

**London Borough of Hillingdon  
Value for Money Update and  
Issuance of Recommendations  
Under Section 24 Schedule 7(2)  
of the Local Audit and  
Accountability Act 2014**

24 July 2025



Private and Confidential

24 July 2025

Full Council  
London Borough of Hillingdon  
Hillingdon Civic Centre  
225-226 High Street  
Uxbridge  
UB8 1UW

Dear Elected Members (members) of the London Borough of Hillingdon

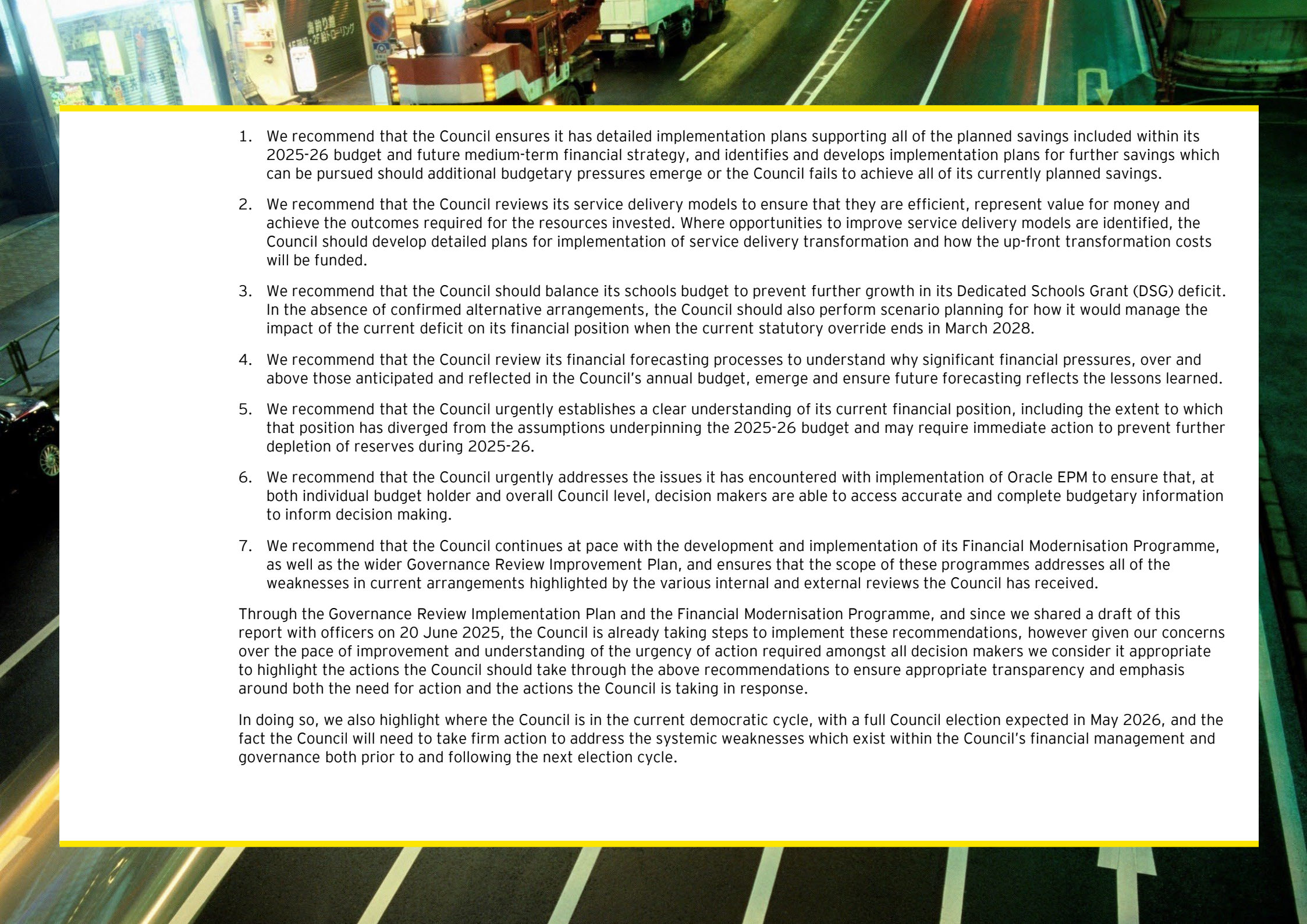
In our Audit Results Report for our 2023-24 audit, presented to the Audit Committee in February 2025, we reported that we had observed evidence which led us to conclude that the Council did not have proper arrangements in place to identify and manage risks to its financial resilience during the year ended 31 March 2024. We also reported that the Council did not have proper arrangements in place to ensure it took properly informed decisions and supported challenge and transparency as a result of poor data quality within the organisation, and that this was likely a contributing factor to the absence of proper arrangements to identify and manage risks to its financial resilience. At the same time, we made recommendations to the Council to address our observations and emphasised that failure to take significant and urgent action to address the Council's financial position places the Council's financial sustainability at significant risk.

This report sets out our observations on the Council's arrangements to identify and manage risks to its financial resilience for the period since 1 April 2024 up to the date of this report. Given the timing of our previous reporting, the recommendations we issued to the Council to address our observations on the Council's arrangements during the year ended 31 March 2024 were issued during the period covered by this report.

This report provides our assessment that whilst the Council has recognised the need for action and is taking steps to address weaknesses in its financial management and governance, including through the introduction of the Governance Review Implementation Plan (GRIP) and the Financial Modernisation Programme (FMP), the Council's financial position has continued to deteriorate since the period we previously reported on and we are not confident that the Council has a clear understanding of its current financial position or that the pace of improvement is sufficient to address the systemic weaknesses which exist within the Council's financial management and governance. We are also not confident that the urgency of the need to address these systemic weaknesses is fully recognised by all decision makers.

Within this report, we make 7 formal statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014:



- 
1. We recommend that the Council ensures it has detailed implementation plans supporting all of the planned savings included within its 2025-26 budget and future medium-term financial strategy, and identifies and develops implementation plans for further savings which can be pursued should additional budgetary pressures emerge or the Council fails to achieve all of its currently planned savings.
  2. We recommend that the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.
  3. We recommend that the Council should balance its schools budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Council should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2028.
  4. We recommend that the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, emerge and ensure future forecasting reflects the lessons learned.
  5. We recommend that the Council urgently establishes a clear understanding of its current financial position, including the extent to which that position has diverged from the assumptions underpinning the 2025-26 budget and may require immediate action to prevent further depletion of reserves during 2025-26.
  6. We recommend that the Council urgently addresses the issues it has encountered with implementation of Oracle EPM to ensure that, at both individual budget holder and overall Council level, decision makers are able to access accurate and complete budgetary information to inform decision making.
  7. We recommend that the Council continues at pace with the development and implementation of its Financial Modernisation Programme, as well as the wider Governance Review Improvement Plan, and ensures that the scope of these programmes addresses all of the weaknesses in current arrangements highlighted by the various internal and external reviews the Council has received.

Through the Governance Review Implementation Plan and the Financial Modernisation Programme, and since we shared a draft of this report with officers on 20 June 2025, the Council is already taking steps to implement these recommendations, however given our concerns over the pace of improvement and understanding of the urgency of action required amongst all decision makers we consider it appropriate to highlight the actions the Council should take through the above recommendations to ensure appropriate transparency and emphasis around both the need for action and the actions the Council is taking in response.

In doing so, we also highlight where the Council is in the current democratic cycle, with a full Council election expected in May 2026, and the fact the Council will need to take firm action to address the systemic weaknesses which exist within the Council's financial management and governance both prior to and following the next election cycle.

The Local Audit and Accountability Act 2014 requires that the Council must consider these recommendations at a public meeting held before the end of the period of one month beginning with the day on which it was sent to the Council, unless the local auditor is satisfied that it is reasonable to allow more time for the relevant authority to comply with this requirement. Officers have requested extension of the period to hold this meeting to the week commencing 8 September 2025 in order to avoid the August summer holiday period and increase the probability of members being able to attend. We confirm that we are satisfied that this request is reasonable.

At that public meeting, the Council must decide whether the recommendations are to be accepted and what, if any, action to take in response to these recommendations.

A copy of this report has been sent to the Secretary of State for Housing, Communities and Local Government.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Stephen Reid', written over a horizontal line.

Stephen Reid

Partner, for and on behalf of Ernst & Young LLP





**Our previous observations**



# Value for Money

## The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period, in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

## Auditor responsibilities

Under the NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

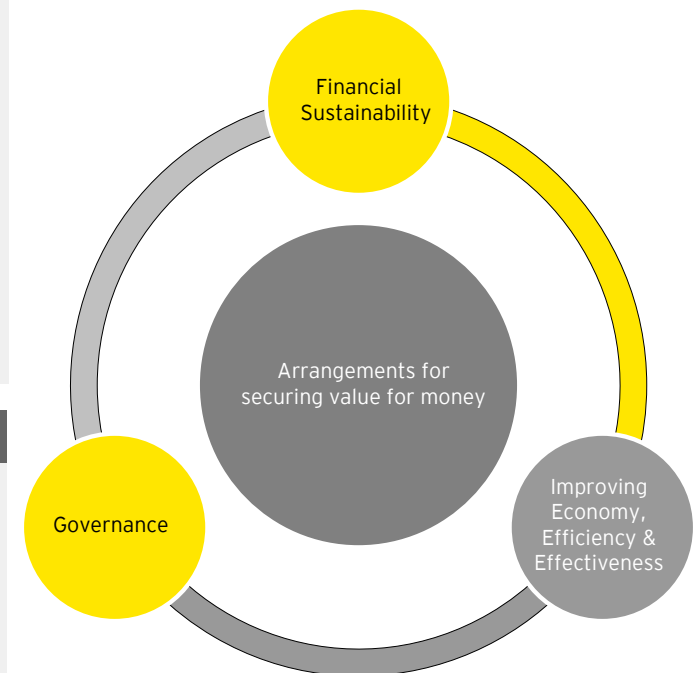
- ▶ **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- ▶ **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks.
- ▶ **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

## Our observations

In our Audit Results Report for our 2023-24 audit presented to the Audit Committee in February 2025, we reported that we had observed evidence which led us to conclude that the Council did not have proper arrangements in place to identify and manage risks to its financial resilience during the year ended 31 March 2024. We also reported that the Council did not have proper arrangements in place to ensure it took properly informed decisions and supported challenge and transparency as a result of poor data quality within the organisation, and that this was likely a contributing factor to the absence of proper arrangements to identify and manage risks to its financial resilience.

We concluded that these matters constituted significant weaknesses in the Council's arrangements to secure value for money, and made recommendations to the Council to address these weaknesses.

We recognise that the Council has had limited time to respond to these recommendations, therefore our reporting in this report focuses on our further observations on the Council's arrangements since 31 March 2024.







Arrangements since April 2024



# Value for Money

## The Council's Financial Performance During the Year Ended 31 March 2025

### *The Council's Budget for the Year Ended 31 March 2025*

The Council's budget for 2024-25 was approved at the meeting of full Council held on 22 February 2024, and included net expenditure on services to be funded through Council Tax, Non-Domestic Rates and government grants of £284.4 million. The Council's gross expenditure is significantly higher than this, and includes spending in relation to schools and the Housing Revenue Account for which there are separate budgets, however the net expenditure on services is the key budgetary total against which the Council measures its financial performance.

In producing a balanced budget for 2024-25, the Council included savings totalling £15.8 million which would require delivery during the year. Subsequent to this, the Council identified £5.7 million of savings which were planned for delivery in 2023-24 but would require delivery during 2024-25 instead bringing the total level of savings required to be delivered during 2024-25 to £22.5 million.

Given that the Council is required to have its budget for the following financial year in place before the commencement of the period to which it relates, the Council's budget for 2024-25 was prepared prior to conclusion of the year ended 31 March 2024 and required the Council to make assumptions about the level of reserves it would carry into 2024-25. The Council's final reserves balance at 31 March 2024 was £35.2 million, £2.2m lower than assumed in setting its 2024-25 budget and only £3.2 million above the £32.0 million minimum level determined by the Council's Section 151 Officer. The Council also reported a cumulative deficit on its Dedicated Schools Grant (DSG) at 31 March 2024 of £47.5 million, which we highlighted in our value for money commentary for the year ended 31 March 2024 exceeded the Council's level of reserves and posed a significant risk to the Council's financial viability.

**Note:** *The Council reports and monitors its level of reserves in reference to what it terms its 'available usable reserves', which consist of its General Fund and earmarked reserves not already committed and represent the reserves available to the Council to meet unplanned budgetary pressures. Throughout this report where we refer to the Council's level of reserves we are referring to this measure unless otherwise stated.*

### *Identification of Risks and Pressures*

By the end of May 2024, the Council had identified a number of significant financial risks and pressures including increased demand for homelessness and adult social care services over-and-above levels assumed in setting its 2024-25 budget which it had quantified at £26.8 million. The emergence of significant financial pressures early in the financial year was also noted in 2023-24, and the recurring nature of this observation is indicative that the Council has not accurately captured the scale of the increasing demand for its services or the cost pressures it faces.

In response to the pressures emerging early in the financial year, the Council launched a Council-wide zero-based budgeting exercise to scrutinise and challenge the assumptions underpinning its budget and future financial forecasts. The Council also brought in external budgeting and financial management support to assist with this exercise.

The zero-based budgeting exercised performed by the Council consisted of a root-and-branch review of all of the Council's significant budgets, and took several months to complete. During this time, the Council's financial forecasts and assessment of its likely outturn against budget for 2024-25 were subject to significant fluctuations and the Council opted not to provide formal updated outturn assessments for June or July 2024. The Council was also forecasting the in-year deficit on its schools budget to be £16.1 million, a significant reduction on the £25.6 million deficit in the prior year but still a significant increase to the cumulative deficit.





# Value for Money

## The Council's Financial Performance During the Year Ended 31 March 2025 (continued)

By August 2024, the Council had concluded the zero-based budgeting exercise and established that the financial risks and pressures arising from demographic growth, service demand pressures and challenges in delivery of some of the planned savings were more significant than previously identified. The total forecast deficit against budget for the year was quantified at £44.3 million and prompted the Council to take a number of measures to seek to mitigate this impact, including:

- Identifying a number of 'strategic management actions' which required further development but were expected to deliver of £11.9 million of additional savings, including through containing inflationary uplifts within Health and Social Care to a level below the budgeted uplift, additional income from the West London Waste Authority and interventions to manage demand for homelessness services.
- The introduction of senior officer star chambers, the focus of which were to build upon the zero-based budgeting exercise and identify urgent actions which could be taken to recover the in-year financial position. Star chamber sessions were held for each service area within the Council, as well cross-service thematic sessions also taking place. As of August 2024, these sessions had identified £15.9 million of savings, but were an ongoing exercise.
- A review of the Council's balance sheet for options to realise existing assets, which was expected to generate a further £10.0 million of savings.

Not all of the above plans had been fully developed by the Council, but even if fully delivered there remained a forecast overspend of £6.5 million for which mitigating actions had not yet been identified by the Council. As a result, the Council assessed that there was a possibility that reserves would drop below the minimum recommended level of £32.0 million before the end of 2024-25.

### ***The Basis for the 2025-26 Budget***

During the remainder of the year, the Council continued to invest significant time and effort in identifying further measures to respond to its financial pressures including ongoing use of senior officer star chambers. By December 2024, the Council had managed to implement a number of actions it had identified as of August, as well as a number of additional actions subsequently identified. In addition, it planned for an additional assumed £11.0 million of revenue expenditure capable of being funded through the capital budget identification of which remained in progress. Even with these measures, the Council was still forecasting a significant overspend for the year of £10.1 million.

This forecast overspend position, as well as the impact it would have upon the Council's reserves as at 31 March 2025, was reflected in the preparation of the Council's budget for 2025-26 which assumed reserves at 31 March 2025 would be £24.5 million, £7.5 million below the recommended minimum level. This fact was acknowledged by the Council's Section 151 Officer in their Section 25 Statement accompanying the Council's 2025-26 budget, which noted that *"Reserves are adequate, given the pressures the Council faces but this is a marginal call judgement. To be clear this is very different to concluding that the reserves are ample, but rather that reserves are only just enough. Reserves are very low and must be rebuilt"*.

### ***Final 2024-25 Outturn***

By February 2025, the Council had assessed the deficit for the year as increasing, and reserves at 31 March 2025 of decreasing, by a further £5.6 million against the assumptions underpinning its 2025-26 budget. A significant contributor to the forecast deficit for the year has been the non-achievement of savings, with £9.4 million of planned savings being written-out as either unachievable or superceded by the rebasing of service operating budgets through the zero-based budgets exercise and £2.7 million identified as having 'significant problems in delivery'.



# Value for Money

## The Council's Financial Performance During the Year Ended 31 March 2025 (continued)

The Council would ordinarily report on its outturn against budget for the previous financial year at its June Cabinet meeting. Reporting on the Council's outturn against budget for the 2024-25 financial year was delayed from the June Cabinet meeting to the July Cabinet meeting due to difficulties the Council has encountered in confirming its final outturn for 2024-25. Publication of the Council's 2024-25 outturn report occurred on 22 July 2025, two days before the July Cabinet meeting, and highlighted the reported position as draft due to ongoing review of debtor, creditor and provision balances at 31 March 2025.

The 2024-25 outturn report showed significant further deterioration in the Council's financial performance for 2024-25 from that assessed in February 2025. The final outturn reported by the Council was a deficit of £31.5 million, consisting of a £17.4 million overspend against the planned budget for 2024-25 and £14.1 million of one-off impacts arising from a balance sheet review performed as part of the Council's Financial Modernisation Programme. As a result, the Council's reserves at 31 March 2025 were just £6.7 million. This level of reserves is £25.3 million below the minimum level determined by the Council's Section 151 Officer for 2024-25, and £17.8 million below the level of reserves assumed to exist at 31 March 2025 in setting the Council's 2025-26 budget. The 2024-25 outturn report highlighted the assessment that *"these reserves are deemed to be inadequate by the Section 151 Officer"*.

The Council's 2024-25 outturn report also showed that its cumulative DSG deficit increased to £65.6 million at 31 March 2025. This balance is almost ten times the remaining reserves of the Council, and is likely to continue to increase as the Council does not have plans to balance its schools budget until 2027-28. The statutory override currently in place allowing the Council to treat its DSG deficit as an unusable reserve was recently extended from March 2026 to March 2028, and the Council is wholly reliant on that being further extended or an alternative central funding mechanism being established by central government.

The continued deterioration in the Council's financial standing is of significant concern. The Council is rapidly consuming its already depleted reserves, and the rate at which those reserves are being consumed is accelerating not slowing. Given these factors, we are unable to conclude that the Council has had proper arrangements in place to manage its financial position during 2024-25 and conclude that the absence of such arrangements represents a significant weakness in the Council's arrangements to secure value for money.

We are sufficiently concerned by this that we consider it appropriate to escalate the recommendations we made to the Council as part of our 2023-24 value for money commentary to statutory recommendations. Accordingly, we make the following recommendations as recommendations under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014:

- 1. We recommend that the Council ensures it has detailed implementation plans supporting all of the planned savings included within its 2025-26 budget and future medium-term financial strategy, and identifies and develops implementation plans for further savings which can be pursued should additional budgetary pressures emerge or the Council fails to achieve all of its currently planned savings.***
- 2. We recommend that the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.***
- 3. We recommend that the Council should balance its schools budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Council should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2028.***
- 4. We recommend that the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, emerge and ensure future forecasting reflects the lessons learned.***





# Value for Money

## The Council's 2025-26 budget

### **Required Savings**

In setting a balanced budget for 2025-26, the Council opted to increase Council Tax by the maximum amount permitted without holding a local referendum but still identified the need for £34.0 million of savings to be delivered during 2025-26. As a result of further savings of £4.8 million originally planned for delivery in 2024-25 but carried-forward for delivery in 2025-26 following conclusion of 2024-25, the total level of savings the Council is required to deliver during 2025-26 is £38.4 million. This represents a significant increase on the £22.5 million required during 2024-25, and against which the Council has reported achieving just £7.1 million - though the Council has also delivered additional in-year savings not included within the original £22.5 million planned savings for 2024-25.

The level of savings required during 2025-26 are highly significant in comparison to the available reserves of the Council. The required savings of £38.4 million represent more than five times the reserves of the Council at the start of the 2025-26 financial year. This means that non-achievement of savings during 2025-26 poses a serious threat to the financial viability of the Council, and the Council has insufficient reserves to absorb any significant non-achievement of planned savings.

### **Reliability of the 2025-26 Budget**

The Council itself has identified that there are significant doubts over the reliability of the budget it has set for 2025-26, including the sufficiency of required savings. These concerns were highlighted within the budget report itself, which stated *"The Council has two significant weaknesses reported on by the External Auditor EY that have been reported to the Audit Committee on 11th February. These areas are financial sustainability and quality of the Council's information. This information quality has remained and been a significant issue in building the budget for 2025-26"*.

Concerns over the reliability of the Council's 2025-26 budget were further highlighted by the Council's Section 151 Officer in their Section 25 Statement accompanying the Council's 2025-26 budget, which concluded that *"The estimates are not sufficiently robust for the purposes of the budget calculations, given the scale of delivery needed, and the issues and uncertainties set out above [within the Section 25 Statement]"*.

The emergence of £5.6 million of additional financial pressures by the end of period 11 in 2024-25, beyond those considered in setting the 2025-26 budget and of which a significant proportion are expected to continue into 2025-26, also concerned the Council's management. In March 2025, members of the Council's Corporate Management Team performed a review of their financial forecasts for 2025-26 which informed a revised 'P0' forecast which was presented to the Council's Corporate Management Team in early April 2025.

This P0 forecast indicated a significant deterioration in outlook for 2025-26 from that assumed in setting the Council's 2025-26 budget, including consumption of the majority of the Council's remaining reserves by 31 March 2026 (at the time of the 'P0' report, reserves at 31 March 2025 were still expected to be significantly higher than those subsequently reported). There were however significant reservations amongst the Council's Corporate Management Team over the reliability of this forecast, with senior officers describing it as 'unreliable' and 'not evidence based'. The Council's Chief Executive held one-to-one meetings with senior officers to review 2025-26 budgets on a line-by-line basis, however the Council was not able to finalise a forecast it did consider reliable until the P2 (May 2025) budget monitoring report presented to the Council's Cabinet in July 2025 alongside the 2024-25 outturn report.



# Value for Money

## The Council's 2025-26 budget

The revised assessment set out in the P2 forecast anticipates further overspends of £16.4 million against the Council's approved budget for 2025-26. The forecast overspend of £16.4 million is also after the full use of £10.5 million of contingency included in the 2025-26 budget, £5.0 million of anticipated interventions and assuming savings of £33.2 million (out of the £38.8 million originally planned) can still be delivered, and therefore is likely to increase further based on the Council's experience in previous financial years. As highlighted in the Council's 2024-25 outturn report, the reserves balance at 31 March 2025 of £6.7 million is also provisional and dependent upon resolution of ongoing reviews of the Council's debtors, creditors and provisions not having any further adverse impact.

The forecast overspend for 2025-26 of £16.4 million, even without further pressures emerging, is more than double the level of reserves held by the Council at 31 March 2025, and forecasts that the Council will completely consume its remaining reserves during the course of 2025-26. The financial position of the Council is now critical and it is our view that the Council is not compliant with its legal obligation to set a balanced budget. In such circumstances the Council's Section 151 Officer is required to consider whether to make a report under Section 114 (3) of the Local Government Finance Act 1988 (a 'Section 114 Notice') which requires that:

*"The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure"*

Within the P2 budget monitoring report the Council's Section 151 Officer has set out their assessment that a Section 114 notice is not currently required:

*"Whilst it is recognised that the Council legally has to set a balanced budget and it is the duty of the Section 151 Officer to consider if a Section 114 notice is required, the Council is reporting that it has begun conversations with the Ministry for Housing, Communities & Local Government (MHCLG) for Exceptional Financial Support (EFS) and therefore it is the view of the Section 151 Officer that a Section 114 notice is not issued at this time"*

Given the ongoing work to finalise the Council's 2024-25 outturn and level of reserves at 31 March 2025, as well as the emergence of significant additional cost pressures at multiple points since the Council set its budget for 2024-25 in February 2024, it is not clear to us that the Council has a good understanding of its financial position or its trajectory for 2025-26. Unreliable forecasts increase the risk that the measures being taken to manage the Council's financial position will be insufficient, with the likely result that the Council will not appropriately identify and mitigate all of the financial pressures it faces. This is of significant concern, therefore we make the following recommendation to the Council under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014:

- 5. We recommend that the Council urgently establishes a clear understanding of its current financial position, including the extent to which that position has diverged from the assumptions underpinning its 2025-26 budget and may require immediate action to prevent further depletion of reserves during 2025-26.**





# Value for Money

## The Oracle Upgrade

### ***New System Implementation***

At the commencement of 2024-25, the Council operated the majority of its main IT systems under the on-site Oracle R12 Enterprise Resource Planning (ERP) platform. The Council planned to transition to the Oracle Fusion cloud-based platform from the start of 2025-26, however implementation of the new system was delayed by a month until 1 May 2024 to ensure the Council was fully prepared for the transition. Alongside changing to a cloud-based platform, the Council planned to adopt the Oracle Enterprise Performance Management (EPM) suite of tools as the basis for its budgeting, forecasting and performance monitoring. Implementation of Oracle EPM occurred slightly later than the main system upgrade, taking place during June 2024.

The Council has encountered significant challenges with its implementation of the Oracle upgrade. Officers have described these challenges as focused on the implementation of Oracle EPM, with the core financial accounting element of Oracle Fusion going more smoothly, however we note that the Council was not able to commence the inspection period for its draft 2024/25 Statement of Accounts by the statutory deadline of 1 July 2025 and has cited difficulties encountered in closing its ledger under the Oracle Fusion platform as a contributing factor.

The root causes of these challenges have not been fully assessed, as the Council has had to invest significant resources into understanding and resolving issues impacting on the day-to-day execution of Council functions, however reports submitted to Cabinet have stated that *"The Oracle system implementation was not sufficiently resourced and was seen as a finance project rather than fundamental change to the whole Council's operating system. Oversight was poor and siloed"*.

### ***The Impact on the Council***

A review of budget monitoring across the Council performed by internal audit after the Oracle system upgrade identified a number of significant issues arising from the use of Oracle EPM which are having a significant impact on the Council's financial management. These include inaccurate user lists within EPM meaning budget holders are incorrectly identified, and hence correct budget holders are not able to access their budget information and individuals who should not have access do so, frequent issues with the completeness and accuracy of budget information provided to budget holders and licensing issues impacting the completeness of information available to users. Internal audit also noted more broadly that *"financial governance was also significantly impacted during the year due to issues with the implementation of the Oracle finance system"*.

As a result of these issues, senior officers and finance staff have reported that significant levels of manual intervention are being required from finance staff to support budget holders with understanding and managing the budgets for which they are responsible. This is placing significant pressure on the Council's finance team, and there is a pervasive lack of confidence across the organisation amongst budget holders in their ability to manage budgets without direct support.

Officers have reported significant volatility in month-on-month forecasts during 2024-25, which is highly likely to be a function of a combination of the high-levels of manual intervention required - which also increases the risk of errors or inconsistency in treatment arising - and a lack of understanding amongst budget holders stemming from poor quality data.

The Council has also expressed a desire, as part of its wider efforts to improve financial governance, to move more of the responsibility for budgetary management away from the finance team and into service lines. The significant reliance currently being placed on the finance team to 'work around' issues with Oracle EPM is prohibitive to the Council making this change, and therefore a significant barrier to one of the key measures the Council considers necessary to address its deteriorating financial position.



# Value for Money

## The Oracle Upgrade (continued)

These issues are key sources of the lack of confidence the Council has in its financial forecasts as described earlier in this report. The Council is unlikely to be able to build a proper understanding of its financial position and the sufficiency of measures it is taking to protect its reserves until it is able to reliably obtain accurate and complete financial information from its systems and consistently provide this information to decision makers.

Accordingly, we make the following recommendation to the Council under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014:

6. *We recommend that the Council urgently addresses the issues it has encountered with implementation of Oracle EPM to ensure that, at both individual budget holder and overall Council level, decision makers are able to access accurate and complete budgetary information to inform decision making.*

## Impact on Wider Governance and Internal Controls

### Overriding Focus on Finance and Breakdown in Internal Control

Officers have reported that the significance of the deterioration in the Council's financial position, and the resulting significant focus on the identification and realisation of measures to protect the Council's reserves, has consumed significant bandwidth across the organisation during 2024-25 and had a detrimental impact on the delivery of normal functions. In particular, senior officers have reported that the focus has become short-term in nature and they have had not had the capacity to undertake the more strategic-level planning the Council needs to address its financial challenges over the medium-to-long term.

The impact of the challenges the Council has faced with Oracle EPM and the significant focus of senior officers on management of the immediate financial position has been consistently highlighted by the Council's internal auditor throughout 2024-25 as having a significant impact upon the Council's internal control environment. Whilst recognising that "2024/25 was a particularly difficult year for the Council due to significant demand pressures in key areas such as adult social care, children and young people services and homelessness, with limited funding and capacity within the services", the Council's internal auditor noted "a significant increase in the number of Limited and No assurance reviews and include some key areas of governance, for example Asset Management, Contract Management Oversight and Budget Monitoring".

The cumulative impact of internal audit's observations during the year was that the Head of Internal Audit was not able to offer any assurance over the Council's internal control, risk management and governance arrangements in place during 2024-25. In explaining this, they noted "The increased focus on cost saving proposals was essential given the financial challenges facing the Council. However, this also led to increased uncertainty around forward planning, weakened oversight controls due to limited capacity at a senior level, and significantly reduced focus on core areas of governance" and "Common themes arising from the Internal Audit findings raised in 2024/25 include poor data quality and poor oversight controls, often due to limited capacity at a senior management level due to the increased focus on Council-wide transformation. At an operational level governance arrangements were often sporadic and related to specific areas rather than a consistent, overarching reporting framework".

In our view, the inability of the Council's internal auditor to offer any assurance over the internal control environment during 2024-25 is exceptional and something the Council should take very seriously. It is indicative that urgent action is required to address pervasive weaknesses in the Council's arrangements which go beyond the management of its financial position, and have the potential to impact upon all areas of the Council's governance arrangements and operations.





# Value for Money

## Impact on Wider Governance and Internal Controls (continued)

### Turnover in Finance Personnel

The Council's permanent Section 151 Officer left the Council in August 2024 and the Council appointed an interim Section 151 Officer in September 2024. This interim appointment ended in April 2025, with the Council's Deputy Section 151 Officer assuming the role of Section 151 Officer on a temporary basis. On 9 July 2025, the Appointments Committee approved the appointment of a new permanent Section 151 Officer who will take up post after completing their notice period with their current employer. When the new Section 151 Officer commences their role, the Council will have had four Section 151 Officers within a period of little more than 12 months. The Council's Director of Pensions, Treasury and Statutory Accounts also left the Council in September 2024, with a replacement appointed in April 2025.

For any organisation, significant levels of turnover amongst senior finance staff poses a risk of weakening financial management and governance as well as a loss of momentum on key projects and programmes. For the Council, these risks are heightened by the strained nature of the Council's financial position, the urgency of required action and the culture within the Council which places more emphasis on the finance function than in many comparable authorities.

### The Council's Response

The Council has recognised that it needs to improve. The Council has an extensive internal audit programme, and senior officers do not shy away from directing internal audit reviews towards areas where the Council knows there are weaknesses in its internal controls. In addition, the Council commissioned two external reviews into its financial management and governance during the final quarter of 2024-25 to help it understand the areas where its performance needs to improve.

The commitment to understanding the nature and scale of weaknesses in its arrangements, particularly in relation to financial management and governance, is an encouraging first step by the Council towards being able to address them, however the findings and conclusions of the external reviews it commissioned demonstrate the severity and pervasiveness of the weaknesses which currently exist within the Council's arrangements.

The first external review commissioned by the Council was a 'five pillars' review of the Council's financial management performed by Grant Thornton. This review assessed the Council's arrangements against the five criteria of 'financial governance', 'financial infrastructure', 'financial planning', 'financial delivery' and 'financial culture'. The review concluded that 'significant strengthening [is] required' in each of the five areas, and stressed the need for urgent action by the Council.

The second external review commissioned by the Council was an initial turnaround diagnostic performed by the Chartered Institute of Public Finance and Accountancy (CIPFA). This review concluded that:

*"The Council has good services, low taxation and charging policies and members are committed to their local area, but affordability to maintain this position and the current operating model is untenable. The Council has some ongoing improvement activity and has brought in temporary support to address the budget challenges in particular. However, it is evident that the culture and working practices and Oracle system issues around financial management are currently inadequate and the council's and some budget holders understanding of the position the council finds itself is of real concern. Morale within the finance team is low, and service managers do not 'fully own' their budgets.*

*Financial management remains weak and does not currently meet the standards specified in the FM code. We found that the monitoring of revenue spend in 2024-25 isn't timely, is cumbersome and unreliable. Budgets do not align with responsibilities and the potential savings for 2025-26 do not offset the anticipated growth pressures or are underdeveloped. Senior finance staff have been heavily involved in addressing gaps and issues as they arise and other finance staff have been drawn into basic operational tasks which reflect continued capacity issues. As a consequence, there has been insufficient communication and drive in addressing the underlying wider issues, including governance, needed to build stronger financial management.*



# Value for Money

## Impact on Wider Governance and Internal Controls (continued)

*The Council has some fundamental weaknesses in its people, processes and systems. The Finance team has experienced considerable turnover and there is a high reliance on interims and vacancies in key posts. As a result, there is limited knowledge of the Council within the team, low morale, indications of a blame culture and poor communications. All those we interviewed demonstrated a commitment to the Council. Despite the improvement plan actions taken to date, however, the underlying issues are daunting and there is clear need to have a sharper focus and make progress in some fundamental areas."*

Having now developed a detailed understanding of the weaknesses which exist within its arrangements, the Council is seeking to address them through the development of a Financial Modernisation Programme and has commissioned Grant Thornton to provide support and external expertise. The Financial Modernisation Programme, which commenced in April 2025, is the first of three 'strands' to the Council's wider Governance Review Improvement Plan (GRIP) which seeks to ensure the Council is adhering to good practice in governance beyond financial governance. The other 'strands' to the Governance Review Improvement Plan focus on officer decision making and a catch-all for the Council's other governance (including its Constitution, member decision making and legal governance).

The Council intends for the Governance Review Improvement Plan to be 'a review phase, whereby the Council takes stock of recommendations provided by an independent review, or auditor' which will then be followed for each 'strand' by a Governance Recommendations Improvement Plan which will be 'an implementation phase, where the Council will set out its plan of action and detail for implementing the GRIP recommendations'. The Council has arranged a special Audit Committee meeting for 24 July 2025 to present its Financial Modernisation Programme and Governance Review Improvement Plan to members, with planned actions due for completion between 31 July 2025 and 31 March 2026.

Both the Financial Modernisation Programme and wider Governance Review Improvement Plan are in the early phases of implementation, and it remains to be seen whether they will deliver the improvements in internal controls and governance which are urgently required. The Council needs to act quickly to begin to address the weaknesses in its arrangements which have been identified, however embedding the cultural changes necessary are also likely to take time and sustained focus from the Council. These are critical actions necessary to restore good governance to the Council, therefore we make the following recommendation to the Council under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014:

- 7. We recommend that the Council continues at pace with the development and implementation of its Financial Modernisation Programme, as well as the wider Governance Review Improvement Plan, and ensures that the scope of these programmes addresses all of the weaknesses in current arrangements highlighted by the various internal and external reviews the Council has received.**

## Ability to support the 2024-25 external audit

The difficulties the Council has encountered in finalising its outturn for 2024-25 have also caused delay to the production of the Council's Draft Statement of Accounts for the year ended 31 March 2025, and the Council did not meet the statutory deadline for commencement of the public inspection period of 1 July 2025. The Council expects to be in position to commence the public inspection period in early August 2025, however risks remain to the achievement of this.

This delay in production of the Council's Draft Statement of Accounts, and associated demands on the Council's finance team over an extended period, are indicative that the quality of data and finance team capacity challenges encountered during the delivery of our audit for the year ended 31 March 2024 may reoccur and impact upon our ability to conclude our audit of the Council's financial statements for the year ended 31 March 2025 ahead of the statutory 'backstop' date of 27 February 2026.

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