

Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014

Committee name	Audit Committee
Officer reporting	Andy Goodwin, Interim S151 Officer
Papers with report	Value for Money Update and Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014
Ward	All

Introduction

1. On 24 July 2025, the Council's External Auditors issued the Council with a Value for Money Update and Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 (S24 Report) – attached as an appendix.
2. The report reiterates the previous recommendations in the External Auditors' report dated 18 March 2025, emphasising the crucial nature of the work that the Council has been undertaking for some time in implementing those recommendations, particularly noting, and further recommending, that the Council must continue working at pace with its Governance Review Improvement Plan (GRIP), the Finance Modernisation Programme (FMP) and, as part of the FMP, addressing issues with the implementation of the Oracle EPM budget management system.
3. These two programmes of work, amongst a wider continuous improvement approach, address all of the External Auditor's recommendations.
4. The FMP and GRIP emerged from the Council's ongoing approach to improve and transform services and have been previously presented to the Audit Committee, with a resolution that the committee will track their progress.
5. The FMP is a significant transformation initiative by the London Borough of Hillingdon to review and strengthen the Council's financial systems, processes, and structures. It was initiated to address budget challenges and to modernise the Council's financial infrastructure. With the appointment of Grant Thornton in April 2025 to support this work and with the Local Government Association (LGA) providing objective oversight, it's aim is to assist the Council in modernising its financial processes, strengthen its financial management, develop a modern finance function, and embed processes and controls in the Council's financial system, Oracle. Whilst this programme is closely aligned with the Council's wider GRIP, it is recognised as a distinct and equally critical stream of work.
6. The GRIP is Hillingdon Council's strategic approach to enhancing its governance and implementing learning from related reviews presented to earlier Audit committees. It aims to strengthen internal controls, clarify internal decision-making, and improve accountability, ensuring the Council operates a continuous improvement approach to being well-governed corporately, financially resilient, and transparent. The programme was launched in March 2025, led by the Corporate Governance Group. The GRIP is structured around three

workstreams - financial governance, directorate governance, and constitutional/democratic governance - each with defined actions and leadership.

RECOMMENDATIONS: That:

- a) The recommendations of the external auditor contained within the report issued under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014, be noted.**
- b) The programmes of work already in place to address the recommendations be noted and the Audit Committee continue to monitor their delivery.**

EXTERNAL AUDIT RECOMMENDATIONS

- 7. The external auditor makes 7 formal statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014:
 - a) 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.
 - b) 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.
 - c) 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.
 - d) 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.
 - e) 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.
 - f) 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.
 - g) 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.
- 8. The External Auditor has recognised that the Council has already been taking steps to implement these recommendations. They do however consider it appropriate to highlight the actions the Council should take through the above recommendations to ensure

appropriate transparency and emphasis around the actions the Council is taking in response, with the Council having already progressed this work through updates presented in previous Audit Committees, with both an FMP and GRIP update taken to the last meeting on 24 July 2025.

9. In doing so, the External Auditor also highlights where the Council is in the current democratic cycle, with Council elections taking place in May 2026, and the fact the Council will need to take firm action to address the recommendations above prior to and following the next election cycle.

THE COUNCILS RESPONSE/PROGRESS ON THE RECOMMENDATIONS

10. The Council welcomes the recommendations contained in the report particularly as they recognise and emphasise the actions the Council has already progressed (before the report was issued) to address these concerns. As stated above, the Section 24 Report reiterates the previous recommendations in the External Auditor's report, dated 18 March 2025, emphasising the crucial nature of the work that the Council currently has underway in implementing those recommendations.
11. The Council began both the FMP and GRIP work prior to the issuing of the *draft* Section 24 notice to officers, with Cabinet first approving a recommendation for a financial review in Cabinet in February 2025. Since this date, progress has been made against the FMP and GRIP work, with updates included in the Council's finance report to Cabinet as well as updates to the Audit Committee, with both meetings taking place in July.
12. Council fully accepts the crucial nature of the work underway and welcomes the emphasis in the Section 24 report in recommending that the improvement work must continue at pace with the GRIP and the FMP and in addressing issues with the implementation of Oracle EPM.
13. Therefore, Council will continue to address the recommendations contained in the report through the urgent implementation of the key programmes highlighted above and will monitor progress via updates to the Audit Committee who will, in turn, ensure Member oversight of the progress.

FINANCIAL IMPLICATIONS

14. The Council has already been engaged on the FMP since the last quarter of 2024/25 and had engaged with Grant Thornton to take this work forward. The implications of a Section 24 Statement is the implementation of improvements to correct the position. This will lead to increases in Audit Fees over this period, which will need agreement of the Public Sector Audit Appointments (PSAA), for additional work checking that improvements have been implemented.

LEGAL IMPLICATIONS

15. The Local Audit and Accountability Act 2014 requires that the Council must consider the recommendations in the Value for Money Update at a meeting held in public, before the end of the period of one month beginning with the day on which their report 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.

16. Officers requested extension of the period to hold this meeting in 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. Ernst & Young have confirmed that they are satisfied that this request is reasonable.
17. At that meeting, held in public, the Council must decide whether the recommendations are to be accepted and what, if any, action to take in response to these recommendations.
18. A copy of the report has been sent to the Secretary of State for Housing, Communities and Local Government.

BACKGROUND PAPERS:

- Appended - Value for Money Update and Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014
- Financial Modernisation Programme update made to Audit Committee on 24 July 2025
- Governance Review Improvement Plan update made to Audit Committee on 24 July 2025