making at Eastleigh Borough Council, whether in Prime Minister's Questions, Written Questions and consistent communications with the Department through letters. I will not stop until the Government acts to meet the concerns that local people have over what is now a crisis in the local authority which is supposed to serve them as taxpayers and voters.

I thank you and the department for your work to date and I look forward to continuing to work with you on delivering for the residents of Eastleigh. I now believe the time has come for a full investigation into the workings of Eastleigh Borough Council and that you use the powers available to you to take direct Government action against this failing local authority.

Yours Sincerely



Paul Holmes

Member of Parliament for Eastleigh