



HILLINGDON
LONDON



Audit Committee

Members of the Committee

John Chesshire (Chair)
Councillor Nick Denys (Vice-Chair)
Councillor Douglas Mills
Councillor Henry Higgins
Councillor Tony Burles
Councillor June Nelson

Date: TUESDAY, 10 FEBRUARY
2026

Time: 5.10 PM

Venue: COMMITTEE ROOM 5 -
CIVIC CENTRE, HIGH
STREET, UXBRIDGE, UB8
1UW

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Contact: Ryan Dell

Email: democratic@hillington.gov.uk

Putting our residents first

Lloyd White
Head of Democratic Services
London Borough of Hillingdon,
Phase II, Civic Centre, High Street, Uxbridge, UB8 1UW

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Terms of Reference

The Constitution defines the terms of reference for the Audit Committee as:

Introduction

The Audit Committee's role will be to:

- Review and monitor the Council's audit, governance, risk management framework and the associated control environment, as an independent assurance mechanism;
- Review and monitor the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and/or weakens the control environment;
- Oversee the financial reporting process of the Statement of Accounts.

Decisions in respect of strategy, policy and service delivery or improvement are reserved to the Cabinet or delegated to Officers.

Internal Audit

1. Review and approve (but not direct) the Internal Audit Strategy to ensure that it meets the Council's overall strategic direction.
2. Review, approve and monitor (but not direct) Internal Audit's planned programme of work, paying particular attention to whether there is sufficient and appropriate coverage.
3. Through quarterly Internal Audit summary reports of work done, monitor progress against the Internal Audit Plan and assess whether adequate skills and resources are available to provide an effective Internal Audit function. Monitor the main Internal Audit recommendations and consider whether management responses to the recommendations raised are appropriate, with due regard to risk, materiality and coverage.
4. Make recommendations to the Leader of the Council or Cabinet Member for Finance, Property and Business Services on any changes to the Council's Internal Audit Strategy and Internal Audit Plans.
5. Review the Annual Internal Audit Report and Opinion Statement and the level of assurance this provides over the Council's corporate governance arrangements, risk management framework and system of internal controls.
6. Consider reports dealing with the activity, management and performance of Internal Audit.
7. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to request work from Internal Audit.

External Audit

8. Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
9. Monitor management action in response to issues raised by External Audit.
10. Receive and consider specific reports as agreed with the External Auditor.
11. Comment on the scope and depth of External Audit work and ensure that it gives value for money, making any recommendations to the Corporate Director of Finance.
12. Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.
13. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to commission work from External Audit.
14. Monitor arrangements for ensuring effective liaison between Internal Audit and External Audit, in consultation with the Corporate Director of Finance.

Governance Framework

15. Maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations and where necessary bring proposals to the Leader of the Council or the Cabinet for their development.
16. Review any issue referred to it by the Chief Executive, Deputy Chief Executive, Corporate Director, any Council body or external assurance providers including Inspection agencies.
17. Monitor and review, but not direct, the authority's risk management arrangements, including regularly reviewing the Corporate Risk Register and seeking assurances that appropriate action is being taken on managing risks.
18. Review and monitor Council strategy and policies on anti-fraud and anti-corruption including the 'Raising Concerns at Work' policy, making any recommendations on changes to the relevant Corporate Director in consultation with the Leader of the Council.
19. Oversee the production of the authority's Annual Governance Statement and recommend its adoption.
20. Review the Council's arrangements for corporate governance and make recommendations to the Corporate Director of Finance on suggested actions to improve alignment with best practice.
21. Where requested by the Leader of the Council or Cabinet Member for Finance, Property and Business Services or Corporate Director of Finance, provide recommendations on the Council's compliance with its own and other published standards and controls.

Accounts

22. Review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements or from the external auditor that need to be brought to the attention of the Council.
23. Consider the External Auditor's report to those charged with governance on issues arising from the external audit of the accounts.

Review and reporting

24. Undertake an annual independent review of the Audit Committee's effectiveness and submit an annual report to Council on the activity of the Audit Committee.

Formal duty of senior officers to attend

Whilst Council officers will invariably attend meetings voluntarily, in fulfilling its role, and should it be required, the Committee may require the Head of Paid Service and/or any senior officer (third tier and above) to attend before it to explain in relation to matters within its remit and it shall be the duty of those persons to attend if so required.

Where any senior officer is required to attend the Committee under this provision, the Chairman will inform the Head of Democratic Services. The Head of Democratic Services shall inform the officer in writing or by email giving at least 10 working days' notice of the meeting at which he/she is required to attend. The notice will state the nature of the item on which he/she is required to attend to give account and whether any papers are required to be produced for the Committee. Where the account to be given to the Committee will require the production of a report, then the officer concerned will be given sufficient notice to allow for preparation of that documentation.

Where, in exceptional circumstances, the officer is unable to attend on the required date, then the Committee shall, in consultation with the officer, arrange an alternative date for attendance.

When calling senior officers under this provision, the Committee will remain bound by the Code of Conduct for Members and Co-opted Members, ensure questioning is conducted in a fair and balanced manner and not of a personal critical nature.

Agenda

PART I

1	Apologies for absence	
2	Declarations of interest	
3	To confirm that all items marked Part I will be considered in Public and that any items marked Part II will be considered in Private	
4	Minutes of the Meeting held on 18 November 2025	1 - 10
5	2024/25 Statement of Accounts & External Audit reports	11 - 378
6a	Update on the GRIP	379 - 388
6b	Update on the FMP	389 - 402
7	Risk Management & Strategic Risk Reports	403 - 418
8	Internal Audit Progress Report	419 - 432
9	Internal Audit Charter	433 - 466
10	Counter Fraud Progress Report	467 - 480
11	Counter Fraud Operational Workplan	481 - 498
12	Work Programme	499 - 502

Minutes

AUDIT COMMITTEE

18 November 2025

Meeting held at Committee Room 5 – Civic
Centre, High Street, Uxbridge, UB8 1UW



	Committee Members Present: Councillor Nick Denys (Vice-Chair, in the Chair), Councillor Henry Higgins, Councillor Douglas Mills, and Councillor Tony Burles, Officers Present: Claire Baker – Head of Internal Audit and Risk Assurance, Alex Brown – Head of Counter Fraud Andy Goodwin – Head of Strategic Finance & Deputy Section 151 Officer Steve Muldoon – Corporate Director of Finance Andrew Macleod – Chief Accountant Pete Carpenter – Director – Pensions, Treasury & Statutory Accounts Tony Zaman – Chief Executive Officer Matthew Wallbridge – Chief Operating Officer Daniel Toohey – Head of Legal Services Ryan Dell – Democratic Services Officer Also Present: Stephen Reid, Ernst & Young Mark Rutter, Ernst & Young Councillors Present: Councillor Stuart Mathers, Leader of the Labour Group Councillor Sital Punja, Deputy Leader of the Labour Group
32.	APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>) Apologies had been received from John Chesshire and Councillor June Nelson. It was noted that the Cabinet Member for Finance & Transformation had also given his apologies.
33.	DECLARATIONS OF INTEREST (<i>Agenda Item 2</i>) None.
34.	TO CONFIRM THAT ALL ITEMS MARKED IN PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE (<i>Agenda Item 3</i>)
35.	MINUTES OF THE MEETING HELD ON 24 JULY 2025 (<i>Agenda Item 4</i>) Members referenced the Committee's previous request for a breakdown of prior year accounting adjustments, to which a response had been circulated to Members yesterday. Members noted that the response did not fully address the original query.

	Members highlighted an example relating to the writing out of overdrawn reserves, noting that variances in the General Fund activities exceeding earmarked reserves had been discovered in 2022/23 and 2023/24 and as this was not permitted under accounting standards, required adjustment. Members sought clarification on the year in which these issues had occurred; who the auditors were at that time; whether the auditors had missed this or had deemed it immaterial; and the financial consequences of not addressing these matters in the relevant year, including any additional costs incurred. Officers would provide a response outside of the meeting. EY confirmed they had reviewed the adjustments and shared the audit perspective: • The negative reserve adjustment had occurred in 2022/23 and 2023/24, both years where the audit opinion had been disclaimed. Audit procedures were therefore not completed over reserve balances. • The second adjustment related to the bad debt provision. This was noted in the 2023/24 audit results report, which had raised a control recommendation for the Council to look at bad debt provision. • The third adjustment concerned Minimum Revenue Provision (MRP), which dated back several years. Assurance had been drawn from opening balances, and due to its immaterial value and sampling approach, it was unlikely to be detected in sampling. Further clarification was provided that the bad debt provision related to the current year (2024/25), although based on an aged debt profile. The Chair noted that responses to these questions should be provided by the end of January to allow consideration before the next Audit Committee in February 2026. Members queried the accuracy of dates on page 4 and requested clarification by email. No further comments were raised, and the minutes of the previous meeting were agreed. RESOLVED: That the minutes of the previous meeting be agreed as a correct record
36.	UPDATE ON THE GRIP (<i>Agenda Item 5a</i>) Officers presented an update on the Governance Review Improvement Plan (GRIP), which brought together strands of governance and financial improvement arising from internal and external audit recommendations.

Workstream 1 – Financial Governance

A wide range of actions and initiatives had commenced since the previous meeting, and all Section 24 recommendations were now incorporated. New spend control measures were being introduced, and the Council was undertaking a robust process for setting the 2026/27 budget, including a thorough review of proposals for savings and growth. Officers had conducted extensive reviews of the financial position, savings, growth models, and key accounting procedures. Although the financial position had deteriorated, officers reported improved clarity regarding the Council's current situation and future direction. Discussions with MHCLG regarding Exceptional Financial Support (EFS) were ongoing. Additional work had been undertaken on cash flow modelling, capital programme review, and improvements to the audit position for 2024/25. Progress had also been made on reducing the in-year Dedicated Schools Grant (DSG) deficit.

Workstream 2 – Directorate Governance

Progress in directorate governance during the second and third quarters had included the rollout of an aligned business and financial planning template across the organisation, with all plans approved by Corporate Directors. Internal audit exercises were underway to review these plans. A corporate tracker had been established to record business decisions and governance arrangements. The Corporate Management Team reviewed workforce, performance, finance, risk management, and projects monthly, with similar processes mirrored at other management levels. Senior managers participated in regular meetings and governance training, including a masterclass session. The governance structure had been refined to reflect best practice and internal and external audit recommendations, with boards such as the Capital Board and Workforce Improvement Group reporting to the Corporate Management Team and the Chief Executive.

Workstream 3 – Constitutional Governance

Members were updated on the independent review of the Council's Constitution and wider governance, commissioned from Lawyers in Local Government (LLG). An initial draft report had been received and was under review, with a meeting scheduled to discuss its constructive suggestions. Any proposed constitutional changes would be brought to Council for decision, and Members would be kept informed.

Members asked about optimism bias in budget setting. Officers explained that multiple levels of review had been implemented to ensure proposals were substantiated, with robust templates and iterative challenge processes involving both officers and Cabinet Members. Monthly monitoring via an app had been established, requiring senior managers to report on savings progress, with sign-off and challenge at Director and management team levels. Growth models were also being reviewed. This ensured a more robust process than had been in place previously.

All working papers had been documented to provide evidence of delivery and address risks or delays. Officers acknowledged that while predictions may not always be accurate, the process for making them was now much more robust than in previous years.

Members asked about clarity on the financial position and when there would be an optimum level of clarity. Officers noted that significant work had been undertaken to improve clarity, with ongoing monitoring and reporting. While risks and opportunities

	remained, the Council was now better positioned to avoid major financial swings and to address weaknesses. Members asked about issues identified by the LGA Challenge Session. Officers noted that the session included representation from the LGA and had focused on ensuring senior management understood the consequences of the Council's financial position and the conditions attached to EFS. The session was described as a round-table discussion rather than a formal challenge, aimed at clarifying support options and lessons learned. Members asked for the definition of essential spend. Officers clarified that essential spend was distinct from statutory spend. While some expenditures were legally required such as when committed to contracts, others were determined by Council policy. Spend control measures aimed to honour contractual and statutory obligations, with other elements subject to policy decisions. Members queried if the Council's high ratings in children's services, adult services and housing provision would influence EFS negotiations. Officers responded that EFS would ensure that there was the necessary revenue to cover expenditure this financial year. While the high ratings were positive, discussions with MHCLG remained focused on financial governance and management. Assurance would be required regarding the Council's direction and robustness in addressing financial challenges. Members asked about contingency for slippage in savings. Officers confirmed that the latest monitoring report had released in full the available contingency for all potential risks the Council could face. Future budgets would re-establish a contingency to mitigate against risks and unforeseen issues. When asked about overuse of the term 'robust', officers clarified that there was a requirement called the robustness of estimates which required use of the term robust. RESOLVED: That the update to the Governance Review Improvement Plan was noted and the Committee sought clarifications and assurances
37.	UPDATE ON THE FMP (PRESENTATION) (<i>Agenda Item 5b</i>) Officers showed a presentation on the Finance Modernisation Programme (FMP), explaining that the programme had been initiated to improve accounting & control, budget monitoring, Oracle EPM (planning and budgeting tool) and Oracle ERP (main Oracle system). Progress had been made across the four key areas, with significant changes implemented and further improvements planned for the next phase.

Officers reported that the benefits of the programme would be realised by budget holders, the finance function, and the audit process. For budget holders, the changes would affect how they interacted with financial systems and would be supported by targeted training. The finance team expected reduced friction and improved reliability and clarity of financial data, enabling better analysis and forecasting. The audit process would benefit from enhanced transparency and higher quality working papers. Budget submission templates for capital projects for the budget year for 2026/27 had been introduced to enhance consistency.

Next steps included a refresh of Oracle EPM and addressing the backlog of finance system issues.

Members noted that progress had been made, and asked what challenges and risks remained. Officers acknowledged that fixing the system required specialist support, which had been secured. Officers also emphasised the importance of user engagement and training to ensure budget holders understood their responsibilities and could provide robust forecasts. Governance arrangements around the FMP and Oracle systems had been strengthened, with regular monitoring and risk management in place.

Members noted the need for more information regarding threats and barriers to success and requested more information on the struggles encountered and how these were being overcome. Officers noted that future reports could provide a clearer analysis of strengths, weaknesses, opportunities, and threats. It was suggested that Grant Thornton could present to the Committee to offer further insight. This would be discussed with the Chair.

Officers confirmed that Phase One had concluded and that contracting for Phase Two was underway, with a report due to go to Cabinet. It was noted that not all objectives from Phase One had been met, with some deliverables carried forward to Phase Two.

Members requested clarification on the reasons for these shortfalls, the impact on costs and timelines, and the measures in place to ensure successful delivery by March. Officers noted that it was a yearly programme in order to have everything delivered by the end of the budget year. The work was reviewed regularly and changes were made as necessary.

Members referred to the budget monitoring reports scheduled for each Select Committee and noted that the Health & Social Care Select Committee had not received one in November. It was clarified that this had been a decision of the Chair of that Committee, as they would be holding an additional meeting in December.

Questions were asked about the clarity of budget lines and the pace of improvements. Members highlighted the importance of accurate information for decision-making and scrutiny, and sought assurances that issues such as blurred budget lines would be resolved promptly. Officers explained that improvements in transparency and reporting were ongoing.

Questions were asked about reporting to Full Council. Officers outlined the Constitutional arrangements of reporting to Full Council or to Committees. The Audit Committee was considering matters within its Terms of Reference. The budget approval process ended with referral to Full Council.

RESOLVED: That the update to the FMP was noted and the Committee sought clarifications and assurances

38.	SUMMARY OF RESPONSES TO STAFF SURVEY (<i>Agenda Item 6</i>) Officers showed a presentation on the results of the 2025 staff survey. The survey had been conducted throughout June and was open to all permanent staff, agency and casual workers, and part-time employees, but excluded school staff. The survey was primarily completed online, with paper copies provided for staff without regular access to digital devices, such as those working in waste services. Officers reported an 8% increase in response rate compared to the previous year, with good representation across most Council directorates. The results showed positive improvements, with all but one question demonstrating significant progress since 2024. Engagement levels had risen notably in several directorates. Key findings included: • 95% of staff understood how their role contributed to the Council's objectives, a 14% improvement and significantly above external benchmarks. • 94% of staff felt clear about what was expected of them, an 11% increase and also above external benchmarks. • 93% of staff felt treated with dignity and respect, 10% higher than the external benchmark. Officers highlighted that there had been an 8% increase in staff confidence that action would be taken as a result of the survey. Improvements were noted across almost all demographic groups, with a 63% overall response rate. Survey data was broken down by directorate and team, enabling tailored action plans at both Council-wide and team levels. The six main areas assessed – engagement, enabled, connected, safe, supported, and action – were all above external benchmarks and had improved since the previous year. Officers acknowledged some areas for further improvement but noted that even these areas had improved and were close to external benchmarks. Action plans had been agreed by the Corporate Management Team (CMT) and communicated to staff. Initiatives included improved staff communications, regular engagement sessions, enhanced technology and work environments, and a focus on inclusion and wellbeing. Managers were being equipped to support staff mental health, and efforts were underway to reduce sickness absence. Members highlighted the importance of staff feeling valued, noting that only 55% of respondents felt valued by the Council. Members expressed a desire to see improvement in this area, recognising the hard work and dedication of Council staff. Members asked about a previous survey by CIPFA which had highlighted low morale in the finance team. Officers explained that while the presentation did not show specific scores for the finance team, they could provide a summary of those results separately. The Committee acknowledged the positive progress reflected in the staff survey results. RESOLVED: That the Audit Committee noted the results of the staff survey
39.	EXTERNAL AUDIT UPDATE ON ACCOUNTS (<i>Agenda Item 7</i>)

Officers presented the external audit update on accounts.

In 2023/24, there had been 216 disclaimed audits, which represented 46% of all Councils in England. Only six audits had been completed for 2024/25 out of approximately 400 councils by the end of September. The low completion rate was attributed to the extensive work required to rebuild financial processes following previous disclaimed opinions. It was noted that, given the Council's two consecutive disclaimed opinions, it was likely that it would take another two years to achieve a clean audit opinion, which was consistent with the national situation.

The Council's accounts had been submitted on 22 September. The public inspection period had taken place, during which four detailed sets of queries had been received from the public, including two face-to-face meetings. Officers were working through these queries. Government guidance had been received during the process, but it had arrived too late to influence the current audit. The majority of the audit had been focused on transactions within the year, rather than opening and closing balances. The volume and nature of queries had changed week by week, and officers were actively working with external auditors to address them. All external audit items and samples needed to be completed before Christmas to allow EY to complete their governance processes after the holiday period.

Officers emphasised the importance of improving the audit results report, which covered 36 to 38 areas reviewed by external auditors. In the previous year, 20 areas were rated red, 10 yellow, and six green. The aim was to increase the number of positive ratings in the current audit. Looking ahead, officers had begun preparations for the next year's accounts, including a 'soft close' at the end of September, with the goal of reducing queries and ensuring a smoother closure process.

EY reported that audit testing had been underway for five to six weeks. The quality of working papers and supporting documentation had improved compared to the previous year. While some minor delays had occurred, these were being managed and were not expected to impact overall delivery. No significant findings had emerged so far, and only minor differences were being addressed with management. Nothing material to the financial statements had been identified at this stage.

The next Audit Committee meeting was scheduled for February 2026, at which the audit results report would be presented, summarising key findings, audit differences, and control recommendations. The National Audit Office required all local government auditors to issue an annual report, even if the audit was incomplete, by the end of November. A draft auditors' annual report was with officers for factual accuracy checks, with the intention to issue it before 30 November.

Members asked whether sufficient immediate action had been taken to comply with recommendations issued in July under Section 24, specifically regarding the Council's understanding of its current financial position and the need to prevent further depletion of reserves. EY noted that work was ongoing and that their view would be reflected in the forthcoming report, which was being finalised before the end of the month.

When asked how any additional government grants would be managed within the accounts, officers explained that the audit covered the accounts and a number of grant statements, some of which were also reviewed by internal audit. When new grants arose, appropriate audit arrangements were made, including securing new external auditors for housing benefit where necessary.

	Councillors asked for clarification on the circumstances under which external auditors may issue further statutory notices such as section 26, 27 and 28 of the Local Audit and Accountability Act 2014, and what these notices meant in practice. EY explained that they had a range of powers under the National Audit Office's Code of Audit Practice, including issuing recommendations, applying to a court for a declaration of unlawful action, and issuing public interest reports. Some powers had never been used. The previous recommendations had been issued in July, and the Council should be given time to respond. The forthcoming report would provide an update on the Council's arrangements up to 31 March 2025 as it would cover the 2024/25 financial year. EY would report on the Council's arrangements during 2025/26 as part of their 2025/26 audit, which would start as soon as the 2024/25 audit was finished. RESOLVED: That the Audit Committee noted the progress on the audit of the 2024/25 Accounts and the work being undertaken to cover previous years' External Audit recommendations
40.	SESSION WITH THE CABINET MEMBER (<i>Agenda Item 8</i>) It was noted that the Cabinet Member had given his apologies. RESOLVED: That this item was removed from the agenda
41.	AUDIT COMMITTEE ANNUAL REPORT (<i>Agenda Item 9</i>) Members were reminded that this report had been considered at the previous Audit Committee, at which it had been decided that Members wished to make amendments. Amendments had now been made, and the report was brought back to the Committee for approval. Members approved the report. RESOLVED: That the Audit Committee approved the Draft Audit Committee Annual Report for 2024/25 before the report is presented to Council.
42.	RISK MANAGEMENT REPORTS (<i>Agenda Item 10</i>) The Committee considered the risk management and strategic risk reports. It was noted that, following the previous meeting, the timing of these reports had been changed, resulting in more up-to-date reporting. The data for the current report was taken from 03 November. Members commended officers for their report. Members asked for further information on the EDUSEN0006 risk, which related to school safeguarding. Officers would provide an update outside the meeting. Relating to the HLBC0006 risk, Members noted that the deficit on the general fund had increased by £5.8 million in month 6, according to the Cabinet report, and that the potential need for Exceptional Financial Support (EFS) could approach £80 million. The Chair recognised that the risk had been highlighted but did not expect officers to respond.

	Councillors asked why the risk rating for HLBC0006 had changed from A1 to C1. Officers explained that there were two different risks: the strategic, cross-cutting risk (owned by the Corporate Management Team and currently rated C1), and a separate short-term operational financial risk rated A1. The strategic risk rating reflected the wider work being undertaken to address the Council's financial position, including actions related to EFS. Officers also confirmed that significant work was ongoing to resolve the situation, including discussions with the MHCLG. Officers would provide a written response. RESOLVED: That the Audit Committee noted the reports and level of assurance received.
43.	INTERNAL AUDIT PROGRESS REPORT (<i>Agenda Item 11</i>) Officers introduced the Internal Audit Progress Report. Members queried how vacancies within the Green Spaces service had led to internal control issues, asking which controls were affected and what level of debt was at risk. Officers advised that the Green Spaces audit had identified significant organisational changes at senior management level, including a new Director for Environment and new Heads of Service. These changes had resulted in delays to processes such as budget setting and the savings programme, which had been left to more junior and operational staff during the transition. This was a known area of risk and was targeted for review by Internal Audit. A clear action plan had been agreed with the service, and monthly monitoring meetings were now in place with Internal Audit attendance to ensure actions are implemented and risks addressed. Members asked whether the draft directorate business and financial plans would be shared with the Committee. Officers confirmed that draft plans were not shared, though the finalised version would be presented at the next meeting. RESOLVED: That the Audit Committee noted the IA Progress since the last Committee meeting
44.	COUNTER FRAUD PROGRESS REPORT (<i>Agenda Item 12</i>) Members commended officers for their work. RESOLVED: That the Audit Committee noted the Counter Fraud Progress Report for 2025/26 Quarter 2
45.	WORK PROGRAMME (<i>Agenda Item 13</i>) Members considered the work programme. RESOLVED: That the Audit Committee noted the dates for Audit Committee meetings
	The meeting, which commenced at 5.10 pm, closed at 6.55 pm.

These are the minutes of the above meeting. For more information on any of the resolutions please contact Democratic Services on 01895 250636 or email:

democratic@hillington.gov.uk. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

The public part of this meeting was filmed live on the Council's YouTube Channel to increase transparency in decision-making, however these minutes remain the official and definitive record of proceedings.

FINAL 2024/25 STATEMENT OF ACCOUNTS

Committee name	Audit Committee
Officer reporting	Pete Carpenter, Director of Pensions, Treasury and Statutory Accounts
Papers with report	For the London Borough of Hillingdon Appendix 1 – 2024/25 Final Statement of Accounts Appendix 2 – 2024/25 Draft Auditor’s Annual Report Appendix 3 – 2024/25 Audit Results Report For the Hillingdon Pension Fund Appendix 4 – 2024/25 Final Statement of Accounts Appendix 5 – 2024/25 Audit Results Report (<i>TO FOLLOW</i>)
Ward	All

HEADLINES

This report provides the final 2024/25 Statement of Accounts for the London Borough of Hillingdon and the separate final 2024/25 Statement of Accounts for the Hillingdon Pension Fund.

RECOMMENDATIONS:

That the Audit Committee:

1. Note the final position regarding the Statement of Accounts, Draft Auditors Annual Report, and Audit Results Report 2024/25 for the London Borough of Hillingdon for ratification and delegate final sign-off to the Corporate Director of Finance, in consultation with the Chair who will sign off the accounts on behalf of the Audit Committee, following approval of the Council’s EFS application; and
2. Note the final position regarding the Statement of Accounts, Auditors Annual Report, and Audit Results Report 2024/25 for the Hillingdon Pension Fund for ratification.

SUPPORTING INFORMATION

The Ministry of Housing, Communities and Local Government has announced measures to tackle the backlog of local government audits and have set out backstop dates for the publication of audited accounts. These are as follows:

2024/25: 27 February 2026
2025/26: 31 January 2027
2026/27: 30 November 2027
2027/28: 30 November 2028

The present position on audits across England as at the 31st December 2025 as reported by Public Sector Audit Appointments (PSAA) is that of the 457 “opted in” bodies (excluding Pension

Funds), only 101 Audits had been completed.

A total of 216 disclaimed audit opinions were issued by auditors to local government bodies because of the “final” backstop date for the 2023/24 financial year. This is 47.1% of all local government audits in England. It should be noted that as at the 31st December 2025 that there were still:

21 2023/24 Audits outstanding
7 2022/23 Audits outstanding
5 2021/22 Audits outstanding
5 2020/21 Audits outstanding
3 2019/20 Audits outstanding

Advice is that due to the number of years of “Disclaimer Opinions” the Council has, and the lack of assurance obtained from audit procedures, there will be at least 2 further years of disclaimer opinions before the Council can return to fully “clean” opinions.

Draft Final Accounts 2024/25 – London Borough of Hillingdon

The Council published its draft Statement of Accounts for the year ended 31st March 2025 on 22nd September 2025. The Public Inspection period started on the 23rd September 2025 and ran to the 3rd November 2025.

The 2024/25 Audit has not looked to rebuild the Council’s position following two years of “Disclaimer Audits”. It has been a transaction-based audit to provide assurance on what happened during the 2024/25 financial year and the balance sheet balances as at 31st March 2025. External Auditors Ernst & Young (EY) did receive an updated auditing framework for 2024/25 from the Government which set out how they need to proceed in “rebuilding the Council’s position when they have Disclaimer Opinions”. However, this was received too late in the summer to reasonably be considered and then built into their audit approach for the current cycle.

The audit process has now been completed, and the final accounts are provided in **Appendix 1** for noting. The major changes to the accounts since the draft accounts were submitted have been:

- 1) The removal of a £2m interim dividend announced by Hillingdon First as this was not received in the 2024/25 financial year.
- 2) A correction to the revenue position of £1.278m in relation to timing differences on Housing Benefit repayments.
- 3) Updates to the Going Concern note and the Annual Governance Statement to reflect the receipt of the Section 24 Statement and associated recommendations, and the latest position with regard to the Council’s Exceptional Financial Support (EFS) application.
- 4) Reversal of the prior year adjustments

Usually, these corrections would have been made against the General Fund balance but given its present balance they have been addressed by reviewing the Council’s earmarked reserves to offset the net £3.3m adjustment. These changes will be formally approved by Cabinet as part of a final 2024/25 update to be set out in the P9 2025/26 Monitoring Report.

The prior year adjustments that had been reported in the draft accounts have been reversed as they fell below the required materiality level as well as a number of format/presentational changes

which have not impacted the final position for the Council.

For final sign-off of the accounts, the External Auditors will require evidence that the Council's application for EFS has been approved, and narrative in the statements will need to be updated to report the approved amount(s). As such, it is requested that approval is delegated to the Committee Chair and the Corporate Director of Finance to sign off the final accounts once this information has been included, which is expected to be before the 27th February "backstop" date. The Final Auditor's Annual Report will be issued at this time.

Draft Auditors Annual Report – London Borough of Hillingdon

The External Auditors Ernst & Young (EY) delivered their draft Auditor's Annual Report on the 27th November 2025 – which was before the 30th November statutory deadline but after the 18th November meeting due to the process of reaching final agreement on the content.

This draft report (**Appendix 2**) builds upon the issues set out in the "Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014" report which was discussed by this Committee in August 2025.

This draft report sets out that there are four matters to report by exception on the Council's value for money arrangements, relating to significant weaknesses in the Council's arrangements in respect of:

- Financial sustainability;
- The quality of Council information;
- The capacity of the Council's finance team; and
- The implementation of Oracle Fusion and Oracle EPM.

In the August 2025 Report, the External Auditors issued 7 recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act ('statutory recommendations') to the Council. These concerned three of the four significant weaknesses in the Council's arrangements highlighted in the draft 2024/25 Auditor's Report. The significant weakness in arrangements not covered in that report how the implementation of Oracle Fusion and Oracle EPM for which audit work was ongoing at the time the recommendations were issued.

The draft audit opinion is a **disclaimer opinion** due to full assurance not being met at that stage over all the 2024/25 in year movements, combined with the issues highlighted in previous years' comparative and opening balances.

It should be noted that the Auditors agreed with the Council a management-imposed limitation of scope to the Council's audit to exclude the valuations of the Council's land and building assets from their work on the closing balance sheet for 2024/25. This was to allow the audit and finance team's effort to be focused on those areas where it is more difficult to rebuild assurance, and hence those areas which will ultimately be of most benefit in supporting future audit opinions.

The Value for Money commentary has been based on the work performed. The External Auditors have identified a number of weaknesses that they have reported by exception in relation to the Council's financial sustainability and governance. The Value for Money recommendations are:

1. They 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. They 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. They 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. They 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. They 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. They 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. They 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.

These recommendations were issued to the Council as statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 on 24 July 2025.

In addition to these, there is also the following non-statutory recommendation issued as part of the Draft Auditor's Annual Report. This has been added to the Governance Review Improvement Plan (GRIP):

8. They recommend that the Council reassesses whether the assumptions and forecasts underpinning its 2025/26 budget were sufficiently robust to support the conclusion that the Council has set a balanced budget for the 2025/26 financial year. If the Council is unable to conclude that it has a balanced budget, it should consider what further actions it may be required to take to comply with its statutory responsibilities.

In Appendix C of the draft Auditor's Annual Report detailed recommendations relating to the implementation of Oracle Fusion are also set out.

Progress on these recommendations are set out in the GRIP document which is reported to this Committee.

Audit Results Report - 2024/25 London Borough of Hillingdon

The Audit Results Report is set out in **Appendix 3**. This report sets out the findings of the audit

process that has taken place since the draft accounts were submitted in September.

The report sets out that although the level of assurance gained has increased, not all planned audit procedures for the 2024/25 year were completed. Therefore the auditors have not obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. The 2023/24 Accounts had a “Disclaimer Opinion”, meaning there is not full assurance over some of the brought forward balances from 2023/24. As such it is anticipated that a “Disclaimer Opinion” will be issued for the Councils 2024/25 Audit.

Appendix A gives details of the timescales to build back full assurance. This is not expected until the 2027/28 Accounts at the very earliest.

The report reiterates capacity considerations within both the Council’s finance team and the audit team (because of lateness of accounts), and has subsequently identified the implementation of Oracle Fusion and Oracle EPM as an additional, discreet, risk of significant weakness.

Key areas for improvement are:

- Improving the timeliness of the draft financial statements
- Delivery of working papers in accordance with agreed schedule
- The timeliness and quality of evidence supporting key accounting estimates
- The volume and value of identified misstatements
- The quality and completeness of the draft financial statements
- The quality of working papers and supporting evidence
- The continued access to staff to support the audit in line with the Audit plan

Key financial sustainability risks include the capacity of the finance team, the quality of Council information and the implementation of Oracle Fusion. These risks are monitored via the GRIP programme to this committee.

The auditors assessment of the control environment shows an improvement over the 2023/24 process with 5 open risks (7 last year) of which 2 are high and 3 moderate.

This report also recommends that management review processes around key account reconciliations to ensure that reconciliations are performed on a timely basis and reconciling items investigated and resolved promptly.

Comparing the Council’s position in the 2024/25 Audit to the 2023/24 Audit based on the Summary of Assurances Statement there is the following improvement:

Year	Red	Amber	Green	N/a
2024/25	18	9	16	1
2023/24	26	6	11	1
Change	-8	+3	+5	-

Definitions:

	We have been able to complete our audit procedures and obtain assurances over the relevant account or disclosure.
	We have completed some procedures and obtained some assurances over the relevant account or disclosure, however either due to not being able to complete other procedures or the impact of not having assurance over opening balances we have not obtained assurance over the relevant account or disclosure as a whole.

We have not been able to complete our procedures and no assurance over the relevant account or disclosure has been obtained

Of the 18 assurances still at red:

- 2 related to PPE work that is out of scope;
- 14 were where the auditors were not able to complete their work;
- 1 related to reserves;
- 1 related to the Council as a “going concern.

Of the 9 assurances at amber:

- 4 relate to opening balances/PPE being out of scope;
- 2 link to Schools and associated information;
- 3 had other area dependencies that had not been completed.

Final Accounts 2024/25 – Hillingdon Pension Fund

The Pension Fund published its draft Statement of Accounts for the year ended 31st March 2025 on 30th June 2025. The Public Inspection period started on the 1st July 2025. Unlike the Council, the previous year had a “clean” audit opinion. These accounts are set out in **Appendix 4**.

There have been no changes since the draft accounts were submitted.

Audit Results Report – Hillingdon Pension Fund

The Pension Fund Auditor’s Results Report is set out in **Appendix 5**. In this report the Pension Fund will receive an Unqualified Opinion, as in previous years.

Other Audits

There is the requirement for the Council to procure new Auditors for the separate 2024/25 Housing Benefit Audit required by the Department of Works and Pensions (DWP). This Audit runs a year in arrears to the main audit.

Grant Thornton delivers the Council’s Teachers’ Pension and Pooling audits, and these are expected to be within approved budget estimates.

FINANCIAL IMPLICATIONS

PSAA has published the 2024/25 scale of audit fees for bodies that have opted into its national auditor appointment scheme. The fee scale is confirmed as a 9.5% increase on the 2023/24 scale fees to cover the additional audit work required under revised standards and a contractual inflationary increase payable to audit firms for 2024/25. The new audit work relates to revised auditing standard ISA (UK) 315 (risks of material misstatement) and linked work on ISA (UK) 240 (fraud). The fee values for 2024/25 are £433,673 for the Council audit and £92,572 for the Pension Fund. Oracle work is outside these fee rates and will cost £78,079 for the significant amount of work that was undertaken in this area. The corresponding figure in the pension fund is circa £7,000.

Ernst & Young have advised that there would be scale fee variations in respect of the 2024/25 audit and that this will be in the range of £120,000 - £140,000. Hence, the total audit fee, including the Oracle work, for 2024/25 will be in the region of £631k to £651k.

LEGAL IMPLICATIONS

The Secretary of State for Housing, Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to Public Sector Audit Appointments (PSAA) on a transitional basis under powers contained in the Local Audit and Accountability Act 2014.

BACKGROUND PAPERS

NIL.

APPENDICES

For Hillingdon Borough Council

Appendix 1 – 2024/25 Final Statement of Accounts

Appendix 2 – Draft 2024/25 Draft Auditors Annual Report

Appendix 3 – 2024/25 Audit Results Report

For the Hillingdon Pension Fund

Appendix 4 – 2024/25 Final Statement of Accounts

Appendix 5 – 2024/25 Audit Results Report

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London Borough of Hillingdon

Statement of Accounts for the year to 31 March 2025

London Borough of Hillingdon

Statement of Accounts for the year ended 31 March 2025

Contents	Page
Leader's Statement	2
Narrative Report	4
Statement of Responsibilities for the Statement of Accounts	16
Independent Auditor's Report to the Members of the London Borough of Hillingdon (to follow)	17
<i>Main Financial Statements</i>	18
Comprehensive Income and Expenditure Statement	19
Movement in Reserves Statement	20
Movement in Unusable Reserves Statement	21
Balance Sheet	22
Cash Flow Statement	24
Statement of Accounting Policies	25
Notes to Main Financial Statements	46
<i>Other Financial Statements</i>	111
Housing Revenue Account and Notes	112
Collection Fund Account and Notes	116
Pension Fund Account and Notes	120
Annual Governance Statement	154
Glossary	165



HILLINGDON
LONDON

www.hillingdon.gov.uk

Leader's Statement

Leader's Statement

Introduction by Councillor Ian Edwards, Leader of the Council

Welcome to Hillingdon's Statement of Accounts for 2024/25, which shows the council's financial performance in delivering high quality services to residents during the year and outlines the council's financial standing at 31 March 2025.

The Council has maintained frontline services to residents, with an approach based on low-cost services which continue to put residents first whilst some services also have received strong ratings from external regulators. Residents saw an increase of 2.99 per cent applied to their Council Tax for 2024/25, with the rise maintaining Hillingdon's approach of one of the lowest rates of Council Tax in Outer London. In addition, the Council also levied the Adult Social Care Precept at 2 per cent as government continue to use this mechanism to bridge the funding gap for the service. The Council provides vital support to residents experiencing financial hardship through its Council Tax Reduction Scheme. This has been achieved while preserving all essential frontline services, despite government funding increases falling short of inflation and rising demand driven by a growing population.

The increase in immigration and the placement of migrants in hotels in Hillingdon in exceptionally high numbers has placed unfunded burdens on Hillingdon which the Council is pursuing with the Home Office. This pressure amounts to an estimated £5m for 2024/25 and the same is expected in 2025/26 adding to the financial pressure on the Council

Our people, our environment and our heritage continue to be at the heart of what we do, key achievements for the last financial year include:

- The Council continued to offer support through administering Government schemes and supported low-income households with local discretionary schemes. Support to residents included the cost of living payments, winter fuel payments, Household Support Fund, free school meal vouchers, the Holiday Activities and Food Programme.
- In October 2024, the Council marked the official launch of a new specialist facility at Wood End Park Academy in Hayes, designed to support children with Special Educational Needs and Disabilities (SEND). The dedicated unit offers 24 places for children aged four to eleven with autism spectrum disorder. It enables pupils to benefit from partial integration into the mainstream school setting, while also providing a tailored learning environment supported by specialist teaching staff.
- Adult Social Care services were rated 'good' by the Care Quality Commission (CQC) following an inspection in July 2024, achieving an overall score of 73 per cent. Inspectors commended the Council's strong partnerships, proactive approach to tackling the root causes of care needs, and its dedication to fostering independence and wellbeing.
- In February 2025, the Council officially unveiled its new youth initiative and accompanying marketing campaign called Next Gen. This refreshed youth offer delivers a broader range of modern, accessible, and digitally focused services for children and young people aged eight to nineteen — and up to twenty-four for those with special educational needs and disabilities (SEND). The programme ensures timely, flexible support is available in the right places.
- In June 2024, the Council celebrated the completion of improvement works at Ruislip Gardens Primary School, increasing support for children with Special Educational Needs and Disabilities (SEND). As part of the Council's ongoing commitment to helping young people lead healthy lives and access high-quality education, the project delivered new inclusive facilities that will provide 32 additional school places for children with SEND.
- The Council has once again retained the top spot nationally for its green spaces securing 67 green flag awards, the most flags held by any local authority for the twelfth year running.

The Council has continued with its programme of investment in community facilities with most notably:

- A new library for Uxbridge in the Civic Centre adjacent to our adult education centre and family hub has been substantially completed with the official opening to occur in the first weeks of the next financial year

Leader's Statement

- The building of our 5th leisure centre was held up by the contractor going into administration and works have now recommenced
- £120.6m investment in major housing projects acquiring 267 new homes for social housing
- Agreement has been reached with a new operator for the Beck Theatre ensuring its future without ongoing programme subsidy from the Council

This Statement of Accounts highlights Hillingdon's continued commitment to putting residents first, reflected in another year of dedicated efforts to support the community. As of 31 March 2025, the Council holds general balances and general fund earmarked reserves of only £7.6million. These are demanding times for local authorities, with Hillingdon like others now being significantly financially challenged due to ongoing inflation, rising demand, and demographic pressures, with particular challenges in supporting homeless households driven by both local demand and the impacts of Heathrow. These factors are the primary drivers behind the savings required in the short to medium term, a challenge shared across the local government sector. With such a low level of reserves, the Council is in conversation with the Government on measures available to support its financial resilience in the lead up to the new three-year financial settlement for 2026/27. Despite this, Hillingdon remains focused on safeguarding frontline services and pursuing transformational efficiencies through its budget strategy.

Cllr Ian Edwards

Leader of the Council

Narrative Report

This document sets out the annual accounts of the London Borough of Hillingdon for the year ended 31 March 2025. The accounts are in the format for local authority accounts set by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The purpose of this narrative report is to provide a guide to the most significant matters reported in the financial statements. Included within this document are a number of technical terms that are specific to local government finance and a glossary has been provided to assist the understanding of the financial statements.

2.1 Organisational overview and external environment

Hillingdon, situated on the western edge of Greater London, is the second largest London borough, covering a total area of about 42 square miles. It is just 14 miles from central London and bordered by the counties of Buckinghamshire, Hertfordshire and Surrey, as well as the London Boroughs of: Hounslow, Ealing and Harrow. Hillingdon is home to Heathrow, one of the world's busiest airports, which normally caters for more than 60 million passengers a year.

The borough, Hillingdon, has some of the best sports and fitness facilities in London including: Hillingdon Sports and Leisure Complex with 50 metre indoor competition pool, leisure pool, outdoor lido, 100 station gym, athletics stadium and 400 metre running track, 3G floodlit pitches, sports hall and more. There are also 16 libraries, 3 theatres (1 open air), and over 200 green spaces covering approximately 1,800 acres, including Ruislip Woods, the Nature Reserve, and Lido.

The Council's vision is 'Putting Our Residents First'. This underpins its actions and decision-making process and is achieved by applying the following themes:

- Our People - Putting our residents first and at the heart of all that we do, promoting civic pride.
- Our Natural Environment - We will protect and enhance the borough's natural environment.
- Our Built Environment - We will continue to improve our buildings, roads and footways and ensure that new buildings fit with the surrounding environment.
- Financial Management - Maintain the solid approach to financial management that has delivered our success to-date and which will be vital going forward.

The London Borough of Hillingdon was one of the 32 London Boroughs created by the London Government Act 1963. It was formed by the amalgamation of the Borough of Uxbridge and the Urban Districts of Hayes/Harlington, Ruislip/Northwood and Yiewsley/West Drayton. The new borough came into existence on 1 April 1965, when the new Council started work. As well as taking on the work of the four previous district authorities, the Council became responsible for local services such as education, libraries, and children's services. These had previously been run by the Middlesex County Council, which ceased to exist on 1 April 1965. Hillingdon's purpose-built Civic Centre opened its doors to the public in 1977.

The London Borough of Hillingdon provides care and support to older people in residential nursing homes and for youngsters in residential children's and foster homes. The Council provides housing through ownership and maintenance of over 10,000 houses and flats held for Council tenants. The Council maintains a large proportion of the road networks within the borough, as well as collecting waste from homes and businesses. In addition, the Council runs a number of refurbished public libraries; deals with planning applications and provides sports and leisure facilities. Instead of reducing services, the Council has made steps to invest in facilities available to protect front line services with a comprehensive capital programme.

The Council employs approximately 2,600 staff inclusive of part time staff and has a population of around 319,018 (as per 2024 mid-year estimate). Hillingdon is an ethnically diverse borough with 33.3% of residents from Asian ethnic groups, 7.8% Black ethnic groups, 4.4% Mixed or Multiple ethnic groups, 48.2% White ethnic groups and 6.3% from other ethnic groups.

Hillingdon is rich in wildlife and wildlife habitat, including waterways, lakes, meadows, and nature reserves. Ruislip Woods has been designated London's first National Nature Reserve, whilst nearby Ruislip Lido boasts 60 acres of

Narrative Report

water. The borough also offers a host of sporting activities, including sports centres, many with newly refurbished gyms and two exceptional 18-hole and one 12-hole golf courses, including a championship standard course at Stockley Park. The arts and entertainment thrive, with The Beck professional theatre in Hayes, The Compass Theatre in Ickenham, and various other venues.

2.2 Financial Performance

General Fund

The Council's challenges link to a number of factors including: years of the Government's austerity programme, increasing demand for services, compounded by the wider economic environment and ongoing high levels of inflation, whilst also managing legacy issues driven by the global pandemic. Councils are starting to see central government funding increase in targeted ways. Despite these challenges, Hillingdon has still been able to continue to maintain cash discounts against Council Tax for the over 65s in receipt of this benefit on 31 March 2024 for another year in 2024/25, without impacting on front-line services to the public. In addition, the Council has managed significant increases in demand for services and kept fees and charges significantly cheaper than neighbouring boroughs on a per capita basis.

These are financially challenging times for local authorities to deal with, having to respond to significant national pressures within a materially reduced funding envelope. Local pressures for Hillingdon include the increased cost of adult social care, children's placement, homelessness, asylum seekers, funding the Dedicated Schools Grant (DSG) deficit, and ensuring that it has an experienced workforce to deliver the best services it can to its residents.

The 2024/25 General Fund monitoring position reported an adverse variance of £31.5m against budget before the release of earmarked reserves, as set out in Table 1 below. In 2025, due to the pressures mentioned above and a deteriorating financial position, the Council implemented a Finance Modernisation Programme (FMP). This is focused on modernising financial processes, capability and understanding across the Council, introducing best practice and supporting the Council in gaining a better understanding of its financial position. This process is being run with the support of Grant Thornton, with the Council having additional oversight from the Local Government Association. Part of this programme has included a review of the Council's Balance Sheet.

To date, the FMP has identified a number of issues which have driven a significant proportion of this adverse movement (£14.1m), including the necessity to write out an unfunded-reserve of £5.5m, a re-assessment of the Council's Treasury allocations between the General Fund and the Housing Revenue Account (HRA) has led to an adjustment of £4.5m, and an evaluation of the Bad Debt Provision policy has led to an adverse movement of £4.1m.

The table below sets out the 2024/25 outturn position as reported to Cabinet in July 2025 against the Month 10 Cabinet update reported in March 2025.

Table 1

Service	Approved Budget £m	Outturn £m	Underlying Variance £m	Forecast Variance Month 10 £m	Change in Variance £m
Service Operating Budgets	302.1	310.6	8.5	5.8	2.7
Development and Risk Contingency	0.5	0	(0.5)	(0.5)	0
Unallocated Budget Items:Earmarked Reserves Funding	0	5.5	5.5	0	5.5
Unallocated Budget Items: Pay Award Inflation	0.6	0	(0.6)	(0.6)	0
Unallocated Budget Items: Unallocated Savings	(4.7)	0	4.7	4.7	0
Unallocated Budget Items: Rebasing	(14.1)	0	14.1	14.1	0
Total Net Expenditure	284.4	316.1	31.7	23.5	8.2
Corporate Funding	(284.4)	(284.6)	(0.2)	(1.5)	1.3
Subtotal	0	31.5	31.5	22.0	9.5
Interventions			0	(11.0)	11
Net Total at Outturn Report - July 2025	0	31.5	31.5	11.0	20.5

The outturn position at July resulted in a draft closing General Fund Reserve deficit of £4.6m and draft Earmarked Reserves of £15.5m – a net position of £10.9m. This level of reserves was deemed to be inadequate by the Section

Narrative Report

151 Officer. The S25 Statement in the 2025/26 budget set a minimum level of usable reserves of £32m. In addition, the General Fund position should not be negative. Consequently, the Earmarked Reserves were reviewed and £6.1m was transferred to the General Fund to give a balance of £1.5m in the General Fund and £9.4m in Earmarked Reserves in the draft accounts submitted in September for Audit.

The Audit process identified £3.278m of adjustments that were required. Given the level of General Fund reserves, Earmarked Reserves were again reviewed and lowered to cover this additional requirement. Therefore, the final overspend position for the year is £34.8m.

Table 1a Reserves Position

Council Reserves Position	General Fund £	Earmarked Reserves £m	Schools £m
Opening Reserves 1st April 2024	26.845	3.280	11.355
Outturn deficit reported in July 2025 report	(31.445)	12.180	(3.505)
Closing General Fund Reserve per outturn report	(4.600)	15.460	7.850
Earmarked reserves drawn down	6.050	(6.050)	
Position at Draft Statement of Accounts - Sept 2025	1.450	9.411	7.850
Audit Adjustments		(3.278)	
Reserves reported in audited financial statements	1.450	6.133	7.850

As a result of this low level of reserves, the Council decided to enter into discussions with the Ministry of Housing, Communities and Local Government (MHCLG) regarding the possibility of Exceptional Financial Support (EFS). The Month 2 budget monitoring report for 2025/26 strengthened the need due to a further forecast deficit. Given that these conversations have been substantive and supportive discussions, it is the view of the Section 151 Officer that it has not been necessary to issue a Section 114 notice, but that this will continue to be kept under close review.

In spite of the above, it is the Council's view that day-to-day operations continue to deliver value for money for our residents, with benchmarking data demonstrating that service expenditure per capita remains below our comparator group (which is predominantly the Outer London boroughs).

The Government's Fair Funding Review 2.0 suggested that from 2026/27 funding would be re-allocated in a way that benefitted outer London boroughs, in particular Hillingdon. The final Local Government Funding Settlement in February 2026 confirmed this. Whilst it is accepted that the Council had to operate within the funding settlement given for 2024/25, it is also considered that had the Fair Funding Review taken place and funding changes applied when originally planned, the Council's financial position would have been substantially better.

The Council will continue to review service delivery and implement cost control measures where appropriate to contain the impacts of these adverse movements going forward but recognises the need for short-term Government support whilst the Council takes action to put itself on a more sustainable footing.

This outturn report reflected the deteriorating position both across London and nationally. London Councils, the collective of Local Government in the capital, estimated that boroughs would overspend against original budget plans by £700m in 2024/25 (averaging £21.2m per borough) and have forecast this to be in the region of £500m for 2025/26.

The Government has published a list of councils reliant on Exceptional Financial Support from Government in 2025/26, with this list including a number of other London boroughs set to receive a total of £377.9m in 2025/26, highlighting the pressures London boroughs are facing.

This underlying position for Hillingdon is in part being driven by Services reporting an overspend of £8.5m, the key details of which are set out later in this report. Corporate Budgets are compounding this position with an adverse variance of £23.2m and Corporate Funding delivering a £0.2m favourable variance.

Within Corporate Budgets the variance breaks down as follows:

Narrative Report

- A need to rebase service operating budgets by £14.1m to recognise historic pressures from demographic growth and unachieved savings.
- The writing out of a negative earmarked reserve of £5.7m
- £4.5m relating to cross-cutting savings that were deemed undeliverable.
- Offset by a £0.6m underspend against the pay award budget and a £0.5m release of contingency

Both the £14.1m rebasing and £4.5m undelivered savings were permanently written out of the Council's budget from 2025/26 onwards in the budget approved in February 2025.

The Service Operating Budget pressure of £8.5m was largely driven by three areas:

- £6.1m relating to homelessness demand continuing to run at a level above the budgeted assumption, with this being a common issue across London.
- £2.5m relating to Children's Social Care demand, with support provided to Looked After Children reporting exceptional demand above that included in the budget strategy.
- £2.5m relating to pressures within Adult Social Care from demand outstripping the budgeted growth.

These pressures are offset by an underspend of £2.5m largely driven by a £1.3m underspend within Finance & Transformation, £0.8m within Corporate Services & Property and £0.4m within Community & Environment.

Following the subsequent release of £6.1m earmarked reserves to support the General Fund balance, the final in-year deficit ended at £25.4m.

As a consequence of the 2024/25 Audit of Accounts, further adjustments of £3.3m were required. These were addressed through the application of earmarked reserves and did not impact on the General Fund balance of £1.5m.

Housing Revenue Account

The Housing Revenue Account (HRA) delivered a breakeven reserve position with HRA general balances remaining at a total £15.1m at 31 March 2025 (unchanged from the previous year). In addition, the HRA holds earmarked reserves of £6.8m and £4.3m (£3.2m 2023/24) in the major repairs reserve (MRR) to fund future capital works.

There were 65 Right-to-Buy sales of Council dwellings in 2024/25 (49 in 2023/24) which resulted in a gain on sale of assets when comparing the sale price to the Social Housing value in the Council's accounts.

Capital Investment

The Council's programme of capital investment for 2024/25 totalled £263m (£127.3m in 2023/24) and was funded from a range of sources. These sources included grants (£65m), contributions from revenue resources (£27m), proceeds from asset sales (£27m), and prudential borrowing (£144m).

An underspend of £32.9m is reported against the 2024/25 General Fund capital programme, consisting of £5.4m cost underspends and £27.4m rephasing for various projects and programmes that are continuing into future years. HRA capital investment totalled £178m with £14.9m underspend approved to be rephased into 2025/26 for further investment.

Investment during 2024/25 on the General Fund totalled £84.8m. Significant General Fund investment included £8.2m towards the construction of the new Platinum Jubilee Leisure Centre in West Drayton, due to be completed in 2025/26. Other major projects included £12.1m on various carbon initiatives. A further £8.5m has been contributed towards expansion projects to increase provision for pupils with special educational needs (SEND). There was also spend of £9.9m on highways infrastructure and street lighting.

Within the HRA in 2024/25, a significant acquisitions and developments programme totalling £120.6m increased the Council housing stock by 202 units net of 65 Right to Buy sales. A further £28.2m was invested in the continuing Hayes Estate Regeneration programme. In addition, £29.5m was expended in improvements to the existing council housing stock.

Narrative Report

Investment Strategy

The Council lends money to and has a 100% shareholding in one subsidiary, Hillingdon First Ltd. This is classed as an "Investment for Service Purposes". The objective is to deliver a financial return to the Council and provide housing and / or a commercial unit for sale or rent. This will be achieved by generating long-term sustainable revenue streams through the delivery of high-quality housing to meet the need of Hillingdon's residents. The Hillingdon First Ltd shareholder agreement and memorandum of association sets out in detail the governance arrangements and provides details of the operating framework, controls and reporting requirements. The Council may make loans as necessary and in accordance with the Council's treasury management and investment strategies. The accounts of Hillingdon First Limited are not included in these financial statements as they are not considered of sufficient materiality to require inclusion for group accounting purposes.

The main risk when making service loans is that the borrower may be unable to repay the principal lent and/or the interest due, while a risk of investing in shares is that they may fall in value meaning that the initial outlay may not be recovered. To limit these risks, upper limits on the sums invested in each category have been set. Furthermore, the Council has some protection against losses through a charge over the assets of Hillingdon First Ltd.

The Council assesses the risk of loss before entering into and whilst holding service loans. The Council aligns loan durations with each specific development. A specific loan agreement will be drawn up for each development using the agreed schedule as a framework. Hillingdon First Ltd will be required to provide full development scheme details to the Shareholder Committee (acting on behalf of the Council as shareholder) before the loan facility can be drawn down for specific expenditure on that development.

Over the period 2020-23 the Council provided financial support totalling £1,681k in the form of soft loans (ie lower than market rates) to Greenwich Leisure Limited (GLL), with whom it holds the leisure operating contract. The purpose of this was to support the contractor during the pandemic and thereby protect public service objectives in the delivery of leisure services. The carrying value of the loan as at 1st April 2024 was £1,304k (in 2022/23 a notional loss was recorded in the CIES representing the present value of the interest foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal). In 2024/25 the carrying value of the loan increased to £1,373k as at 31st March 2025.

The Council has set up a Special Purpose Vehicle (SPV) called The Hillingdon Care Company (THCC) to run and manage The Burroughs Care Home which was in process of acquisition at 31 March 2025 and subsequently completed in 2025/26. The objective of the company is to address the increasing demand for nursing and dementia care places, manage escalating bed prices, and ensure that residents have access to quality care locally. THCC was incorporated at Companies House on 23 January 2025.

A detailed financial model, which compared acquiring the care home to the alternative of purchasing equivalent nursing care from the external market over the next 15 years, was completed. The model showed it was beneficial for the Council to acquire the Care Home.

Treasury Management

The Council takes a very prudent strategic approach in investing its cash balances to ensure money is invested at a very low level of risk. The strategy for investing funds first considers the security of the deposit, the liquidity of investments and then the return on the investment.

Having begun the financial year at 5.25%, the Bank of England's Monetary Policy Committee (MPC) decreased Bank Rate to 5% in August 2024. The Bank Rate was maintained at 5% through to November 2024, when it fell to 4.75%. A further fall to 4.5% occurred in February 2025 which was maintained through to the end of the year. The MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

Narrative Report

The Council adheres strictly to counterparties that have been agreed through the Treasury Management Strategy, consisting of other local authorities, instant access funds, and institutions with a credit rating A- or above. The total investment income for the year totalled £3,126k (£4,031k in 2023/24 due to higher average cash balances invested). The weighted average balance of investments over the year was £62.62m (£83.63m in 2023/24).

Investment income returns for the year on internally managed cash yielded 4.93% (4.92% in 2023/24). The Council also continued as part of its investment strategy to invest £15m in more strategic pooled funds that return dividends, with an average return of 4.25% (4.15% in 2023/24). Rising market interest rates in recent years have reduced the fair value of bonds held within these strategic pooled funds. This has declined marginally by £10k in 2024/25 and the fair value as at 31st March 2025 now reflects an unrealised loss of £1,079k.

The MHCLG IFRS 9 pooled investment fund statutory override for English authorities for fair value gains and losses on pooled investment funds held at 1st April 2024 was due to expire with effect from 1st April 2025 - the government has now extended this to 1st April 2029. Under the regulations, gains and losses resulting from unrealised fair value movements relating to treasury pooled investment funds, that otherwise must be recognised in profit or loss under IFRS 9, are not charged to the revenue account and must be taken into an unusable reserve account. This override extension means the current unrealised losses have time to recover over the medium term. The nature of this financial instrument means the fair value may rise and fall with short-term security and liquidity being less of a consideration. The key objectives instead being regular revenue income and long-term price stability. The Council would only seek to sell when market conditions were favourable, and holdings were at or above original investment values.

Although internal borrowing continued to be utilised during the year, external borrowing was also required during 2024/25 to finance capital expenditure and ensure liquidity was maintained. Overall the total loan portfolio increased by £161.3m with total loan balances at year-end of amounting to £517.5m (£356.2m 2023/24) of which General Fund borrowing amounted to £232.9m (£158.6m 23/24) and HRA £284.6m (£197.6m 23/24) as set out in the table below (the figures below are principal sums and do not include accrued interest on loans):

	Balance on 31/3/2024 £m	New Borrowing £m	Debt Maturing £m	Balance on 31/3/2025 £m	Year-End Average Rate %
GF Loans					
PWLB Fixed Rate	74.60	60.00	(8.71)	125.89	4.88
Market Fixed Rate	15.00	-	-	15.00	4.28
Temporary LA Borrowing	69.00	123.00	(100.00)	92.00	5.38
Total GF Loans	158.60	183.00	(108.71)	232.89	
HRA Loans					
PWLB Fixed Rate	164.57	115.00	(27.98)	251.59	3.95
Market Fixed Rate	33.00	-	-	33.00	4.03
Total HRA Loans	197.57	115.00	(27.98)	284.59	
Total Loans	356.17	298.00	(136.69)	517.48	4.44

New loans totalling £115m were taken under the HRA to take advantage of the concessionary PWLB rate for HRA capital financing, of which £15m were five years or less, and £100m was taken over a longer duration. There was £28m of debt maturing within the HRA portfolio offsetting this borrowing. New loans of £183m were taken under the General Fund of which £108.7m were replacing maturing debt including short term temporary local authority loans.

Over the year the Council's loan portfolio had an average interest rate of 4.44% (3.31% 2023/24) reflecting increases in market rates. Interest paid on the loans portfolio including brokers fees over the year totalled £16.6m (GF £6.7m, HRA £9.9m), an increase of £6.3m from 2023/24 reflecting the higher debt levels.

Narrative Report

Change in Accounting Practice

The most significant change in the 2024/25 Code was the adoption of IFRS16 Leases which became mandatory for local authorities from 1st April 2024 and requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. For the purposes of determining low value, the Council has set a de-minimis limit of £10k for the asset value when new. The accounting policy for leases has been updated and details of the transition to the new standard are provided in Note 36. Other changes include removing the de-minimis for capital expenditure (previously £10k).

Property, Plant and Equipment

A net gain on disposal of £7.5m has been recognised in the Comprehensive Income and Expenditure statement, comprising mainly a gain related to HRA Right-to-Buy sales. However, this profit is an accounting profit only, as social housing is accounted for in the balance sheet at 25% of its market value to comply with social housing valuation methodology in London, as a result replacement of these housing units would be more expensive. Excluding right to buy sales in 2024/25 there were gross capital receipts amounting to £8.03m on sales of nine disposal sites of which eight were General Fund.

2.3 Non-Financial Performance

Environment

For the 12th year in a row, Hillingdon has secured top spot for the number of Green Flag spaces maintained by a council in the UK. It has retained its 67 Green Flags, which recognise parks and green spaces of the highest calibre.

During 2024/25 46 new electric vehicle chargers were installed in Council owned car parks as part of a pledge to deliver a full, accessible electric vehicle (EV) charging network across the borough by 2030.

More than 7,000 new households signed up to our food waste recycling service and 9,000 for our improved recycling bag delivery service during 2024/25.

Leisure and Culture

A uniquely-themed new playground was officially opened by the Council at Cranford Park in April 2024. The new play area is themed around historical figure Mary Cole, the Countess of Berkeley, with various play features that pay homage to her intriguing story. Equipment includes a climbing net trail, tower unit with slide and fireman's pole, and a nest swing, as well as an 'ice house' shelter and tunnel, both intricately weaved from live willow branches earlier this year with the help of skilled volunteers, as well as two small wooden horses and a wooden horse and chariot.

In February 2025, the Council officially launched its new youth offer, and associated marketing campaign, Next Gen. The youth offer is a wider programme of modern, relevant, flexible and digital services for children aged eight to nineteen (and up to twenty-four with special educational needs and disabilities) closer to where young people are, making sure they can get the support they need, at the right time and place.

Schools & Children's Services

The Council celebrated the completion of enhancements at Ruislip Gardens Primary School to support more children with special educational needs and disabilities (SEND) during June 2024. The works, part of the Council's commitment to ensure young people in the borough can live healthy lives and have access to the best possible educational opportunities, have created new inclusive facilities that will offer 32 additional school places for children with SEND.

Figures released by the PAN London Admissions Board during April 2024 show that the Council has once again exceeded the London average of 89.1 per cent to give 3,212 pupils their first choice of primary school. Hillingdon also

Narrative Report

achieved best in west London for applicants being offered one of their top three preference schools at 99.31 per cent, compared to PAN London at 97.2 per cent.

In October 2024, the Council celebrated the official opening of a new facility providing support for children with Special Educational Needs and Disabilities (SEND) at Wood End Park Academy in Hayes. The designated unit provides 24 places for children, aged four to eleven, with autism spectrum condition. This new facility allows children to benefit from some integration into the mainstream school environment, while maintaining their own space to learn with the support of specialist teaching staff.

Social Care

A Care Quality Commission (CQC) inspection conducted in July 2024 judged Adult Social Care services to be 'good', with an overall score of 73 per cent, according to a report published on Friday 13th December 2024. Inspectors praised the Council's work with partners, focus on addressing the root causes of care needs and commitment to promoting independence and wellbeing. The report commended the Council for having a clear focus to "achieve the best outcomes for people who lived there" and noted that most residents could access care and support services easily.

Protecting Residents

A new Public Spaces Protection Order (PSPO) has been introduced from February 2025 by the Council to stop taxis and private hire vehicles (PHVs) from waiting in residential streets near Heathrow Airport. It bans taxis, chauffeurs, and PHVs from waiting in residential streets in Pinkwell, West Drayton, and Heathrow Villages wards, unless they are collecting or dropping off passengers. The order aims to reduce persistent nuisance caused by drivers blocking driveways, littering, urinating, and defecating in public, and causing noise and air pollution by idling.

People Resources

Two library employees have been recognised for their work in creating a dedicated space for young people at Botwell Green Library. Gemma McCaffery, area manager for the libraries in the south of the borough, and Franka Aichour, the library's branch manager, were presented with a Libraries Connected Award on Tuesday 4th June 2024.

The Council is continuing to recruit and develop existing staff onto apprenticeship programmes across a range of services, with 200 apprentices across the Council in 2024/25.

2.4 Risks and Opportunities

The Council has continued to run efficient frontline services, which are well rated by external review bodies, with both Adult Social Care and Children's Social Care receiving good and excellent ratings from their respective regulators. This has been achieved whilst keeping Council Tax low, with Hillingdon having the second lowest charge out of the 20 Outer London Boroughs. Benchmarking across our comparator group (which is mainly Outer London Boroughs) demonstrates that the Council delivers value for money in service delivery, with below average per capita spend across the majority of services.

However, the financial challenges set out in this narrative statement have resulted in the Council applying for Exceptional Financial Support (EFS) from the Government until the funding review is fully implemented and resolution to the costs for managing asylum numbers over and above that which all authorities are expected to bear is addressed.

Seeking EFS from the Ministry of Housing, Communities and Local Government (MHCLG) is a mechanism available to local authorities when they have taken all reasonable steps to manage financial challenges themselves. The Council's finances as set out in the report present a position wherein the Council's expenditure is likely to exceed its resources. In these circumstances the Council's Chief Finance Officer (Section 151 Officer) is obliged to brief the Council's executive, Cabinet and external auditors, which has been done.

Narrative Report

The Chief Finance Officer has also advised MHCLG and is in active discussions about EFS. These have been substantive and supportive discussion and as a consequence the Chief Finance Officer is currently confident that EFS will be agreed and hence is of the view that it is not necessary to issue a Section 114 notice at this time.

Having recognised the ongoing challenges with stabilising the Council's budget, the Council has been working to deliver a Finance Modernisation Programme (FMP) that is targeting an improvement in the Council's financial capacity and capability across both the Finance department and the wider organisation.

Whilst these issues are problematic, the Council has recognised the need to understand year on year movements across balances and reserves in more detail. This work, in identifying and remedying issues in accounting practices and processes, will result in the Council having greater confidence in its financial management, with this confidence increasing as the FMP continues.

The FMP is continuing to work at pace and is putting the Council into a better position of understanding its financial position and gaining a better knowledge of the correlation between budget modelling and outturn, with a strong focus on savings delivery. The Council is introducing enhanced spend control measures to manage the position as best as it can, but recognises that Government support will likely be required.

There were seven recommendations raised by Ernst & Young in their July report received by Audit Committee on 28 August 2025, issued under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014. These are included in the Governance Review Improvement Programme (GRIP) under workstream 1 and are being monitored and addressed with oversight from the Audit Committee. Further key recommendations arising from the Auditor's review will be incorporated as necessary.

The Government has recognised that current arrangements represent a "broken funding system" and have consulted on proposed changes to the distribution of support to local government through the Fair Funding Review 2.0 Consultation. Changes to grant allocations will be introduced in a phased, stepped manner as part of a three-year settlement (across 2026/27 to 2028/29). London Councils have undertaken detailed analysis and modelling of the new funding mechanism on behalf of all London boroughs. Their analysis shows that Hillingdon will see a significant increase in funding from the new methodology compared to the current year and supports the Council's long-held argument that it has been significantly under-funded compared to other local authorities.

2.5 Looking Ahead – Strategy and Resource allocation

Looking into the medium term, the underlying savings requirement is driven primarily by inflation, demand-led pressures, and capital financing costs. An uplift in funding is projected over this period as a result of steady growth in the Council Tax taxbase alongside steady growth within Retained Business Rates. Following the Final Local Government Settlement for 2025/26, the Council's grant funding from Central Government increased by £12.9m over 2024/25. Funding over the following three years increases by a further £105.2m (based on Government calculations of Council Tax increases), but staged each year rather than being received in full from 2026/27.

Although the new settlement is a welcome and positive one for the Council, there will still be significant challenges for the Council in balancing its Medium Term Financial Strategy and will require EFS to do so. The budget will be presented to Full Council in February 2026.

There is still significant pressure on the Dedicated Schools Grant budget (DSG). Following an in-year deficit in 2024/25 of £15m, this reduced to a forecast of £10.6m for 2025/26 by October. However, this still means the cumulative deficit, requiring cash flow from the Council, is projected to be £76.5m by March 2026.

Looking forward, the Council's General Fund capital programme 2025/26 to 2029/30 has an approved budget of £384m (as at Month 4 July 2025), with £223m to be funded from Prudential borrowing, after prioritising use of grants and third-party funding, maximising application of developer contributions and where possible using capital receipts. Specific projects on the capital programme include school expansions, investment in home care capacity, refurbishment of the crematorium, carbon initiatives and investments into technology and highways. The five year HRA capital programme

Narrative Report

totals £529m of which £220m is allocated to new acquisitions and developments to increase the housing stock and £104m on the continuation of the Hayes regeneration programme. A further £225m is allocated to improving the condition of the existing housing stock.

The Council is very much focussed on self-delivery of a sustainable Council and associated target operating model and is working with MHCLG and other partners to achieve this. Service delivery remains well managed, with spend per capita on front line services being below our comparator group (predominantly Outer London Boroughs).

2.6 Statements within the accounts

General

The movement in the Balance Sheet of £67.6m in year largely consists of reductions to net liabilities related to defined benefit pension schemes and increases to long term assets due to a combination of valuation movements and additions and enhancements to the asset base from capital expenditure in year.

Any minor movement in the underlying IAS19 pension assumptions results in a large swing in the overall deficit position. For 2024/25 an increase in the net discount rate from 4.80% (2023/24) to 5.80% (2024/25) has reduced the value placed on the Fund's liabilities and contributed to an overall favourable impact of £59.7m in reducing the net deficit on pension assets and liabilities recognised in the Balance Sheet.

The core accounting statements comprise: -

Comprehensive Income and Expenditure Statement

This statement reports the net cost for the year of all functions for which the Council is responsible and demonstrates how that cost has been financed through income from taxpayers and general government grants. The income and expenditure is split by Council service. The surplus or deficit on this account represents the amount by which income is greater than, or less than expenditure.

The statement shows a deficit of £131.0m (£48.0m deficit in 2023/24) on the provision of services for 2024/25. Of this, a deficit of £92.9m relates to General Fund balances, £3.5m on Schools balances and a deficit of £34.6m relates to the Housing Revenue Account.

To comply with statutory accounting requirements there are various items that are accounted for through the Comprehensive Income and Expenditure Statement such as depreciation, revaluation and impairment losses, and losses on disposal. These items are removed for the purposes of Council Tax setting as they are accounting items and do not affect the funding of services, as a result these items of expenditure are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Movement in Reserves Statement

This statement reconciles the outturn on the Comprehensive Income and Expenditure Statement to the balance on the Council reserves, established by complying with relevant statutory provisions, showing the true economic cost of providing the Council's services. The statement splits the Council's reserves into usable and unusable balances, and shows movement to and from them during the year. Usable reserves are those that can be applied to fund expenditure or reduce local taxation. Unusable reserves are those balances over which the Council has no direct control, which arise from differences in accounting and statutory reporting requirements.

Usable reserves decreased by £27m to £92m in 2024/25. Within this movement there was a decrease in General Fund balances of £34.8m arising from the outturn (including post audit impacts) offset by £9.4m of Earmarked Reserves released following review to ensure the General Fund remained in surplus. Earmarked Reserves increased overall by £2.9m mainly due to removing the negative balance on the Business Rates Reserve. HRA balances remained unchanged and Schools reserves reduced by £3.5m. Other movements included transferring unspent capital grants of

Narrative Report

£11.2m to the Capital Grants Unapplied Reserve to support future financing of capital projects. The capital receipts reserve reduced by £13.5m partly due to financing of transformation costs under flexible use of capital receipts regulations.

Unusable reserves reduced by £40.3m to £1,428bn in 2024/25, mainly due to decreases totalling £63.4m in the Capital Adjustment Account and Revaluation Reserve reflecting valuation losses mainly on the HRA dwellings stock after valuing new acquisitions to social housing value. Other movements included the Collection Fund Adjustment Account decreasing by £21.4m. This was partly offset by a decrease in the Pension Fund liability of £60m, reflected in the Pensions Reserve increasing by the same amount.

To support the Movement in Reserves Statement, Note 4 to the accounts shows the Adjustments between Accounting Basis and Funding Basis under Regulations. This note reverses the items of income and expenditure that are required to be credited or charged to the Comprehensive Income and Expenditure Statement, that do not affect the General Fund balance for Council Tax purposes. Total adjustments for 2024/25 were £70.4m within the General Fund, adjusting the General Fund position for Council Tax purposes to a deficit of £25.4m after the release of £9.4m earmarked reserves.

Balance Sheet

This shows balances and reserves at the Council's disposal at year-end, together with its long-term indebtedness, net current assets employed in its operations and summarised information on non-current assets held. It excludes funds held in trust for others and Pension Fund assets that are reported in the separate Pension Fund accounts.

The total net worth of the Council in 2024/25 was £1.519bn (£1.587bn in 2023/24). The largest items within the Balance Sheet consist of long-term assets valued at £2.24bn, and within liabilities long-term borrowing of £387.8m. The main contributors to the movement came from the reduction in pension liabilities, and the increase in value of Plant Property and Equipment.

As at 31 March 2025 the Council has a General Fund balance of £1.5m following the overspend at outturn (£26.8m in 2023/24) and £6.1m of Earmarked Reserves excluding schools' balances, held for specific purposes (£3.3m in 2023/24). Further details on Earmarked Reserves can be seen in Note 5 to the accounts.

Cash Flow Statement

This summarises all movements in cash and cash equivalents arising from both revenue and capital transactions with third parties. It excludes funds held in trust for others and the Pension Fund. There was a decrease in cash and cash equivalents in 2024/25 of £20.7m.

Supplementary accounting statements comprise:

Housing Revenue Account (HRA) Comprehensive Income and Expenditure Statement

There is a statutory duty to account separately for Local Authority housing provision. The HRA Income and Expenditure Statement shows in detail the income and expenditure on HRA services included in the Council Comprehensive Income and Expenditure Statement. It includes the major elements of Council housing revenue expenditure on maintenance; administration; capital financing costs, and major income sources such as rents.

There was a deficit in 2024/25 on HRA services of £34.6m (£15.4m surplus in 2023/24) due mainly to valuation losses arising from new housing acquisitions valued down to social housing existing use value.

Statement of Movement on the Housing Revenue Account Balance

This shows how the HRA Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year. It shows income and expenditure that is credited or charged to

Narrative Report

the HRA balance by statute or non-statutory practices, to reconcile the amounts charged to Housing tenants. For example, revaluation gains and losses on Council dwellings and gains/losses on disposal of asset are reversed.

Overall, the HRA was break even in 2024/25 (deficit of £0.1m in 2023/24), after adjustments made in the Statement of Movement on the HRA Balance and transfers to the Major Repairs Reserve.

Collection Fund Revenue Account

The Collection Fund is a separate account into which amounts raised from local taxation are paid through Council Tax and Business Rates, and from which payments are made to precepting authorities including the Council itself. An in-year deficit of £12.9m (surplus of £5.5m in 2023/24) is reported on Council Tax with a carried forward deficit of £10.7m (surplus £2.3m in 2023/24).

An in-year deficit of £39.1m (surplus of £10.6m in 2023/24) is reported on Business Rates, creating a deficit within the carry forward balance on NNDR to £15.8m (surplus £23.2m in 2023/24).

The share of Collection Fund activity relating to the Council is reflected in the main statement of accounts, with the remainder being treated as agency activity on behalf of the Greater London Authority and Central Government. 75% of Council Tax and 30% of Business Rates activity relates to the London Borough of Hillingdon.

Pension Fund Accounts

These show contributions to the Council's Pension Fund for members during the year, together with pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund at the end of the year. These accounts do not include any liabilities relating to payment of pensions and benefits in future years. The activity of the Pension Fund is not incorporated within the Council's core accounting statements.

This document also includes the following: -

Statement of Accounting Policies

The accounts are produced in line with a set of policies and principles and can only be understood fully with awareness of these accounting policies.

Notes to the Accounts

The notes provide further explanation of figures contained in the core and supplementary accounting statements. The notes to the accounts include the Expenditure Funding Analysis, which precedes the core financial statements of this document to help the flow of information.

Annual Governance Statement

This statement is a report from the Leader of the Council and Chief Executive setting out the systems, processes, culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with, and leads the community. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

Glossary of Terms

The glossary provides a definition of key terms used to aid understanding the accounting statements.

Statement of Responsibilities for the Statement of Accounts

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Corporate Director of Finance:
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

Corporate Director of Finance's Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ('the Code').

In preparing this statement of accounts the Corporate Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Local Authority Code.

The Corporate Director of Finance has also:

- Kept proper accounting records that were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Director of Finance's Approval of the Accounts

I certify that these accounts present a true and fair view of the financial position of the London Borough of Hillingdon, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), as at 31 March 2025 and its income and expenditure for the year then ended.



Steve Muldoon
Corporate Director of Finance (S151 officer)
XX February 2026

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH

To be added

Main Financial Statements

The financial statements that follow are prepared on an accruals basis and follow best practice recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA) and International Financial Reporting Standards (IFRS) as defined by the Code of Practice on Local Authority Accounting in the United Kingdom. Further details of these requirements are detailed in the Statement of Accounting Policies.

These statements are published in accordance with the Accounts and Audit Regulations 2015. They summarise the overall financial position of the Council and in particular include the following:

Restatement of 2023/24 Published Accounts

This note provides an overview of changes to the Financial Statements from the published Statement of Account in 2023/24 as a result of changes in operational reporting requirements. This statement reconciles the position reported to management and that reported in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement

The first of the core financial statements. This shows the expenditure and the income relating to all the services provided by the Council and how the net cost of these services has been financed by local taxpayers and government grants.

Movement in Reserves Statement

This statement sets out the reserves held by the Council, split into usable and unusable reserves, and shows how they have moved during the year.

Balance Sheet

This sets out the assets and liabilities of the Council as at 31 March 2025 but excludes the assets and liabilities of pension and trust funds. The 2023/24 Balance Sheet has been restated to disclose revenue grants receipts in advance separately – previously included in short term creditors.

Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. The statement excludes any transactions of the pension and trust funds.

Notes to the Main Financial Statements

Notes are provided to support the information in the main financial statements with additional detail of movement breakdown and analysis.

A key note is the Expenditure and Funding Analysis note which shows how council funding has been used in providing services in comparison to those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Councils raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

			31 March 2025			31 March 2024		
			Expenditure	Income	Net Expenditure	Expenditure (Restated)	Income (Restated)	Net Expenditure (Restated)
			£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE ON SERVICES								
			138,094	(21,904)	116,190	83,640	(13,260)	70,380
			71,440	(35,967)	35,473	85,271	(35,621)	49,650
			47,579	(8,300)	39,279	44,767	(7,767)	37,000
			128,741	(78,609)	50,132	133,532	(91,481)	42,051
			168,761	(109,161)	59,600	159,017	(102,737)	56,280
			36,464	(23,915)	12,549	33,388	(19,057)	14,331
			254,646	(235,673)	18,973	267,201	(237,864)	29,337
			158,743	(85,444)	73,299	72,271	(82,509)	(10,238)
			1,004,468	(598,973)	405,495	879,087	(590,296)	288,791
			853	-	853	841	-	841
			-	(7,503)	(7,503)	-	(6,773)	(6,773)
			25,294	(2,504)	22,790	23,262	(1,919)	21,343
			-	(290,595)	(290,595)	-	(256,238)	(256,238)
			26,147	(300,602)	(274,455)	24,103	(264,930)	(240,827)
			1,030,615	(899,575)	131,040	903,190	(855,226)	47,964
					(3,735)			(64,697)
					(59,722)			(84,437)
					67,583			(101,170)

Movement in Reserves Statement

This statement shows the detail of the movement from the start of the year to the end of the year on the different reserves held by the Council. These reserves are analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable Reserves'. The statement shows how the movements to the reserves in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. The Increase/(Decrease) line shows the net movement to the statutory General Fund Balance and Housing Revenue Account Balances in the year.

Note	General Fund		Schools	Housing Revenue Account			General Fund and HRA		Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves of the Authority £'000
	General Fund Balance	GF Earmarked Reserves	Schools Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve			
	£'000	£'000	£'000	£'000		£'000	£'000	£'000			
Balance at 31 March 2024	26,845	3,280	11,355	15,101	6,811	3,186	7,065	45,339	118,981	1,467,836	1,586,817
(Surplus)/Deficit On Provision Of Services	(95,806)	2,852	(3,505)	(34,581)	-	-	-	-	(131,040)	63,457	(67,583)
Adjustments between accounting basis & funding basis under regulations	70,411	-	-	34,581	-	1,116	11,175	(13,522)	103,761	(103,761)	-
Increase/(Decrease) in Year	(25,395)	2,852	(3,505)	-	-	1,116	11,175	(13,522)	(27,279)	(40,304)	(67,583)
Balance at 31 March 2025	1,450	6,132	7,850	15,101	6,811	4,302	18,240	31,817	91,702	1,427,532	1,519,234

Note	General Fund		Schools	Housing Revenue Account			General Fund and HRA		Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves of the Authority £'000
	General Fund Balance	GF Earmarked Reserves	Schools Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve			
	£'000	£'000	£'000	£'000		£'000	£'000	£'000			
Balance at 31 March 2023	26,839	17,141	11,791	15,186	-	2,053	4,928	39,190	117,127	1,368,520	1,485,647
(Surplus)/Deficit On Provision Of Services	(49,084)	(13,861)	(436)	8,606	6,811	-	-	-	(47,964)	149,134	101,170
Adjustments between accounting basis & funding basis under regulations	49,090	-	-	(8,691)	-	1,133	2,137	6,149	49,818	(49,818)	-
Increase/(Decrease) in Year	6	(13,861)	(436)	(85)	6,811	1,133	2,137	6,149	1,854	99,316	101,170
Balance at 31 March 2024	26,845	3,280	11,355	15,101	6,811	3,186	7,065	45,339	118,981	1,467,836	1,586,817

Movement in Unusable Reserves Statement

This statement shows the detail of the movement from the start of the year to the end of the year on the Unusable Reserves held by the Council breaking down the total figure for these reserves. The statement shows how the movements to the reserves in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year.

Page 40

Note	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Account £'000	Dedicated Schools Grant Adjustment Account £'000	Pooled Investment Fund Adjustment Account £'000	Total Unusable Reserves £'000
Balance at 31 March 2024	698,005	1,002,804	(544)	(183,052)	8,658	(6,384)	(50,582)	(1,069)	1,467,836
(Surplus)/Deficit On Provision Of Services	3,735	-	-	59,722	-	-	-	-	63,457
Adjustments between accounting basis & funding basis under regulations	(15,795)	(51,353)	98	493	(21,423)	(458)	(15,313)	(10)	(103,761)
Increase/(Decrease) in Year	(12,060)	(51,353)	98	60,215	(21,423)	(458)	(15,313)	(10)	(40,304)
Balance at 31 March 2025	685,945	951,451	(446)	(122,837)	(12,765)	(6,842)	(65,895)	(1,079)	1,427,532

Note	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Account £'000	Dedicated Schools Grant Adjustment Account £'000	Pooled Investment Fund Adjustment Account £'000	Total Unusable Reserves £'000
Balance at 31 March 2023	649,730	1,008,103	(640)	(260,645)	1,236	(5,870)	(21,887)	(1,507)	1,368,520
(Surplus)/Deficit On Provision Of Services	64,697	-	-	84,437	-	-	-	-	149,134
Adjustments between accounting basis & funding basis under regulations	(16,422)	(5,299)	96	(6,844)	7,422	(514)	(28,695)	438	(49,818)
Increase/(Decrease) in Year	48,275	(5,299)	96	77,593	7,422	(514)	(28,695)	438	99,316
Balance at 31 March 2024	698,005	1,002,804	(544)	(183,052)	8,658	(6,384)	(50,582)	(1,069)	1,467,836

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories:

The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to maintaining a prudent level of reserves and requirement to maintain any statutory limitations on their use. The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available if the assets were sold; and reserves that hold differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations.

		31 March 2025	31 March 2024
	Note	£'000	Restated £'000
Property, Plant & Equipment	9	2,011,189	1,960,801
Infrastructure Assets	9A	190,645	187,054
Intangible Assets	9B	3,197	1,453
Heritage Assets	12	6,683	6,529
Investment Properties	13	4,035	4,267
Right of Use Assets	36	5,403	-
Long Term Investments	14	18,516	19,493
Long Term Debtors	17	1,153	1,917
LONG TERM ASSETS		2,240,821	2,181,514
Short Term Debtors	15	80,149	83,382
Short Term Investments	14	1,043	1,005
Cash and Cash Equivalents	20	26,206	46,910
CURRENT ASSETS		107,398	131,297
Short Term Provisions	21	(6,457)	(3,326)
Short Term Borrowing	14	(123,988)	(102,799)
Short Term Creditors	18	(111,597)	(103,454)
Revenue Grants Receipts in Advance*	34	(6,270)	(1,153)
CURRENT LIABILITIES		(248,312)	(210,732)
Long Term Provisions	21	(1,015)	(984)
Long Term Borrowing	14	(387,785)	(246,273)
Long Term Creditors	19	(3,508)	(2,916)
Capital Grant Receipts in Advance	34	(60,752)	(82,037)
Deferred Lease Liabilities	36	(4,778)	-
Net Liabilities Related to Defined Benefit Pension Schemes	44	(122,837)	(183,052)
LONG TERM LIABILITIES		(580,675)	(515,262)
NET ASSETS		1,519,234	1,586,817
Usable Reserves		91,702	118,981
Unusable Reserves	22	1,427,532	1,467,836
TOTAL RESERVES		1,519,234	1,586,817

*The 2023/24 short term creditors comparator has been restated for £1,153k revenue grants receipts in advance previously reported under short term creditors now disclosed separately in note 34.

Balance Sheet



Steve Muldoon
Corporate Director of Finance (S151 officer)
XX February 2026

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

The Cash Flow Statement and associated notes have been restated for 2023/24 due to changes in the methodology in compiling the Statement.

	Note	2024/25 £'000	2023/24 £'000
Net deficit on the provision of services	23	131,040	47,964
Adjust net (surplus) on the provision of services for non cash movements	23	(191,573)	(112,187)
Adjust for items in the net deficit on the provision of services that are investing or financing activities	23	89,131	70,316
Net cash flows from operating activities	23	28,598	6,093
Net cash flows from investing activities	24	143,423	46,877
Net cash flows from financing activities	25	(151,317)	(39,355)
(Increase)/Decrease in cash and cash equivalents		20,704	13,615
Cash and cash equivalents at the beginning of the reporting period		(46,910)	(60,525)
Cash and cash equivalents at the end of the reporting period		(26,206)	(46,910)

Statement of Accounting Policies

The Statement of Accounts summarise the authority's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

GOING CONCERN

The Council is required to prepare an annual Statement of Accounts which summarises the Council's transactions for the 2024/25 financial year and its position as at the year-end of 31 March 2025. The Statement of Accounts must be prepared in accordance with proper accounting practices as per the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 supported by International Financial Reporting Standards (IFRS). The accounting policies adopted in the Statement of Accounts are principally based on historical cost, modified where appropriate by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Accounts has been prepared on a going concern basis. This assumes that the functions and services of the Council will continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of authorisation of the financial statements. In assessing the appropriateness of this basis, consideration has been given to the Council's financial position as at 31 March 2025, its forecast financial position over the medium term, its liquidity and cashflow management arrangements, and the wider economic and funding environment within which the Council operates.

Financial position at 31 March 2025

The Council's financial performance for 2024/25 is set out in the Narrative Statement. The General Fund outturn position for the year is a deficit of £25.4m after the use of earmarked reserves. As a result, total General Fund and Earmarked Reserves at 31 March 2025 stood at £7.6m, of which £1.5m represents the General Fund balance. Of the remaining earmarked reserves, £5.8m are assessed as controllable.

The outturn deficit was driven by two principal factors:

- £14.1m of one-off accounting corrections in respect of the balance sheet review impacting the revenue position; and
- £8.5m of in-year service pressures, primarily within Homelessness, Children's Social Care and Adults' Social Care, reflecting sustained demand and cost pressures.

Following this outturn, the Section 151 Officer assessed that the Council's reserve position was materially below its prudent minimum level. For context, the minimum prudent balance for the General Fund and controllable reserves was assessed at £32m for 2025/26. The year-end reserve position is therefore considered to be inadequate.

2025/26 financial position and Exceptional Financial Support

The Council set a budget for 2025/26 alongside a five-year medium-term financial strategy, reported to Cabinet in February 2025, in the context of a one-year funding settlement, high inflation, and rising demand for services. The Section 25 statement accompanying the budget highlighted the scale of financial risk and the requirement for timely corrective action. The Council identified savings proposals totalling £38.8m for 2025/26, largely service-specific in nature with £24m on track for delivery at period 7 monitoring, supported by longer-term transformation plans. However, the Month 7 monitoring report for 2025/26 forecasts a revenue overspend of £36.0m, resulting in a projected General Fund deficit of £34.5m and a depletion of controllable reserves to a negative position. This along with reduced working capital impacts the Council's cash position.

Statement of Accounting Policies

In light of this position, the Council has entered formal discussions with the Ministry of Housing, Communities and Local Government (MHCLG) regarding the provision of Exceptional Financial Support (EFS). The application seeks support to:

- offset the forecast overspend in 2025/26;
- replenish General Fund and Earmarked Reserves; and
- enable the Council to set a balanced budget for 2026/27.

Indicative requirements for subsequent years have also been included, recognising the Council's obligation to maintain financial sustainability over the medium term. An in-principle decision from Government is expected in February 2026. Given the progress of these discussions and the expectation of EFS approval, the Section 151 Officer has concluded that it is not currently necessary to issue a Section 114 notice, though this position remains under close and continuous review.

As part of the EFS process, MHCLG has engaged the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake an independent assessment. This review commenced in December 2025 and will cover financial sustainability, capital and debt management, governance, service delivery, and the Council's improvement plans.

In parallel, the Council has implemented enhanced financial controls to manage in-year expenditure and limit further deterioration of the financial position. These include:

- a Spend Control Panel for all expenditure above £500;
- a Contracts and Commercial Panel for procurement decisions;
- a Recruitment Approval Panel for all staffing activity; and
- specific review arrangements for placements within Housing, Adults' and Children's Social Care.

These controls have stabilised the financial position during 2025/26 and support delivery of savings and service reforms.

Outlook

The provisional local government finance settlement announced in December 2025 indicates an increase in funding to Hillingdon of £105.2m over the three-year period to 2028/29, including council tax assumptions, or £76.6m excluding council tax. Final confirmation of the settlement is expected in February 2026. This provides a more certain medium-term funding outlook, which, combined with the Finance Modernisation Programme, will support the Council's objective of restoring financial resilience and reducing reliance on EFS over time. The Council's aim is to return to a balanced, self-sustaining financial position by 2028/29.

The Council actively manages its cashflow through daily forecasting and treasury management. A minimum level of £10m of liquid cash and deposits is maintained at all times, held in a combination of UK banks, Money Market Funds and the HM Treasury Debt Management Account Deposit Facility (DMADF). In addition, approximately £15m is held in strategic and long-dated pooled funds that can be accessed within four working days. Cashflow forecasts indicate that, without EFS, liquid balances would fall to critically low levels during March 2026. The Council has mitigations available, including short-term borrowing from other local authorities and access to borrowing from the Public Works Loans Board, with sufficient headroom against its Capital Financing Requirement. Agreement of EFS would provide additional flexibility to manage short-term liquidity and borrowing if required.

Conclusion

Local authorities are required by statute to prepare their accounts on a going concern basis, as they can only be discontinued through legislative process. However, in accordance with the Code of Practice, the Council has assessed whether material uncertainties exist that may cast significant doubt on its ability to continue as a going concern.

The Council considers that without the provision of Exceptional Financial Support there would be a material uncertainty in respect of its ability to maintain adequate reserves and liquidity over the going concern period. On the basis that EFS is expected to be approved by Government, the Council has concluded that it remains appropriate to prepare the 2024/25 Statement of Accounts on a going concern basis. The going concern assessment covers a period of twelve months from the date of authorisation of the financial statements.

Statement of Accounting Policies

CAPITAL

1. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others for administration purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in the accounts, provided that the asset yields benefits to the Council for a period of more than one year and the cost of the item can be measured reliably. This excludes expenditure on routine repairs and maintenance of non-current assets that is charged directly to service revenue accounts when incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the balance sheet valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS). Property, Plant and Equipment are included in the balance sheet on the following basis:

- Community assets and assets under construction are included in the balance sheet at historic cost less impairment.
- Dwellings are carried at existing use valuation, Social Housing, determined using the basis of existing use value for social housing.
- Surplus assets are measured at fair value, estimated at highest and best use from a market participant's perspective.
- All other asset classes are measured at current value in its existing use. For land, buildings and assets which are not held for the purpose of generating cash flows, the value represents the amount that would be paid for the asset in its existing use. Where there is no market-based evidence of fair value due to the specialised nature of the asset, the asset is valued at its depreciated replacement cost.
- Plant and machinery forming an integral part of the property is included in the valuation of the buildings. Other plant, machinery, vehicles and mobile units have been given a value on the basis of historical costs as a proxy for current value.

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum, assets are valued every five years. Investment Properties are revalued yearly at fair value. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains (exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation loss previously charged to a service).

Statement of Accounting Policies

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains) with any excess written down against the relevant service line in the Comprehensive Income and Expenditure Statement.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The de minimis value of £10k has been removed for capital purchases with all expenditure meeting the definition of capital expenditure to be accounted for as such. The £10k de-minimis remains for valuations. To reduce negligible enhancements on the asset register, capital expenditure below £10k will be accounted for as Revenue Expenditure Funded from Capital Under Statute where permissible and appropriate, ie it is financed as though it were capital expenditure but will not result in a change to the carrying amount of an asset on the asset register and Balance Sheet.

The Council only includes maintained schools in its asset register and only where it owns or controls the assets; this includes foundation schools. Academies are external to local authorities and are not included. The Council does not own or control Voluntary Aided school assets as they are owned by the Diocese or Church of England and the value of these assets are not included in the Council's Balance Sheet.

The equity investment in the 100% wholly owned subsidiary of Hillingdon First Limited is classified as capital expenditure and included in Long Term Investments within the Balance Sheet.

Impairment / Revaluation Loss

An impairment review of all assets is undertaken at the end of each financial year. Losses arising from an impairment or revaluation loss are written off against any revaluation gain attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

Where a revaluation loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided in the accounts in accordance with the International Accounting Standard (IAS) 16 and CIPFA guidelines. IAS 16 states that depreciation is to be provided on all Plant, Property and Equipment, other than for assets without a determinable finite useful life (i.e. freehold land, certain Community Assets and certain heritage assets) and assets that are not yet available for use (i.e. Assets Under Construction). The depreciation policy is that depreciation is calculated on a straight-line method and is based on the following useful lives approach unless specific information exists for an asset:

Infrastructure	40 years
Vehicles, Plant, Furniture & Equipment	3 to 30 years
Council Dwellings	Depreciated on straight line basis over maximum useful life up to 60 years
Other Land & Buildings	Useful life varies depending on the condition, type and usage of the asset, up to 60 years for buildings and infinite life for Land.
Surplus Assets	Useful life varies depending on the condition, type and usage of the asset
IT Equipment and Intangible Assets	5 to 7 years

Statement of Accounting Policies

Where an item of Property, Plant and Equipment has major components with useful lives different to the main asset, and the cost of that component is material (20% or £1m), the asset is split into component parts and depreciated separately. As a result of asset componentisation, certain components may be classified under different classes within Property, Plant and Equipment. For example, Mechanical and Electrical components within buildings are classed under Vehicles, Plant and Equipment. Where component assets are replaced, the carrying value of the asset is reviewed with an estimate made on the carrying amount of the old component being replaced to be written out.

Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is charged annually and is charged in full in the year of disposal and not in the year of acquisition. Assets under construction do not incur depreciation until they are complete. Depreciation is not charged on assets classified as held for sale.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction expected within the following year, rather than through its continuing use, it is reclassified as an Asset Held for Sale. There must be a management decision that the asset will be sold and it must be actively marketed. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the net loss on disposal of non-current assets line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed or decommissioned, any loss or profit on disposal is recognised in other operating expenditure. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund or Housing Revenue Account Balance in the Movement in Reserves Statement.

The flexibility over the use of capital receipts generated in the year in which they were received will be taken as per statutory guidance from the Ministry of Housing, Communities and Local Government to finance costs associated with service transformation and support the Dedicated Schools Grant safety valve agreement to reduce the deficit on the DSG.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Therefore, the loss or profit on sale is appropriated to the Capital Adjustment Account from the General Fund Balance via the Movement in Reserves Statement.

Council houses are sold at a discount in accordance with the legislative requirements. Some land and property may be sold at a discount or at nil value to housing associations in return for nomination rights (i.e. taking tenants from the Council's waiting list); other assets are sold at market value.

Commitments to make stock transfers are valued at estimated tenanted market value at the time the transfer is agreed, and an adjustment made to the non-current assets with any loss charged to the HRA Comprehensive Income and Expenditure Statement. An adjustment is made to non-current assets for any change to this valuation at the time of actual disposal.

Statement of Accounting Policies

Deferred credits on the Balance Sheet relate mainly to the sale of Council houses and reflect the amount of mortgage principal outstanding on sales, which will be transferred to capital receipts when paid.

Grants and contributions: Where grants and contributions are received that are identifiable for spend on Property, Plant and Equipment, the income is credited to the Comprehensive Income and Expenditure Statement under Taxation and Non-Specific Grant Income. These are then transferred to the Capital Grants Unapplied Reserve if not used and the Capital Adjustment Account when applied. If the grants have a condition for repayment and remain unapplied at the end of the year, they are held on the Balance Sheet as creditors.

2. Heritage Assets

The Council owns a number of heritage assets across the borough. The primary objective of holding these assets is for increasing the knowledge understanding and appreciation of the local history within the borough.

Where there is an open market, such assets will be valued at market value; assets with no marketable value will be held at replacement cost.

Where it is impossible to establish a value by either of these methods, the Council will consider other valuation methodologies such as insurable value; otherwise, the asset will be held at nil value but disclosed as a note to the accounts. Further details can be found in the Heritage assets note to the accounts.

Acquisitions of heritage assets can be made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at market value or other valuation methodology.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

3. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events, such as software licences, are only recognised on the Balance Sheet when they are purchased or where internally developed and the Council can demonstrate:

- The technical feasibility of completing the asset;
- Its intention and the availability of adequate resources to complete the asset;
- Its ability to use or sell the asset;
- How the asset will generate future economic benefits or deliver service benefits; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are included at historical cost and only re-valued in line with IAS 38, where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. Intangible assets are amortised over their useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the net loss on disposal of non-current assets line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Statement of Accounting Policies

4. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are charged the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses on tangible non-current assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off; and
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a revenue provision in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

5. Revenue Expenditure Funded from Capital under Statute

Revenue Expenditure Funded from Capital under Statute represents expenditure that may properly be capitalised, but which does not result in the creation of a non-current asset, for example housing association grants, capital expenditure on non-maintained schools and housing improvement grants. Such expenditure is taken to service revenue in the year in which the expenditure is incurred. Where the Council has determined to meet the cost of this from existing capital resources or by borrowing, a transfer to the Capital Adjustment account reverses the amounts charged to the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement so there is no impact on the level of Council Tax.

From 1 April 2016, extended to 31 March 2030 the Council is allowed under Guidance published by MHCLG to flexible use of capital receipts on areas of revenue cost which generate ongoing savings to the Council. In the case where revenue spend is identified as meeting the criteria to use flexible capital receipts, the Council will meet the cost of the reform through capital receipts generated during the same financial year. Where the Council has determined to meet this cost from capital receipts a transfer to the Capital Adjustment Account reverses the amounts charged to the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement so there is no impact on the level of Council Tax.

6. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are re-valued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Net Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

7. Leases

From 1 April 2024, IFRS 16 Leases as adopted by the CIPFA Code of Practice on Local Authority Accounting is applicable. The new accounting standard requires that the rights to use items acquired under leases (except short term

Statement of Accounting Policies

and low value leases) are recognised as assets on the Balance Sheet, together with a liability for the payments to be made for the acquisition. Previously this was only done for leases where the Council acquired substantially all the risks and rewards of ownership of the leased item (finance leases).

The Council as Lessee

The Council classifies leases based on the substance of the surrounding contractual arrangement. Contracts, including contracts for the delivery of services, are analysed to determine whether they convey the right to control the use of a specified asset, through the right to obtain substantially all the economic benefits or service potential from the use of that asset, and to direct its use during the period of the contract. The Code has extended the requirements of IFRS 16 to include arrangements where there is nil consideration, peppercorn or nominal payments.

Initial recognition

Leases are recognised as a right of use asset with a corresponding lease liability at the date from which the asset is available for use or from 1 April 2024, the IFRS 16 transition date, if later. The leases are typically for fixed periods in excess of one year but may have extension options.

The Council initially recognises lease liabilities measured as the present value of future lease payments discounted using the implicit rate in the lease. Where the implicit rate in the lease cannot be determined, the Council uses its incremental borrowing rate, based on the expected term of the lease, as the discount factor.

The lease payments used in the determination of the lease liability include:

- fixed rental payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate at the adoption data
- amounts expected to be payable under a residual value guarantee
- the price payable under a purchase option if the Council is reasonably certain to exercise that option
- lease payments in an optional renewal period if the Council is reasonably certain to exercise that option
- penalties for early termination of the lease unless the Council is reasonably certain not to exercise the option for early termination.

The right of use asset is measured at the amount of the lease liability, adjusted for any prepayments made plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on which it is located less any incentives received. For right of use assets where the Council is paying a peppercorn, nominal payments or nil consideration, the asset is measured at fair value.

Subsequent measurement

The right of use asset is subsequently measured using the fair value model. The Council considers that the cost model represents a reasonable proxy for the fair value of a right of use asset except where:

- assets are held under non-commercial leases, that is, leases where the Council is paying a peppercorn, nominal payments or nil consideration
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of greater than five years.

For leases not valued under the cost model, the right of use asset is carried at a revalued amount. The Council determines that the value of right of use assets held under index-linked leases have been adjusted for changes in the relevant index while assets held under peppercorn or nil consideration leases have been valued by a valuer with appropriate qualifications.

The right of use asset is depreciated on a straight-line basis over the shorter period of the remaining lease term and useful life of the underlying asset at the date of adoption.

Statement of Accounting Policies

The lease liability is subsequently measured at amortised cost, using the effective interest rate method. The Council remeasures the lease liability when there is a change in:

- future lease payments arising from a change in the index or rate
- the estimated amount payable under a residual value guarantee
- the Council's assessment of whether it will exercise a purchase, extension or termination option, or
- a fixed lease payment.

When a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right of use asset with any further adjustment required from remeasurement recorded in the income statement.

Lease expenditure

Lease payments are debited against the lease liability. The Comprehensive Income and Expenditure Statement is charged each year with:

- interest
- straight line depreciation
- any asset impairments, and
- changes in variable payments that are not included in the measurement of the lease liability.

Right-of-use assets recognised under leases are subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life. This will include valuation where the cost model does not provide a reliable proxy for the current value of the right-of-use asset.

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue (MRP) towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Low value and short-term leases

As permitted by the Code, the Council does not recognise a right of use asset or a corresponding lease liability for those leases where:

- the asset is considered to be a low-value item that cost less than £10,000 when new and is not highly dependent on or integrated with other items, and
- the term of the arrangement is less than 12 months taking into account the non-cancellable term of the arrangement plus any options to extend the arrangement that the Council is reasonably certain to exercise and any termination options that the Council is reasonably certain not to exercise.

Where leases are for items of low value, or the lease term is less than 12 months from commencement, amounts paid under the lease are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased item. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

The Council continues to classify leases as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the asset from the Council to the lessee. All other leases are classified as operating leases

Finance Leases

Statement of Accounting Policies

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Net Loss on Disposal of non-current assets line in the Comprehensive Income and Expenditure Statement. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Unapplied Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

8. Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at

Statement of Accounting Policies

amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Sensitivity analysis was conducted to determine the appropriate useful life for all components of infrastructure assets on a weighted average basis, based on the minimum, midpoint and maximum useful lives as recommended by CIPFA and endorsed by the UK Roads Leadership Group Asset Management Board. It was concluded that 40 years is applicable. Annual depreciation is the depreciation amount allocated each year.

REVENUE

9. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Disclosures will be omitted if the information is not material.
- The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.
- Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the applicable exchange rate.

10. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 working hours. Cash equivalents are investments that are held in instant access accounts, readily convertible to known amounts of cash with insignificant risk of change in value. Amounts held in fixed-term deposits not accessible within 24 working hours are not classified as cash equivalents, but as short-term investments. Any accrued interest will be treated in the same manner as the principal investment except for long-term investments with remaining terms in excess of 365 days; in these cases, accrued interest will be shown as short-term investments.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand. These form an integral part of the Council's cash management.

Statement of Accounting Policies

11. Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Due to the requirement to present the financial statements with figures rounded to whole thousands, the figures reported are subject to rounding errors which are negligible differences from the actual figures in the Council's ledger. Rounding errors in the accounts are kept to a minimum and do not materially affect the reliability of the information provided.

12. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave, paid sick leave, other leave and non-monetary benefits, where material, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. Any accrual made is required under statute to be reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

The Council participates in four defined benefit pension schemes-

- The Teachers' Pension Scheme;
- The NHS Pension Scheme;
- The London Borough of Hillingdon Pension Fund of the Local Government Pension Scheme (LGPS), administered locally by the Council; and

Statement of Accounting Policies

- The London Pension Fund Authority Pension Fund of the LGPS, which is a closed arrangement for former employees administered by the London Pension Fund Authority.

The accounts fully conform to the International Accounting Standard 19 (IAS 19) relating to Pension Fund liabilities. Both the Comprehensive Income and Expenditure Statement and the Balance Sheet reflect the effects of these requirements.

Teachers' Pension Scheme

- The Teachers' Pension Scheme is unfunded and administered on behalf of the Department of Education (DfE) by Capita. The pension cost charged to the accounts is the contribution rate set by the DfE on the basis of a notional fund. The arrangements for the teachers' scheme mean that the liabilities for the benefits cannot be identified specifically to the Council. As such the scheme is accounted for as if it was a defined contribution scheme and no liability for future payment has been recognised in the Council's Balance Sheet. The Schools Budget line in the Council's Comprehensive Income and Expenditure Statement is charged with the employers' contributions made into this scheme.

NHS Pensions Scheme

- The NHS Pension Scheme is unfunded and is administered by NHS Business Services Authority. The arrangements for the NHS scheme mean that liabilities for the benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Council's Balance Sheet. The relevant service line in Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme

- The pension liabilities attributable to the Council under the LGPS are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices.
- The Pension Fund assets attributable to the Council is included in the Balance Sheet at fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the

Statement of Accounting Policies

Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Operating Budgets.

- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on assets – excluding amounts included in net interest on the net defined benefit liability (asset) the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to pension funds – cash paid as employer's contribution to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued for in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

13. Long Term Contracts

The Council has entered into a number of long-term contracts that have commitments beyond the period of account. These are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. Material future fixed commitments are outlined in a note to the accounts.

Statement of Accounting Policies

14. Private Finance Initiative (PFI) Contract

The Council had one PFI contract that expired in 2024/25 which related to an Academy school. The asset is not recognised on the Council's Balance Sheet as it is leased out to the Academy under a finance lease. The PFI liability continues to be recognised in the Council's accounts.

The amounts payable to the PFI operators each year are analysed into three elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as a finance lease)

15. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants, third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions where conditions have not been satisfied are carried in the Balance Sheet as revenue or capital grants receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grant Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grant Unapplied reserve are then transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Grant recognition will be considered and accounted for in accordance with the provisions of IFRS 15 and whether the Council is acting as a 'Principal or Agent'.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the demands that development places on local areas. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above.

Statement of Accounting Policies

CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure covering administration costs.

16. Inventories and Work in Progress

Inventories held by the Council are de-minimis and are expensed through the Comprehensive Income & Expenditure Statement.

17. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council. The non-current assets of Voluntary Aided schools owned by faith organisations are found not to be controlled by the Council and as such the assets are not held within the Council's balance sheet under Property, Plant and Equipment.

18. Fair Value

Fair value measurement is defined by IFRS13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition is applied to all fair value measurement for non-operational property, plant and equipment (surplus assets), investment property as well as for financial instruments. Operational property, plant and equipment continue to be valued in line with its existing use. Fair value assumes the transaction to sell the asset takes place in the principal market for the asset or liability or in the absence of the principle market in the most advantageous market. When measuring non-operational property, plant and equipment, the fair value at highest and best use is adopted. Valuation techniques maximise known data and minimise the use of estimates or unknowns. This takes into account three levels of valuation inputs:

- Level 1 - Quoted prices
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs for the asset or liability

19. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation the existence of which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

20. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21. Provisions and Reserves

The Council is required to set aside money to cover future known or anticipated liabilities and each reserve or provision should be clearly identifiable as to its purpose and usage.

Statement of Accounting Policies

Provisions

Provisions are established for any liabilities of uncertain timing or amount that have been incurred. Provisions are recognised when: -

- There is a present obligation (legal or constructive) as a result of a past event;
- It is probable that a cost will have to be met to settle the obligation; and
- A reliable estimate of the cost can be made.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When a payment for expenditure against a provision is made, the expenditure is charged directly to that provision. All provisions are reviewed each year.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Impairment Allowance

No provision is made for debts that are secured except in exceptional circumstances. Of all remaining debts, and excluding financial instruments where an expected credit loss model is applied, the Council makes an impairment allowance based upon continuous reviews of likely recovery undertaken by service managers and supporting finance staff.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund and/or HRA Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council.

In November 2020 a statutory instrument came into effect amending the Local Authority (Capital Finance and Accounting) Regulations (2003 Regulations) by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits. This relates to deficits in local authority accounts from 1st April 2020 onwards. The Council is not required to charge the deficit to a revenue account but instead records any such deficit in an account established solely for recording schools' deficits. This account is the Dedicated Schools Grant Adjustment Account and sits within Unusable Reserves. In-year deficits relating to Dedicated Schools' Grant are transferred to the Dedicated Schools Grant Adjustment Account through adjustments between funding and accounting under regulations.

22. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

Statement of Accounting Policies

Amortised Cost

Where the Council's business model is to hold investments to collect contractual cash flows these are classified as amortised cost. Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the agreement.

The Council recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. Lifetime losses using the simplified approach are recognised for trade receivables held by the Council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Soft Loans

Soft loans are when the Council makes loans to voluntary and applicable organisations at less than market rates. When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the applicable organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels shown described in item 18 Fair Values.

The Council has applied the statutory override to its long term strategic pooled fund holdings and any movements in the fair value will be reversed through the MIRS into an unusable reserve.

Statement of Accounting Policies

As the equity investment in Hillingdon First Limited is classified as capital expenditure any change in fair value will be adjusted through the MIRS into the Capital Adjustment Account.

Fair Value through Other Comprehensive Income (FVOCI)

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Gains or losses arising from a change in the fair value will be reflected in the carrying amount of the instrument and updated in the Financial Instrument Revaluation Reserve.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with any accrued fair value change being released from the Financial Instrument Revaluation Reserve.

Financial guarantees entered into before 1 April 2006 are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Financial assets and liabilities are set-off against each other where the Council has a legally enforceable right to set-off and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

23. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

- **Amortised Cost** - contains all of an authority's financial liabilities that are not 'held for trading' or derivatives.

The liability is maintained in the Balance Sheet at amortised cost. Initial measurement will be at fair value, normally the amount of the originating transaction, less transaction costs where material. The effective interest rate is then calculated, the effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. Annual charges to the Comprehensive Income and Expenditure Statement are made for interest payable and are based upon the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet for most borrowings is the outstanding principal payable plus any accrued interest.

24. Redemption of Debt

The Council sets aside resources each year for the repayment of historical debt. Debt held by the Council is distinguishable into three types of loans:

(a) Maturity loans - where the principal is repaid in full on the date the loan matures and interest is paid every 6 months. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.

(b) Equal Instalment of Principal (EIP) Loans - where an equal instalment of principal based on the life of the loan is repaid every six months. Interest is paid every six months based on the outstanding balance. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.

(c) LOBO (lender's option, borrower's option) loans - where the principal is borrowed at a fixed rate of interest for a specified period of time, after which the lender has the option to change the rate of interest and the borrower has the option to continue with the loan at the new rate or repay the principal before maturity without penalty. If the lender does not change the rate, the principal is repaid in full on the date the loan matures. In the interim, interest payments are made every six months. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.

Statement of Accounting Policies

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Net Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is calculated by discounting the revised contractual cash flows with the original effective interest rate. This is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

25. Minimum Revenue Provision

Where the Council finances its capital programme through borrowing it must set aside resources annually through a Minimum Revenue Provision (MRP). This is within the revenue budget to repay the debt in later years. MRP will generally be charged over the useful life of the assets, beginning in the year after the asset becomes operational. In all cases the Council will consider the most prudent method of providing for debt repayment. The annual MRP policy is included within the annual Treasury Management Strategy statement approved by Cabinet and Council in February. All MRP charges on previous and future borrowing are charged using the Asset Life Annuity method allowed within the statutory MRP guidance.

The HRA makes a form of MRP to pay down its self-financing settlement debt over the 30-year business cycle on which the settlement is based as a provision for repayment of debt.

26. Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and national non-domestic rates (NNDR). The key features relevant to accounting for Collection Fund activity in the core financial statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes income on behalf of the major preceptors and itself.
- While the income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

As the collection of Council Tax and NNDR income is in substance an agency arrangement, cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors as do the risks. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers and local Business Ratepayers.

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Statement of Accounting Policies

27. VAT

Income and Expenditure excludes any amounts relating to VAT, as all VAT collected is payable to HM Revenue & Customs. VAT is included in the Income and Expenditure statement whether of a capital or revenue nature only to the extent that it is irrecoverable.

28. Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

29. Exceptional Items and Prior Year Adjustments

Exceptional items are included in the cost of the service to which they relate or on the face of the Income and Expenditure Statement if required to give a fair presentation of the accounts.

Account is taken of material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors by restating the comparative figures for the preceding period. The cumulative effect of prior period adjustments is included within the Comprehensive Income and Expenditure Statement for the current period.

Notes to the Main Financial Statements

1. EXPENDITURE AND FUNDING ANALYSIS

Since the production of the 2023/24 Statement of Accounts the Council structure has altered with certain services now reporting to different portfolios. As such the statement below shows the movement of funding used to provide services relating to the General Fund, from the originally published 2023/24 Statement of Accounts to the new Council structure.

The reported outturn position to Cabinet for 2023/24 is reflected in the table below alongside the restatement required to align the comparator cost of service to the management structure as at 31 March 2025, for the opening EFA position. The EFA then shows how these figures feed through to the Comprehensive Income and Expenditure Statement.

Restatement of 2023/24 Published Accounts			
Council Structure as per 2023/24 Statement of Accounts	Published EFA - Total Net Expenditure Charged to GF & HRA Balances £'000	Restated as per Council Structures 31 March 25 £'000	Restated EFA - Charged to GF & HRA Balance Total Net Expenditure £'000
Children, Families & Education	99,336	Children, Families & Education	70,380
Residents' Services	34,217	Community & Environment	49,650
Property, Highways & Transport	27,067	Corporate Services & Property	37,000
Corporate Services	29,497		
Finance	23,296	Finance & Transformation	42,051
Health and Social Care	56,279	Health and Social Care	56,280
		Planning, Housing & Growth	14,331
Corporate Funding	-	Corporate Funding	-
Total General Fund	269,692	Total General Fund	269,692
Schools	29,337	Schools	29,337
HRA	(10,238)	HRA	(10,238)
Total Other Funds	19,099	Total Other Funds	19,099
Net Cost of Services	288,791	Net Cost of Services	288,791

Notes to the Main Financial Statements

The **Expenditure and Funding Analysis (EFA)** shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	Total Net Expenditure Charged to GF & HRA Balances	Adjustments between the Funding & Accounting Basis (Note 1A)	Earmarked Reserve Adjustments (Note 5)	Adjustments between Funding & Other Income and Expenditure on the Provision of Services (Note 1B)	Net Expenditure in Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
2024/25					
General Fund					
Children, Families & Education	79,923	36,629	(353)	(9)	116,190
Community & Environment	31,138	4,337	22	(24)	35,473
Corporate Services & Property	15,972	23,293	14	-	39,279
Finance & Transformation	59,618	(3,489)	547	(6,544)	50,132
Health & Social Care	113,704	2,697	(261)	(56,540)	59,600
Planning, Housing & Growth	13,398	(681)	66	(234)	12,549
Corporate Funding	(288,358)	21,423	(2,886)	269,821	-
Total General Fund	25,395	84,209	(2,852)	206,470	313,223
Other Funds					
Schools	3,505	15,471	-	(3)	18,973
Housing Revenue Account	-	80,420	-	(7,121)	73,299
Total Other Funds	3,505	95,891	-	(7,124)	92,272
Net Cost of Services	28,900	180,100	(2,852)	199,346	405,495
Other Income and Expenditure on the Provision of Services	-	(75,109)	-	(199,346)	(274,455)
(Surplus)/Deficit on Provision of Services	28,900	104,991	(2,852)	-	131,040

Movement in Balances 2024/25

	£'000
Opening General Fund and HRA Balance	63,392
General Fund Deficit	(25,395)
HRA Surplus	-
Schools Reserve Movements	(3,505)
Other Earmarked Reserve Movements	2,852
Closing General Fund and HRA Balance at 31 March 2025	37,344

Notes to the Main Financial Statements

The EFA and associated Notes 1A, 1B and 2 Segmental Income and Expenditure have been restated for 2023/24 to align the comparator cost of service to the Council's updated management structure as at 31 March 2025

	Total Net Expenditure Charged to GF & HRA Balances (Restated)	Adjustments between the Funding & Accounting Basis (Note 1A) (Restated)	Earmarked Reserve Adjustments (Note 5) (Restated)	Adjustments between Funding & Other Income and Expenditure to the Provision of Services (Note 1B) (Restated)	Net Expenditure in Comprehensive Income and Expenditure Statement (Restated)
	£'000	£'000	£'000	£'000	£'000
2023/24					
General Fund					
Children, Families & Education	67,200	303	2,877	-	70,380
Community & Environment	27,494	19,743	2,835	(422)	49,650
Corporate Services & Property	18,360	17,674	966	-	37,000
Finance & Transformation	49,157	5,335	(11,517)	(924)	42,051
Health & Social Care	97,373	2,381	7,033	(50,507)	56,280
Planning, Housing & Growth	8,380	2,975	2,976	-	14,331
Corporate Funding	(267,970)	(7,422)	8,692	266,700	-
Total General Fund	(6)	40,989	13,862	214,847	269,692
Other Funds					
Schools	436	28,901	-	-	29,337
Housing Revenue Account	85	1,638	(6,811)	(5,150)	(10,238)
Total Other Funds	521	30,539	(6,811)	(5,150)	19,099
Net Cost of Services	515	71,528	7,051	209,697	288,791
Other Income and Expenditure on the Provision of Services	-	(31,130)	-	(209,697)	(240,827)
(Surplus)/Deficit on Provision of Services	515	40,398	7,051	-	47,964

Movement in Balances 2023/24

	£'000
Opening General Fund and HRA Balance	70,958
General Fund Deficit	6
HRA Surplus	(85)
Schools Reserve Movements	(436)
Other Earmarked Reserve Movements	(7,051)
Closing General Fund and HRA Balance at 31 March 2024	63,392

Notes to the Main Financial Statements

1A. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note gives a summary of the adjustments allocated as 'Total Adjustments Between the Funding & Accounting Basis' within the EFA which are required to adjust the General Fund and HRA management outturn reported to Cabinet to arrive at the Comprehensive Income and Expenditure Statement recognised in accordance with proper accounting practices. Further information on these items can be found in note 4 to the accounts for Adjustments between Accounting Basis & Funding Basis Under Regulations which feed into the Movement in Reserves statement to align with the statutory amounts charged to the council taxpayer. Adjustments from the management reported General Fund and HRA Balances to arrive at the Comprehensive Income and Expenditure Statement amounts within Adjustments between Funding & Accounting Basis are analysed below.

2024/25

Children, Families & Education
Community & Environment
Corporate Services & Property
Finance & Transformation
Health & Social Care
Planning, Housing & Growth
Corporate Funding
Schools
HRA

Net Cost of Services

Other Income & Expenditure on the Provision of Services from the Expenditure and Funding Analysis

Difference between General Fund surplus or deficit and CIES (Surplus) or Deficit on the Provision of Services

Adjustments for Capital Purposes (1)	Net Change for the Pensions Adjustment (2)	Other Differences (3)	Total Adjustments between Funding & Accounting Basis
£'000	£'000	£'000	£'000
33,260	(2,541)	5,910	36,629
5,123	(1,896)	1,110	4,337
22,197	(701)	1,797	23,293
(7,110)	(1,139)	4,760	(3,489)
334	(1,291)	3,654	2,697
(22)	(925)	266	(681)
-	-	21,423	21,423
(1)	(204)	15,676	15,471
94,679	(359)	(13,900)	80,420
148,460	(9,056)	40,696	180,100
(84,825)	8,564	1,152	(75,109)
63,635	(492)	41,848	104,991

2023/24

Children, Families & Education
Community & Environment
Corporate Services & Property
Finance & Transformation
Health & Social Care
Planning, Housing & Growth
Corporate Funding
Schools
HRA

Net Cost of Services

Other Income & Expenditure on the Provision of Services from the Expenditure and Funding Analysis

Difference between General Fund surplus or deficit and CIES (Surplus) or Deficit on the Provision of Services

Adjustments for Capital Purposes (Restated) (1)	Net Change for the Pensions Adjustment (Restated) (2)	Other Differences (Restated) (3)	Total Adjustments between Funding & Accounting Basis (Restated)
£'000	£'000	£'000	£'000
1,339	(1,306)	270	303
16,850	(1,403)	4,296	19,743
16,586	(664)	1,752	17,674
34	(100)	5,401	5,335
408	(851)	2,824	2,381
26	(559)	3,508	2,975
-	-	(7,422)	(7,422)
-	(160)	29,061	28,901
12,160	(368)	(10,154)	1,638
47,403	(5,411)	29,536	71,528
(45,850)	12,254	2,466	(31,130)
1,553	6,843	32,002	40,398

Notes to the Main Financial Statements

(1) Adjustments for Capital Purposes

Net Cost of Services

This column adds depreciation, impairment and revaluation gains and losses in the services line

Other Income and Expenditure on the Provision of Services

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from Other Income and Expenditure on the Provision of Services as these are not chargeable under generally accepted accounting practices.

(2) Net Change for the Pensions Adjustments

Net Cost of Services

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

The removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

Other Income and Expenditure on the Provision of Services

Financing and investment income and expenditure - the net interest on the defined benefit liability which is charged to the CIES.

(3) Other Differences

Net Cost of Services

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

Other Income and Expenditure on the Provision of Services

Financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

Taxation and non-specific grant income and expenditure - represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Notes to the Main Financial Statements

1B. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note gives a summary of the adjustments allocated as "Adjustments Between Funding and Other Income and Expenditure" within the EFA which are required to adjust the General Fund and HRA management outturn reported to Cabinet to arrive at the Comprehensive Income and Expenditure statement. These adjustments remove items included within service lines of the Council's management presentation which relate to non-service items and reported under "Other Income and Expenditure on the Provision of Service" below the cost of service provision within the Comprehensive Income and Expenditure Statement. These items can be found within notes 6, 7 and 8.

Transfers include costs and income allocated between the service lines and also within items reported to management; transfers between General Fund and Earmarked Reserves.

Adjustments to General Fund and HRA net cost of services reported to management to Other Income and Expenditure on the Provision of Services in the Comprehensive Income and Expenditure Statement are analysed below.

	Precepts and Levies	Interest Payable	Interest and Investment Income	Taxation & Non Specific Grant Income (excl. Capital)	Transfers	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
2024/25						
Children, Families & Education	-	(9)	-	-	-	(9)
Community & Environment	-	(24)	-	-	-	(24)
Corporate Services & Property	-	-	-	-	-	-
Finance & Transformation	(853)	(7,000)	198	111	1,000	(6,544)
Health & Social Care	-	-	132	-	(56,672)	(56,540)
Planning, Housing & Growth	-	(234)	-	-	-	(234)
Corporate Funding	-	-	-	213,163	56,658	269,821
Schools	-	(3)	-	-	-	(3)
Housing Revenue Account	-	(9,926)	3,791	-	(986)	(7,121)
Net Cost of Services	(853)	(17,196)	4,121	213,274	-	199,346

NB Interest payable adjustments of £17,196k in the above table differs by £67k from interest payable of £17,129k reported in Note 7 due to notional interest adjustments reported under Net Financing and Investment Income and Expenditure within the CIES that were not included in the General Fund management outturn. These adjustments relate to interest on soft loan and employee car leasing scheme. Interest receivable also differs by £4k from the interest receivable figure within CIES reported in Note 7 due to notional interest on the employee car leasing scheme.

	Precepts and Levies (Restated)	Interest Payable (Restated)	Interest Receivable (Restated)	Taxation & Non Specific Grant Income (excl. Capital) (Restated)	Transfers (Restated)	Total Adjustments (Restated)
	£'000	£'000	£'000	£'000	£'000	£'000
2023/24						
Children, Families & Education	-	-	-	-	-	-
Community & Environment	-	(22)	-	-	(400)	(422)
Corporate Services & Property	-	-	-	-	-	-
Finance & Transformation	(841)	(5,242)	2,915	642	1,602	(924)
Health & Social Care	-	-	50	-	(50,557)	(50,507)
Planning, Housing & Growth	-	-	-	-	-	-
Corporate Funding	-	-	-	216,518	50,182	266,700
Schools	-	-	-	-	-	-
Housing Revenue Account	-	(5,389)	1,066	-	(827)	(5,150)
Net Cost of Services	(841)	(10,653)	4,031	217,160	-	209,697

Notes to the Main Financial Statements

2. SEGMENTAL INCOME AND EXPENDITURE

This note shows the Income and Expenditure received and paid on a segmental basis for material items reported in the Total Net Expenditure Charged to General Fund & HRA Balances within the Expenditure and Funding Analysis.

Segmental Income & Expenditure 2024/25

	Fees charges and other service income	Interest and Investment Income	Depreciation	Interest Payable
	£'000	£'000	£'000	£'000
Children, Families & Education	(1,998)	-	-	(9)
Community & Environment	(29,435)	-	-	(24)
Corporate Services & Property	(8,141)	-	-	-
Finance & Transformation	(1,923)	(198)	-	(7,000)
Health & Social Care	(18,891)	(132)	-	-
Planning, Housing & Growth	(13,587)	-	-	(234)
Corporate Funding	-	-	-	-
Schools	(13,884)	-	-	(3)
Housing Revenue Account	(80,099)	(3,791)	14,068	(9,926)
Net Cost of Services	(167,958)	(4,121)	14,068	(17,196)

Segmental Income & Expenditure 2023/24

	Fees charges and other service income (Restated)	Interest Receivable (Restated)	Depreciation (Restated)	Interest Payable (Restated)
	£'000	£'000	£'000	£'000
Children, Families & Education	(1,353)	-	-	-
Community & Environment	(28,537)	-	-	22
Corporate Services & Property	(7,613)	-	-	-
Finance & Transformation	(3,149)	(2,915)	-	5,242
Health & Social Care	(18,637)	(50)	-	-
Planning, Housing & Growth	(9,656)	-	-	-
Corporate Funding	-	-	-	-
Schools	(29,122)	-	-	-
Housing Revenue Account	(81,268)	(1,066)	13,675	5,389
Net Cost of Services	(179,335)	(4,031)	13,675	10,653

Notes to the Main Financial Statements

3. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

	2024/25	2023/24
	£'000	£'000
Expenditure		
Employee benefits expenses	233,785	226,976
Employee benefits of Voluntary Aided & Foundation Schools*	52,421	48,853
Other services expenses	531,487	523,702
Support service recharges	5,674	5,380
Depreciation, amortisation, impairment	181,102	74,176
Interest payments**	25,693	22,841
Precepts and levies	853	841
Loss on the disposal of assets	-	-
Change in the Fair Value of Investment Properties	(400)	421
Payments to Housing Capital Receipts Pool	-	-
Total Expenditure	1,030,615	903,190
Income		
Fees, charges and other service income	(167,958)	(179,335)
Interest and investment income	(4,126)	(4,031)
Income from Council Tax and Non Domestic Rates	(184,508)	(186,313)
Government grants and contributions	(537,102)	(480,885)
Strategic Pooled Fund Fair Value Adjustment	10	(439)
Hillingdon First Ltd Fair Value Adjustment	1,612	2,550
Gain on the disposal of assets	(7,503)	(6,773)
Total Income	(899,575)	(855,226)
(Surplus)/Deficit on the Provision of Services	131,040	47,964

*Employee benefits of Voluntary Aided & Foundation schools - Voluntary aided and foundation school employees are not the employees of the Council but are incorporated into the single entity financial statements of the Council. The costs of employee benefits of voluntary aided and foundation schools have therefore been separately identified.

**Interest payments include £17,129k in interest payable and similar charges and £8,564k net interest on the net defined benefit liability in respect of the pension schemes (see notes 7 and 43).

Notes to the Main Financial Statements

4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of an authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to fund HRA services which are ring fenced.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority Council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is limited by grant restrictions as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Notes to the Main Financial Statements

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2024/25

2024/25	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Capital Receipts Reserve £'000	Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Account £'000	Dedicated Schools Grant Adjustment Account £'000	Pooled Investment Fund Adjustment Account £'000	Unusable Reserves £'000
Amortisation of intangible assets	(387)					(387)		387							387
Depreciation of non current assets	(28,479)		(14,068)			(42,547)	9,780	32,767							42,547
Revaluation and impairment of non current assets	(35,945)	(102,223)				(138,168)		138,168							138,168
Statutory provision for the financing of capital investment (MRP & VRP) and HRA debt provision	10,006	7,545			6,771	24,322		(24,322)							(24,322)
Revenue expenditure funded from capital under statute (REFCUS)	(17,438)	(6)				(17,444)		17,444							17,444
Capital grants and contributions applied	38,302	39,019		(11,175)		66,146		(66,146)							(66,146)
Capital expenditure charged in year to balances			26,865			26,865		(26,865)							(26,865)
Use of Capital Receipts Reserve to finance new capital expenditure					27,824	27,824		(27,824)							(27,824)
Amounts written off on disposal of non current assets	(16)	7,519			(21,073)	(13,570)	6,015	7,555							13,570
Finance Lease Principal	1,023					1,023		(1,023)							(1,023)
Gain/Loss Investment Property	400					400		(400)							(400)
Premiums and discounts	28					28			(28)						(28)
Strategic pooled fund fair value adjustment	(10)					(10)								10	10
Soft Loan notional interest	70					70			(70)						(70)
Hillingdon First Limited Fair Value Adjustment	(1,612)					(1,612)		1,612							1,612
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(33,197)	(2,756)				(35,953)				35,953					35,953
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	34,031	2,415				36,446				(36,446)					(36,446)
Amount by which council tax income and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(21,423)					(21,423)					21,423				21,423
Dedicated Schools Grant (DSG)	(15,313)					(15,313)							15,313		15,313
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(451)	(7)				(458)						458			458
Transfer to Reserve for Capital projects		13,913	(13,913)			-									-
Total Adjustments	(70,411)	(34,581)	(1,116)	(11,175)	13,522	(103,761)	15,795	51,353	(98)	(493)	21,423	458	15,313	10	103,761

Notes to the Main Financial Statements

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2023/24

	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Dedicated Schools Grant Adjustment Account	Pooled Investment Fund Adjustment Account	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2023/24															
Amortisation of intangible assets	(340)					(340)		340							340
Depreciation of non current assets	(25,105)		(13,675)			(38,780)	10,991	27,789							38,780
Revaluation and impairment of non current assets	(12,886)	(22,170)				(35,056)		35,056							35,056
Statutory provision for the financing of capital investment (MRP & VRP) and HRA debt provision*	3,015	10,011				13,026		(13,026)							(13,026)
Revenue expenditure funded from capital under statute (REFCUS)	(17,949)	(23)				(17,972)		17,972							17,972
Capital grants and contributions applied	34,656	4,421		(2,137)		36,940		(36,940)							(36,940)
Capital expenditure charged in year to balances	7		22,729			22,736		(22,736)							(22,736)
Use of Capital Receipts Reserve to finance new capital expenditure					18,163	18,163		(18,163)							(18,163)
Amounts written off on disposal of non current assets	39	6,734			(24,312)	(17,539)	5,431	12,108							17,539
Finance Lease Principal	72					72		(72)							(72)
Gain/Loss Investment Property	(421)					(421)		421							421
Premiums and discounts	29					29			(29)						(29)
Strategic pooled fund fair value adjustment	438					438								(438)	(438)
Soft Loan Charge	67					67			(67)						(67)
Hillingdon First Limited Fair Value Adjustment	(2,550)					(2,550)		2,550							2,550
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(37,488)	(2,731)				(40,219)				40,219					40,219
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	31,103	2,272				33,375				(33,375)					(33,375)
Amount by which council tax income and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7,422					7,422					(7,422)				(7,422)
Dedicated Schools Grant (DSG)	(28,695)					(28,695)							28,695		28,695
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(504)	(10)				(514)						514			514
Transfer to Reserve for Capital projects		10,187	(10,187)			-									-
Total Adjustments	(49,090)	8,691	(1,133)	(2,137)	(6,149)	(49,818)	16,422	5,299	(96)	6,844	(7,422)	514	28,695	(438)	49,818

Notes to the Main Financial Statements

5. EARMARKED RESERVE TRANSFERS

	31 March 2023	Transfers In 2023/24	Transfers Out 2023/24	31 March 2024	Transfers In 2024/25	Transfers Out 2024/25	31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves:							
Grants Unapplied	2,932	1,098	(2,832)	1,198	1,409	(453)	2,154
Member Initiatives	3,771	694	(3,380)	1,085	28	(910)	203
Other Reserves	12,645	14,409	(21,718)	5,336	1,262	(5,788)	810
Public Health Reserve	661	-	-	661	1,946	(18)	2,589
Business Rates Reserve	(3,430)	-	(2,300)	(5,730)	9,497	(3,767)	-
Barnhill PFI	511	362	(195)	678	-	(302)	376
Parking Revenue Account / New Roads & Street Works Reserve	52	-	-	52	-	(52)	-
Total General Fund Earmarked Reserves	17,142	16,563	(30,425)	3,280	14,142	(11,290)	6,132
Schools Reserves	11,791	-	(436)	11,355	1,344	(4,849)	7,850
Housing Revenue Account	-	6,811	-	6,811	-	-	6,811
Total	28,933	23,374	(30,861)	21,446	15,486	(16,139)	20,793

Grants Unapplied

Funds set aside from specific revenue grants to support future investment in services, which will be drawn down as required to support ongoing projects.

Member Initiatives

Funds set aside to support delivery of specific local initiatives, including Hillingdon Improvement Programme, Highways maintenance and Leader's Initiatives amongst other projects. These monies are expected to be drawn down over the life of these initiatives.

Other Reserves

Funds set aside to manage cyclical or irregular expenditure and risks, including Housing Needs Initiatives, the Corporate Insurance Reserve, Elections Reserve and provision for costs of service transformation amongst other balances. Funds will be drawn down as required to fund specific costs.

Business Rate Retention Reserve

Grant income received from Government to reimburse the Council for losses within the Collection Fund Adjustment Account relating to changes to Business Rates Reliefs. Under the current Business Rates Retention System, these grants are received in advance of deficits impacting upon the General Fund and therefore held in a separate reserve.

Barnhill PFI

Funds held to cover costs occurring over the lifecycle for the PFI school Barnhill Academy.

Public Health Reserve

A reserve required under statute to earmark any under spend on Public Health activities transferred into the Council from the NHS from 1 April 2013. Monies set aside include funds to meet outstanding commitments and manage any risks associated with the service.

Housing Revenue Account Reserve

An earmarked reserve has been created to support the financing of future HRA developments.

6. OTHER OPERATING EXPENDITURE

	2024/25 £'000	2023/24 £'000
Precepts and Levies	853	841
Total	853	841

Notes to the Main Financial Statements

7. NET FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2024/25	2023/24
	£'000	£'000
Interest payable and similar charges	17,129	10,653
Interest receivable and similar income	(3,125)	(4,031)
Hillingdon First dividend income	(1,000)	-
Strategic pooled fund fair value adjustment	10	(439)
Hillingdon First Ltd fair value adjustment	1,612	2,550
Net interest on the net defined benefit liability	8,564	12,254
Changes in the fair value of investment properties	(400)	421
Total	22,790	21,408

8. TAXATION AND NON-SPECIFIC GRANT INCOME

	2024/25	2023/24
	£'000	£'000
Council Tax Income	(135,065)	(136,321)
Non-Domestic Rates Income	(110,048)	(112,091)
Non-Domestic Rates Tariff payable to Central Government	56,281	53,459
Contribution to the London Business Rates Pool		
Non-Domestic Rates Levy (receivable)/Payable to Central Government	4,324	8,639
Net Benefit from the London Business Rates Pool		
Non-Ringfenced Government Grants	(28,765)	(30,847)
Capital Grants & Contributions	(77,322)	(39,077)
Total	(290,595)	(256,238)

Notes to the Main Financial Statements

9. MOVEMENT OF PROPERTY, PLANT & EQUIPMENT 2024/25

Cost or Valuation as at 1 April 2024

Additions	101,223	-	5,463	-	22,306	-	128,992
Enhancements	30,021	23,286	4,153	173	43,798	-	101,431
Revaluation increases/(decreases) recognised in Revaluation Reserve	735	1,551	(20,253)	-	(53)	2,717	(15,303)
Revaluation increases/(decreases) recognised in Surplus/Deficit on Services	(104,966)	(41,841)	(703)	-	(72)	4,102	(143,480)
Derecognition - Disposals	(5,763)	(73)	-	-	-	(7,012)	(12,848)
Derecognition - Other	(89)	(795)	(3,394)	-	(1)	-	(4,279)
Assets reclassified within Property Plant and Equipment	15,691	(52,734)	46,475	-	(12,181)	2,749	-
Other Movements in Cost or Valuation	-	-	-	-	-	-	-

Cost or Valuation as at 31 March 2025

Accumulated Depreciation & Impairment as at 1 April 2024

Depreciation charge in 2024/25	(13,380)	(11,492)	(7,694)	(12)	-	(19)	(32,597)
Depreciation written out to Revaluation Reserve	10,484	4,927	3,437	-	-	123	18,971
Depreciation written out to Surplus/Deficit on Services	2,803	2,385	80	-	-	43	5,311
Derecognition - Disposals	90	1	-	-	-	-	91
Derecognition - Other	3	702	3,394	-	-	-	4,099
Assets reclassified within Property Plant and Equipment	-	2,133	(1,324)	-	-	(809)	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-

Accumulated Depreciation & Impairment as at 31 March 2025

Balance Sheet amount 1 April 2024

Balance Sheet amount 31 March 2025

Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant & Equipment £'000
861,554	913,358	107,046	15,560	59,225	42,897	1,999,640
101,223	-	5,463	-	22,306	-	128,992
30,021	23,286	4,153	173	43,798	-	101,431
735	1,551	(20,253)	-	(53)	2,717	(15,303)
(104,966)	(41,841)	(703)	-	(72)	4,102	(143,480)
(5,763)	(73)	-	-	-	(7,012)	(12,848)
(89)	(795)	(3,394)	-	(1)	-	(4,279)
15,691	(52,734)	46,475	-	(12,181)	2,749	-
-	-	-	-	-	-	-
898,406	842,752	138,787	15,733	113,022	45,453	2,054,153
-	(7,716)	(30,561)	(553)	(9)	-	(38,839)
(13,380)	(11,492)	(7,694)	(12)	-	(19)	(32,597)
10,484	4,927	3,437	-	-	123	18,971
2,803	2,385	80	-	-	43	5,311
90	1	-	-	-	-	91
3	702	3,394	-	-	-	4,099
-	2,133	(1,324)	-	-	(809)	-
-	-	-	-	-	-	-
-	(9,060)	(32,668)	(565)	(9)	(662)	(42,964)
861,554	905,642	76,485	15,007	59,216	42,897	1,960,801
898,406	833,692	106,119	15,168	113,013	44,791	2,011,189

The large movement in Assets reclassified within Property Plant and Equipment relates to Mechanical and Electrical components being classed from Other Land & Buildings to Vehicles, Plants & Equipment. Reclassifications into Council Dwellings include completed housing development sites previously included under Assets Under Construction.

Notes to the Main Financial Statements

MOVEMENT OF PROPERTY, PLANT & EQUIPMENT 2023/24

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant & Equipment £'000
Cost or Valuation as at 1 April 2023	856,238	878,483	103,937	15,274	34,838	37,867	1,926,637
Additions	20,235	-	2,762	51	1,169	-	24,217
Enhancements	24,591	17,223	1,261	235	29,335	-	72,645
Revaluation increases/(decreases) recognised in Revaluation Reserve	(10,644)	41,641	2,518	-	-	5,207	38,722
Revaluation increases/(decreases) recognised in Surplus/Deficit on Services	(24,484)	(14,359)	(1,096)	-	-	(1,209)	(41,148)
Derecognition - Disposals	(4,305)	(7,549)	(85)	-	-	(1,536)	(13,475)
Derecognition - Other	(77)	(5,621)	(2,260)	-	-	-	(7,958)
Assets reclassified within Property Plant and Equipment	-	3,540	9	-	(6,117)	2,568	-
Assets reclassified (to) & from Held for Sale & Investment Properties	-	-	-	-	-	-	-
Cost or Valuation as at 31 March 2024	861,554	913,358	107,046	15,560	59,225	42,897	1,999,640
Accumulated Depreciation & Impairment as at 1 April 2023	-	(14,846)	(29,022)	(541)	(9)	(13)	(44,431)
Depreciation charge in 2023/24	(12,997)	(9,788)	(7,394)	(12)	-	(16)	(30,207)
Depreciation written out to Revaluation Reserve	10,618	11,901	3,259	-	-	42	25,820
Depreciation written out to Surplus/Deficit on Services	2,314	3,490	251	-	-	36	6,091
Derecognition - Disposals	65	349	85	-	-	-	499
Derecognition - Other	-	1,129	2,260	-	-	-	3,389
Assets reclassified within Property Plant and Equipment	-	-	-	-	-	-	-
Assets reclassified (to) & from Held for Sale & Investment Properties	-	49	-	-	-	(49)	-
Accumulated Depreciation & Impairment as at 31 March 2024	-	(7,716)	(30,561)	(553)	(9)	-	(38,839)
Balance Sheet amount 1 April 2023	856,238	888,847	78,414	14,733	34,829	37,854	1,910,915
Balance Sheet amount 31 March 2024	861,554	905,642	76,485	15,007	59,216	42,897	1,960,801

Notes to the Main Financial Statements

9A. INFRASTRUCTURE ASSETS

	2024/25 £'000	2023/24 £'000
Net Book Value as at 1 April	187,054	184,543
Additions	12,423	11,067
Depreciation charge	(8,832)	(8,556)
Net Book Value as at 31 March	190,645	187,054

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

9B. INTANGIBLE ASSETS

Software Licences

	2024/25 £'000	2023/24 £'000
Cost or Valuation as at 1 April	3,040	2,722
Additions	2,132	539
Derecognition - Other	(332)	(221)
Cost or Valuation as at 31 March	4,840	3,040
Accumulated Amortisation as at 1 April	(1,587)	(1,451)
Amortisation charge	(387)	(357)
Derecognition - Other	331	221
Accumulated Amortisation as at 31 March	(1,643)	(1,587)
Net Book Value as at 1 April	1,453	1,271
Net Book Value as at 31 March	3,197	1,453

9C. ASSETS HELD FOR SALE

There are no assets held for sale for 2024/25, this was the same for 2023/24.

Notes to the Main Financial Statements

10. REVALUATION LOSSES/GAINS RECOGNISED IN COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

The Council undertakes a rolling programme that ensures all of its Property, Plant and Equipment is carried at current value or fair value as prescribed in the Code of Practice and that every asset is valued at least every 5 years. In 2024/25 a rolling programme of General Fund assets including investment properties and high value assets, were valued by external independent valuers Wilks Head & Eve LLP.

The Housing Stock was uplifted in value to reflect market conditions for all Council Dwellings by Jones Lang LaSalle Limited to reflect the value at 31 March 2025 through a desktop valuation process. Valuations are carried out in accordance with professional standards of the Royal Institution of Chartered Surveyors.

During 2024/25, the Council has recognised revaluation gains of £3.7m (£64.7m in 2023/24) directly to the revaluation reserve. The Council also recognised valuation losses of £138.2m (£35.1m in 2023/24) in the Surplus/Deficit on provision of services which was then reversed through the Movement in Reserves Statement to mitigate any impact on General Fund and Housing Revenue Account Balances.

Out of the total £2,216m (£2,160m in 2023/24) net book value recorded for PPE, Infrastructure Assets, Heritage Assets, Intangible Assets and Investment Properties, 77% (£1,711m) relates to valuations during 2024/25. For 2023/24 this was 78% (£1,686m)

Fair Value Hierarchy

Investment property and surplus properties are measured at fair value in accordance with IFRS13 Fair Value Measurement. In estimating the fair value, the valuation has taken into account the highest and best use of the assets estimating the price at which an orderly transaction to sell the asset would take place under current market conditions. IFRS13 also seeks to increase consistency and comparability within the valuation process and categorises valuations under a fair value hierarchy which considers methodology of the valuation using levels of observable and unobservable inputs. Property within the borough is actively purchased, sold or leased on the open market and there are a number of comparables. As such, the level of observable inputs is significant, leading to all properties being categorised as level 2 on the fair value hierarchy. There have been no changes in asset methodology which resulted in moving asset fair values between levels on the fair value hierarchy during the year.

11. COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2025, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2025/26 and future years budgeted to cost £66,768k.

Scheme	31 March 2025	31 March 2024
	£'000	£'000
Housing	31,356	17,166
Housing Regeneration	1,771	25,205
New Vehicles	1,841	231
New Platinum Jubilee Leisure Centre, West Drayton	4,250	1,283
Other Capital Projects	8,099	6,659
Schools Expansions Programme	19,451	10,356
Total	66,768	60,900

- Housing - The council's HRA works to stock programme provides essential upgrades to the Council's housing stock, along with higher energy efficiency standards whilst improving the quality of life of tenants. The HRA also includes provisions for major adaptations to Council homes to support disabled residents.

Notes to the Main Financial Statements

- Housing Regeneration is the Regeneration Programme on the Hayes town Centre and Avondale Road estates. The major regeneration project will deliver a total of 740 new homes in several phases over a number of years. The first contractual phase commenced in December 2022 and has £1,771k remaining. The first phase is due to complete in 2025/26.
- New Platinum Jubilee Leisure Centre, West Drayton is a major construction project budgeted at £37m; works are under construction and the project is expected to be completed in 2025/26.
- The schools expansions programme is increasing SEND provision in the Borough with two Meadow High School projects at different sites. The main contractor for both projects has gone into liquidation. One of the schemes is being self delivered by the Council with smaller contracts being awarded whilst the other scheme will be awarded a significant replacement contract to increase provision at Meadow High School.

12. HERITAGE ASSETS

At 31 March 2025 the Council held Civic Regalia and a statue 'Anticipation' at an insurance value of £606k. The Council owns the Battle of Britain Bunker that has been insured for £4,859k and there was capital expenditure of £87k in year to maintain the asset. As neither a current market valuation, nor a replacement cost is available due to the specialist nature of this historic asset, the insurance has been used as the basis for valuation. In addition, several artefacts held at the battle of Britain bunker site are held as heritage assets, which belonged to Battle of Britain flying ace Wing Commander Ronald Gustave Kellett who was stationed at RAF Northolt in 1940. These items have been valued at £200k based on auctions of similar items.

The Council also holds an 18th Century stable block within the grounds of Cranford Park alongside a collection of antique farm equipment. There are a number of artefacts including historical archives stored within the Battle of Britain bunker. These are insured through the Council's general insurance scheme but do not hold specific valuations, are non-realizable and therefore are not included on the Council's balance sheet.

	2024/25 £'000				
	Art Collection	Anticipation Statue	Regalia	Battle of Britain Bunker	Total
Cost or Valuation as at 1 April	150	45	544	5,790	6,529
Additions	-	-	-	-	-
Enhancements	-	-	-	87	87
Revaluations	50	17	-	-	67
Cost or Valuation as at 31 March	200	62	544	5,877	6,683

	2023/24 £'000				
	Art Collection	Anticipation Statue	Regalia	Battle of Britain Bunker	Total
Cost or Valuation as at 1 April	150	45	544	4,990	5,729
Additions	-	-	-	-	-
Enhancements	-	-	-	800	800
Revaluations	-	-	-	-	-
Cost or Valuation as at 31 March	150	45	544	5,790	6,529

Heritage Assets of Particular Importance

The Battle of Britain Bunker is an underground operations room and is a historic landmark of national significance. The bunker played a crucial role in the air defence of the United Kingdom throughout World War Two by the No 11 Group Fighter Command. It was vital in directing RAF operations throughout the war with fighter aircraft operations being controlled from the bunker throughout the war but most notably during the Battle of Britain and on D-Day. The bunker was visited by both Winston Churchill and King George VI in 1940 and it was here that Winston Churchill on 16 August

Notes to the Main Financial Statements

1940 spoke the famous words "Never in the field of human conflict was so much owed, by so many, to so few". Evacuations started in 1938 and the operations bunker was constructed in 1939. The bunker is located 60 feet below ground level and is accessed via a staircase of over 70 steps. Within the collection which belonged to Wing Commander Ronald Gustave Kellett, are medals awarded for distinguished acts of valour and courage such as the Distinguished Flying Cross (DFC) as well as flying logbooks. A number of items are displayed for residents to view while other items will be preserved researchers and historians to view to represent the historical importance and protect for generations to come. The Battle of Britain Bunker is signed up to the Museums Association's code of ethics. The site is alarmed and monitored with security services to protect the site and artefacts. Restoration and conservation works have been carried out on a number of exhibited artefacts within the bunker such as the wartime map.

13. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

	2024/25 £'000	2023/24 £'000
Rental income from investment property	(307)	(303)
Direct operating expenses arising from investment property	55	68
Net gain	(252)	(235)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2024/25 £'000	2023/24 £'000
Opening Balance	4,267	4,688
Gain/Loss Fair Value adjustment	400	(421)
Disposal	(632)	-
Closing Balance	4,035	4,267

Notes to the Main Financial Statements

14. FINANCIAL INSTRUMENT BALANCES

FINANCIAL ASSETS

	Current		Long-Term		Total	
	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000
Investments at Amortised Cost	1,043	1,005	-	-	1,043	1,005
Fair Value through Profit & Loss						
- Principal	-	-	15,049	15,071	15,049	15,071
- Fair Value Adjustment	-	-	(1,077)	(1,091)	(1,077)	(1,091)
- Hillingdon First Limited - Principal	-	-	4,209	6,759	4,209	6,759
- Hillingdon First Limited - Fair Value Adjustment	-	-	(1,612)	(2,550)	(1,612)	(2,550)
THCC loan for care home acquisition			575		575	
- GLL Soft Loan	-	-	1,373	1,304	1,373	1,304
Total Investments	1,043	1,005	18,516	19,493	19,559	20,498
Cash & Cash Equivalents at Amortised Cost						
- Cash held by the Council	17	20	-	-	17	20
- Bank Current Accounts	11,888	18,368	-	-	11,888	18,368
- Liquid Deposits	14,302	28,522	-	-	14,302	28,522
Total Cash & Cash Equivalents	26,206	46,910	-	-	26,206	46,910
Other Assets at Amortised Cost						
- Trade Receivables	59,366	34,110	4	1,562	59,370	35,672
- Loss allowance	(18,474)	(15,413)	-	-	(18,474)	(15,413)
- Lease receivables	68	-	157	-	225	-
Total Other Assets	40,960	18,697	161	1,562	41,121	20,259
Total Financial Assets	68,209	66,612	18,677	21,055	86,886	87,667

FINANCIAL LIABILITIES

	Current		Long-Term		Total	
	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000
Loans at Amortised Cost						
- Principal sum borrowed	(120,349)	(100,500)	(397,131)	(255,671)	(517,480)	(356,171)
- Accrued Interest	(3,639)	(2,299)	-	-	(3,639)	(2,299)
- EIR Adjustment	-	-	9,346	9,398	9,346	9,398
Total Loans	(123,988)	(102,799)	(387,785)	(246,273)	(511,773)	(349,072)
Other Liabilities at Amortised Cost						
- Trade Payables	(33,482)	(39,664)	-	(12)	(33,482)	(39,676)
- PFI arrangements	-	(30)	-	-	-	(30)
- Leases	(957)	-	(4,778)	-	(5,735)	-
Total Other Liabilities	(34,439)	(39,694)	(4,778)	(12)	(39,217)	(39,706)
Total Financial Liabilities	(158,427)	(142,493)	(392,563)	(246,285)	(550,990)	(388,778)

Notes to the Main Financial Statements

INCOME, EXPENSE, GAINS AND LOSSES

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2024/25	2023/24
	Surplus or Deficit on the provision of Services £'000	Surplus or Deficit on the provision of Services £'000
Interest Revenue		
- Assets measured at amortised cost	(1,187)	(2,108)
Dividend Revenue		
- Assets measured at fair value through profit and loss	(1,938)	(1,944)
- Dividend from Hillingdon First	(1,000)	-
Net Gains	-	(438)
- Revaluation gains on assets measured at fair value through profit and loss		
Interest & Investment Income and Revaluation Gains	(4,125)	(4,491)
Interest Expenses		
- Liabilities measured at amortised cost	16,521	10,262
- PFI & Lease Contracts	279	22
- Other	189	292
Other Expenses		
- Brokerage Fees	140	78
- Other Professional Fees		
Net Losses		
- Revaluation loss on assets measured at fair value through profit & loss	1,622	2,572
Interest Payable and Revaluation Losses	18,751	13,226
Net (Gain)/Loss for the Year	14,626	8,735

Notes to the Main Financial Statements

STRATEGIC POOLED FUND INVESTMENTS AT FAIR VALUE THROUGH PROFIT & LOSS

The Council has elected to apply the statutory override to account for the following investments measured at fair value through profit & loss and transfer any fair value movements through the MIRS into the Pooled Investment Fund Adjustment Account.

Equity Instruments designated at Fair Value through Profit & Loss

	Fair Value		Dividends		Transfer Gain/(Loss)	
	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000
Long Term						
- Ninety One Diversified Income Fund	4,438	4,446	220	204	(8)	(23)
- Columbia Threadneedle Strategic Bond Fund	4,741	4,719	191	197	21	209
- M&G Optimal Income Fund	4,743	4,765	227	222	(23)	252
Total Equity Instruments	13,921	13,931	638	623	(10)	438

The Council also holds £50k in other assets held at fair value. Movements in the fair value on these assets are expensed within the CIES in year and not included in the statutory override.

FAIR VALUES OF ASSETS AND LIABILITIES

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost
- Fair value through other comprehensive income
- Fair value through profit and loss

Financial liabilities

A financial liability is a contractual obligation to deliver cash or other financial asset to another entity or exchange a financial asset or liability with another entity under conditions, which are potentially unfavourable to the Council. The Council's financial liabilities held during the year were all measured at amortised cost.

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows that are scheduled to take place over the remaining life of the instrument. This provides an estimate of the value of payments in the future in today's terms.

Fair Value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2025, using the following methods and assumptions:

Notes to the Main Financial Statements

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2025, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate, or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows, excluding service charge elements, at the appropriate AA-rated corporate bond yield.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

FAIR VALUE OF LIABILITIES

Financial Liabilities	Fair Value Level	31 March 2025		31 March 2024	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
PWLB Loans	2	(370,185)	(347,068)	(230,466)	(215,361)
Market Loans	2	(48,607)	(49,562)	(48,607)	(53,667)
Local Authority Loans	2	(92,981)	(93,497)	(69,998)	(69,835)
Lease & PFI Liabilities	2	(5,735)	(5,735)	(30)	(30)
Trade Payables	N/A	(33,482)	(33,482)	(39,676)	(39,676)
		(550,990)	(529,344)	(388,778)	(378,570)

Overall, the fair value of liabilities is lower than the balance sheet carrying amount because the Council’s debt portfolio includes a number of loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. Overall, there is a notional future gain (based on economic conditions at 31 March 2025) arising from a commitment to pay interest to lenders below current market rates.

Notes to the Main Financial Statements

FAIR VALUE OF ASSETS

		31 March 2025		31 March 2024	
	Fair Value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
Financial Assets Held at Fair Value					
Money Market Funds	1				
Pooled Funds (Long-Term)	2	13	13	14	14
Strategic Pooled Funds (Long-Term)	2	13,921	13,921	13,931	13,931
Shares in Listed Companies (Long-Term)	1	37	37	35	35
Hillingdon First Limited - Equity	3	2,597	2,597	4,209	4,209
Financial Assets Held at Amortised Cost					
Short-Term Deposits & Deposit Accounts	N/A	1,043	1,043	1,005	1,005
Cash and Bank Current Accounts	N/A	26,206	26,206	46,910	46,910
GLL Soft Loan	N/A	1,373	1,373	1,304	1,304
Loan to THCC	N/A	575	575	-	-
Lease Receivables	N/A	225	225	-	-
Trade Receivables	N/A	40,896	40,896	20,258	20,258
		86,885	86,885	87,667	87,667

The fair value of short-term financial assets held at amortised cost, including trade and lease receivables, is assumed to approximate to the carrying amount.

LOSS ALLOWANCE BY ASSET CLASS

		31 March 2025		31 March 2024	
		Gross receivable	Simplified approach Loss Allowance	Gross receivable	Simplified approach Loss Allowance
		£'000	£'000	£'000	£'000
Lifetime Expected Credit Loss - Trade Receivables		59,366	(18,474)	34,110	(15,413)

Offsetting Financial Assets and Liabilities

Financial assets or liabilities are set off against each other where the Council has a legally enforceable right to do so. The Council's bank accounts held with NatWest Bank have a right of offset; for 2024/25 there were no accounts in an overdraft position where an offset was applied.

RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

31 March 2025	Realised gains/losses	Unrealised gains/losses	Sales	Purchases	Transfers out of Level 3	Transfers into Level 3	01 April 2024
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Hillingdon First Limited - Equity	2,597	-	(1,612)	-	-	-	4,209
	2,597		(1,612)		-		4,209

There have been no transfers between levels during the financial year. Transfers will only occur when there is a fundamental change in the underlying pricing structure and inputs.

Notes to the Main Financial Statements

The Council has invested £3.37m as equity shares in Hillingdon First Limited (HFL), a wholly owned subsidiary. Shares in HFL are not publicly traded so a market share is not readily available thus the fair value of the company has been independently determined to be £2.6m as at 31 March 2025 on the basis of future cash flows, business plan and the company's own accounts. This is an unrealised loss of £1.6m from the previous valuation.

Changes in any of these assumptions would influence the fair value of HFL, thus a 1% change in assumptions would mean a in a £26k change in fair value.

15. SHORT TERM DEBTORS

	31 March 2025 £'000	31 March 2024 £'000
Trade Receivables	40,892	18,697
Lease Receivables	68	-
Prepayments	7,725	3,058
Other receivable amounts	31,464	61,627
	80,149	83,382

Included within short term debtors is an impairment allowance for £48,969k (£35,505k in 2023/24) of which £18,474k relates to trade receivables and £30,495k relates to other receivable amounts.

16. DEBTORS FOR TAXATION

Debtors for taxation are included within the 'other receivable amounts' in note 15 and are detailed below:

	31 March 2025 £'000	31 March 2024 £'000
Up to one year	9,240	7,854
One to three years	8,429	10,240
Over three years	17,945	17,980
	35,614	36,074

The total debtors figure of £35,614k in the above table is the gross debtor before bad debt provision. Bad debt provisions in respect of debtors for taxation amount to £23,682k and offset the "other receivable amounts" total in note 15.

17. LONG TERM DEBTORS

	31 March 2025 £'000	To Short Term £'000	Repayments £'000	Additions £'000	31 March 2024 £'000
Housing advances & associations	2	-	-	-	2
Sale of council houses	2	-	-	-	2
Other loans & advances	819	-	(353)	819	353
Developer contributions	330	-	(1,560)	330	1,560
	1,153	-	(1,913)	1,149	1,917

Notes to the Main Financial Statements

18. SHORT TERM CREDITORS

	31 March 2025 £'000	31 March 2024 Restated £'000
Trade Payables	33,482	39,664
Lease Payables	957	-
Other Payables	77,158	63,790
	111,597	103,454

The 2023/24 short term creditors comparator has been restated for £1,153k revenue grants receipts in advance previously reported under short term creditors now disclosed separately in note 34.

19. LONG TERM CREDITORS

Long Term Creditors consist of balances held under Section 106 and 278 Agreements and deposits. These amounted to £3,508k at 31 March 2025 (£2,916k at 31 March 2024).

20. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2025 £'000	31 March 2024 £'000
Cash and Bank Current Accounts	26,206	46,910
Total Cash and Cash Equivalents	26,206	46,910

21. PROVISIONS

	1 April 2024 £'000	Additional provisions made in 2024/25 £'000	Amounts used in 2024/25 £'000	Unused amounts reversed in 2024/25 £'000	31 March 2025 £'000	Short-Term Provisions £'000	Long-Term Provisions £'000
Non Domestic Rates Appeal Losses	877	3,216	-	-	4,093	4,093	-
Social Care Disputes	732	-	-	(570)	162	162	-
Insurance Provision	2,683	484	-	(114)	3,053	2,047	1,006
Other provisions	24	140	-	-	164	155	9
Total Provisions	4,316	3,840	-	(684)	7,472	6,457	1,015

Non-Domestic Rates Appeal Losses

See note 3 to the Collection Fund Accounts. The Collection Fund Share represents the Council's 30% obligation in relation to appeals over the rateable value of properties from NNDR purposes. The provision has increased by £3,216k due to changes in methodology to factor in two updates: firstly to recognise this is the final year of the current valuation period therefore expecting more appeals to be lodged. Secondly to factor in anticipated future appeals which were previously not included in the policy.

Social Care Disputes

The provision of £570k released in 2024/25 relates to payment disputes settled and paid in year.

Notes to the Main Financial Statements

Insurance

The Council has external insurance and liability indemnity to protect against major risks associated with items such as buildings and motor vehicles. The excess levels are as follows:

- Property - £100k for combined risks
- Liability - £375k
- Motor Vehicles - £100k

The Council self-funds claims which fall under the excess thresholds. The insurance fund provision is to provide for outstanding claims against the Council as at 31 March 2025. The ratio of insurance provisions is approximately 70% short-term and 30% long-term.

Other provisions

The other provisions represent amounts set aside to meet potential future liabilities. New provisions made in 2024/25 include items such as potential Electricity Generator Levy fees and housing legal costs. The opening balance at 1st April 2024 has been adjusted by £6k due to transition to IFRS16 in respect of vehicle leases.

22. UNUSABLE RESERVES

	31 March 2025	31 March 2024
	£'000	£'000
Revaluation reserve	685,945	698,005
Capital adjustment account	951,451	1,002,804
Financial instruments adjustment account	(446)	(544)
Pensions reserve	(122,837)	(183,052)
Collection fund adjustment account	(12,765)	8,658
Accumulated absences account	(6,842)	(6,384)
Dedicated schools grant adjustment account	(65,895)	(50,582)
Pooled Investment Fund Adjustment Account	(1,079)	(1,069)
Total Unusable Reserves	1,427,532	1,467,836

Notes to the Main Financial Statements

22A. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

	2024/25		2023/24	
	£'000	£'000	£'000	£'000
Balance at 1 April		1,002,804		1,008,103
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	(42,547)		(38,780)	
- Revaluation gains/(losses) on Property, Plant and Equipment	(138,168)		(35,056)	
- Change in Fair Value Adjustment Hillingdon First	(1,612)		(2,550)	
- Amortisation of intangible assets	(387)		(340)	
- Revenue expenditure funded from capital under statute	(17,444)		(17,972)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(13,570)	(213,728)	(17,539)	(112,237)
Adjusting amounts written out of the Revaluation Reserve		15,795		16,422
Net written out amount of the cost of non-current assets consumed in the year		(197,933)		(95,815)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	27,824		18,163	
- Use of Capital Receipts Reserve to reduce capital financing requirement	6,771		-	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	65,859		36,940	
- Application of grants to capital financing from the Capital Grants Unapplied Account	287		-	
- Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	17,551		13,026	
- Finance Lease Principal	1,023		72	
- Capital expenditure charged against the General Fund and HRA balances	26,865	146,180	22,736	90,937
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		400		(421)
Balance at 31 March		951,451		1,002,804

Notes to the Main Financial Statements

22B. REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed and the gains are realised

The Reserve contains only revaluations gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2024/25		2023/24	
	£'000	£'000	£'000	£'000
Balance at 1 April		698,005		649,730
Upward revaluation of assets	73,627		154,698	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(69,892)		(90,001)	
Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services		3,735		64,697
Difference between fair value depreciation and historical cost depreciation	(9,780)		(10,991)	
Accumulated gains on assets sold or scrapped	(6,015)		(5,431)	
Amount written off to the Capital Adjustment Account		(15,795)		(16,422)
Balance at 31 March		685,945		698,005

Notes to the Main Financial Statements

23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2024/25	2023/24
	£'000	£'000
(Surplus)/Deficit on the provision of services	131,040	47,964
Depreciation and impairment of non-current assets	(180,315)	(73,836)
Amortisation of intangible fixed assets	(387)	(340)
Revenue Expenditure Funded from Capital Under Statute		(17,972)
Pension Fund adjustments	493	(6,844)
(Increase)/Decrease in impairment for provision for bad debts		(2,941)
(Increase)/Decrease in creditors	(14,788)	77,932
Increase/(Decrease) in debtors	(3,996)	(73,539)
Carrying amount of non-current assets sold	(13,569)	(17,539)
Recognition of Right of Use Leased Assets	5,500	-
(Increase)/Decrease in Investments	(1,536)	-
(Increase)/Decrease in Borrowing	(1,098)	-
Increase/(Decrease) in Provisions	(3,162)	-
Application of Capital Grants Received in Advance	21,285	-
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services		2,892
Total adjusting items	(191,573)	(112,187)
Adjustments for items included in the net Surplus or Deficit on the Provision of Services that are investing or financing activities:		
Proceeds from the disposal of plant, property and equipment, investment property and intangible assets	21,073	24,312
Capital Grants and other contributions credited to Surplus or Deficit on the Provision of Services	77,322	39,077
Billing Authorities - Council Tax and NNDR adjustments	(9,264)	6,927
Total included elsewhere on Cash Flow Statement	89,131	70,316

Interest received, interest paid and dividends received

	2024/25	2023/24
	£'000	£'000
Interest paid	(15,856)	(10,057)
Interest received	3,094	4,012
Dividend received	1,000	-

Notes to the Main Financial Statements

24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2024/25 £'000	2023/24 £'000
Cash Outflows		
Purchase of property, plant and equipment, investment property and intangible assets	241,221	103,389
Purchase of short and long term investments	981	-
Other payments for investing activities	-	17,972
	242,202	121,361
Cash Inflows		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(21,073)	(24,312)
Proceeds from short and long term investments	(384)	-
Capital grants received	(77,322)	(39,077)
Other receipts from investing activities	-	(8,570)
	(98,779)	(71,959)
Net Cash Outflow	143,423	49,402
Net Increase/(Decrease) in Short-Term Investments	-	(456)
Net Increase/(Decrease) in Long-Term Investments	-	(2,069)
Net cash flows from investing activities	143,423	46,877

25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2024/25 £'000	2023/24 £'000
Cash Outflows		
Repayments of amounts borrowed	136,396	86,500
Capital element of finance lease rental and on-balance sheet PFI payments	1,023	72
Cash Inflows		
New borrowing taken	(298,000)	(119,000)
Billing Authorities - Council Tax and NNDR adjustments	9,264	(6,927)
Net cash flows from financing activities	(151,317)	(39,355)

Notes to the Main Financial Statements

Reconciliation of Liabilities arising from Financing Activities

	Restated Opening Balance 1st April 2024	Financing Cash Flows	Changes which are not financing cash flows		Balance 31 March 2025
	£'000		Acquisition £'000	Other non- financing cash flows £'000	
Short Term Borrowing	(102,797)	13,396	(37,181)	2,594	(123,988)
Long Term Borrowing	(246,273)	(175,000)	-	33,488	(387,785)
Short Term Leases & PFI	(590)	590	(957)	-	(957)
Deferred Liabilities Leases	(4,934)	433	(1,234)	957	(4,778)
Council Tax and NNDR Adjustments	(8,254)	9,264	-	-	1,010
Total	(362,848)	(151,317)	(39,372)	37,039	(516,498)

The opening balance is restated to include newly recognised lease liabilities of £5,494k on the Council's balance sheet through an adjustment to opening balances on transition to IFRS16. See Note 36 Leases for further information on this.

	Balance 1st April 2023	Financing Cash Flows	Changes which are not financing cash flows		Balance 31 March 2024
	£'000		Acquisition £'000	Other non- financing cash flows £'000	
Short Term Borrowing	(83,201)	(2,500)	(18,799)	1,703	(102,797)
Long Term Borrowing	(232,713)	(30,000)	-	16,440	(246,273)
Short Term Lease & PFI	(72)	72	(30)	-	(30)
Deferred Liabilities Lease & PFI	(30)	-	-	30	-
Council Tax and NNDR Adjustments	(1,327)	(6,927)	-	-	(8,254)
Total	(317,343)	(39,355)	(18,829)	18,173	(357,354)

26. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by external auditors:

	2024/25 £'000	2023/24 £'000
Fees payable in regard to external audit services carried out by the appointed auditor	434	404
External audit services fee variation	104	9
Fees payable for the certification of grant claims and returns:		
Housing Benefit Subsidy	112	80
Teachers Pension	13	16
Capital Receipts Pooling	10	10
Total External Audit costs	673	519

In 2024/25 the external auditor for the Statement of Accounts is Ernst and Young (EY). The fee of £434k is the base fee scale for the 2024/25 audit published by the Public Sector Audit Appointments (PSAA). The proposed fee variation of £104k relates to additional work required for the audit of the 2023/24 accounts and has been submitted to the PSAA for review.

EY are also the external auditor for the Housing Benefit subsidy and the fee of £112k is the final fee charged in 2024/25 for the 2022/23 subsidy audit completed this year. In 2024/25 Grant Thornton were appointed as reporting accountants

Notes to the Main Financial Statements

for the Teachers Pension and capital receipts pooling certifications. The fees paid in 2024/25 relate to work carried out this year in respect of the 2023/24 certifications.

27. PARKING REVENUE ACCOUNT

The Parking Revenue Account is maintained in accordance with section 55 of the Road Traffic Regulation Act 1984 which provides that a London Borough Council must keep an account of the income and expenditure in respect of parking places on the highway and sets out how any deficit must be treated and limitations on the use of any surplus.

	2024/25 £'000	2023/24 £'000
Income	(8,697)	(7,852)
Expenditure	4,914	4,523
(Surplus)/ Deficit	(3,783)	(3,329)
Allocation of Income from COVID-19 Funding	-	-
Allocation of income from EMR	-	(525)
Contribution to transport services	3,783	3,854
Total (Surplus)/ Deficit	-	-

28. MEMBER ALLOWANCES

The Council paid the following amounts to members during the year.

	2024/25 £'000	2023/24 £'000
Salaries & Allowances	1,272	1,275
Total	1,272	1,275

Further details on Members' allowances are available on the Council website.

Notes to the Main Financial Statements

29. POOLED BUDGETS

Better Care Fund Pooled Budget

The Better Care Fund (BCF) Pooled Budget was set up in 2015-16. It is a mandatory process through which Council and NHS North West London Integrate Care Board (ICB) budgets are pooled and then reallocated on the basis of an approved plan intended to achieve closer integration of health and social care activities. This is intended to lead to improved outcomes for residents. The BCF is also a route through which the Government targets funding to support the local health and care system.

The Council and the ICB are required to enter into an agreement under section 75 of the National Health Service Act, 2006 in order to give legal effect to the financial and partnership arrangements within the plan. The Authority and NWLICB have defined within the Section 75, confirmed funding levels required to operate these services and they are reviewed on an annual basis. Some schemes are demand led and partners make relevant contributions depending on the type of services being accessed. There is a compulsory contribution that each party must contribute but additional funds can also be pooled. In 2024-25 £58,483k additional contributions (£58,774k in 2023-24) were added to the Pooled Budget.

The focus of Hillingdon's 2024/25 Better Care Fund plan is improving care outcomes for older people, mental health and people with learning disabilities and/or autism. With a focus on prevention and early intervention rather than crisis management. Key outcomes include, for example, a reduction in admissions to hospital that are avoidable and also a reduction in permanent admissions to care homes.

All parties to the better care fund pooled budget agreement have joint control. The better care fund pooled budget is a joint arrangement solely for the purpose of working together, with no single body having power of control over the other parties to the agreement. Each partner then accounts for its share of income, expenditure, assets liabilities and cash flows in line with the agreement.

The table below sets out the allocation received by each party for inclusion in the Better Care Fund.

	2024/25			2023/24		
	NWL ICB £'000	LB Hillingdon £'000	Total £'000	NWL ICB £'000	LB Hillingdon £'000	Total £'000
BCF Grant	24,164	-	24,164	22,870	-	22,870
DFG Allocations	-	6,342	6,342	-	5,557	5,557
IBCF	-	7,468	7,468	-	7,468	7,468
Discharge Fund	2,591	1,745	4,336	1,265	1,047	2,312
Voluntary Contributions	3,097	55,386	58,483	5,524	53,250	58,774
	29,852	70,940	100,792	29,659	67,322	96,981

This funding was then pooled and split out between the partners as set out below:

	2024/25			2023/24		
	NWL ICB £'000	LB Hillingdon £'000	Total £'000	NWL ICB £'000	LB Hillingdon £'000	Total £'000
BCF Grant	15,352	8,812	24,164	14,532	8,338	22,870
DFG Allocations	-	6,342	6,342	-	5,557	5,557
IBCF	-	7,468	7,468	-	7,468	7,468
Discharge Fund	2,591	1,745	4,336	1,265	1,047	2,312
Voluntary Contributions	3,097	55,386	58,483	5,524	53,250	58,774
	21,040	79,752	100,792	21,321	75,660	96,981

Notes to the Main Financial Statements

30. RELATED PARTY TRANSACTIONS

The Council is required to disclose any material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in note 34.

London Housing Consortium

The Council, in partnership with other councils and housing associations, participates in the London Housing Consortium (LHC). The LHC provides specialist architectural services and bulk procurement arrangements for the public sector.

West London Waste Authority

West London Waste Authority is a statutory waste disposal authority created in 1986 with membership of the London Borough of Hillingdon and five other London Boroughs. It is primarily funded by a levy paid by each of the six participating councils. The amount contributed for 2024/25 is included under the heading Precepts and Levies below.

Hillingdon First Limited

The Council has set up a 100% wholly owned subsidiary named Hillingdon First Limited (HFL), to provide affordable housing to residents of Hillingdon and contribute towards local regeneration. As part of the agreement the Council has committed to lend up to £35m to HFL. Any loan advance is subject to the Capital Release process and each project undergoes democratic approval. The Council has invested £3.37m as equity shares in Hillingdon First Limited (HFL). Shares in HFL are not publicly traded so a market share is not readily available thus the fair value of the company has been independently determined to be £2.597m as at 31st March 2025 (£4.209m as at 31st March 2024) on the basis of future cash flows, business plan and the company's own accounts.

The Hillingdon Care Company (THCC)

The Council has set up a Special Purpose Vehicle (SPV) called The Hillingdon Care Company (THCC) to run and manage The Burroughs Care Home which is in the process of acquisition and for which a 10% deposit of £575k was paid in 2024/25. THCC was incorporated with Companies House on 23 January 2025 and was not operational as at 31 March 2025. It will become operational in 2025/26 following completion of the acquisition of the care home (completed in August 2025). A loan agreement between the Council and THCC was signed in 2025/26 comprising a secured 40 year annuity loan of £6,000k to THCC to fund the acquisition (£5,750k) and working capital (£250k) for The Burroughs Care Home.

The Pension Fund

The London Borough of Hillingdon Pension Fund is considered a related party. The employer's contribution to the Pension Fund in 2024/25 was £32,392k (£30,186k in 2023/24). The Council also recharged the Pension Fund £507k for staffing and overhead apportionment costs in 2024/25 (£483k in 2023/24). A precept of £349k was paid to the London Pension Fund Authority in 2024/25 (also £349k in 2023/24).

Notes to the Main Financial Statements

Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2024/25 is shown in note 28.

This note concerns the disclosure of additional information on transactions between the Council and its related parties. The purpose of the note is to demonstrate fairness and openness in the accounts. All councillors and relevant officers are required to complete declarations to meet the requirements of IAS 24 - Transactions with Related Parties. Disclosures of Interest have been made in respect of the following organisations: the payment amount will not necessarily be just in respect of grants but will be a total of transactions between the Council and the organisation during the year. There were no material outstanding balances at year-end.

2024/25		
Organisation	Name	Payments made as at 31st March 2025 (£)
London Councils	Councillor Jonathan Bianco, Councillor Ian Edwards, Councillor Martin Goddard, Councillor Eddie Lavery, Councillor Douglas Mills, Councillor Susan O'Brien, Councillor Jane Palmer, Councillor Ekta Gohil	497,089
Uxbridge Business Improvement District Ltd	Councillor Eddie Lavery	396,301
His Majesty's Prison And Probation Service	Councillor Jas Dhot	461,695
Bell Farm Christian Centre	Councillor Stuart Mathers	102,900
Local Government Association	Councillor Jonathan Bianco	63,492
Harlington Hospice Association	Councillor Kuldeep Lakhmana	26,000
Hillingdon Citizens Advice Bureau	Councillor Tony Burles	336,250
Our Parks	Councillor Richard Mills	24,944
Yiewsley Baptist Church	Councillor Stuart Mathers	24,166

Notes to the Main Financial Statements

2023/24		
Organisation	Name	Payments made as at 31st March 2024 (£)
London Councils	Councillor Jonathan Bianco, Councillor Ian Edwards, Councillor Martin Goddard, Councillor Eddie Lavery, Councillor Douglas Mills, Councillor Susan O'Brien, Councillor Jane Palmer, Councillor Ekta Gohil	711,307
Citizens Advice Hillingdon	Councillor Tony Burles	285,000
Uxbridge Business Improvement District Ltd	Councillor Eddie Lavery	175,560
Her Majesty's Prison And Probation Service	Councillor Jas Dhot	153,284
Bell Farm Christian Centre	Councillor Stuart Mathers	92,056
Local Government Association	Councillor Jonathan Bianco	63,456
Harlington Hospice Association	Councillor Kuldeep Lakhmana	46,129
Hillingdon Citizens Advice Bureau	Councillor Tony Burles	45,000
Ruislip & Northwood Old Folks Assoc	Councillor Becky Haggard, Councillor Eddie Lavery	30,000
Yiewsley Baptist Church	Councillor Stuart Mathers	26,219
Snowflakes Day Nursery & Montessori	Councillor Kamal Preet Kaur	19,460
Hillingdon Brain Tumour Group	Councillor Becky Haggard	15,000

Precepts/Levies

The following precepts and levies are considered related party transactions:

	2024/25 £'000	2023/24 £'000
Business Rate Retention - MHCLG	127,528	114,942
Business Rate Retention - GLA	142,985	128,874
Greater London Authority Precept	49,340	44,988
Greater London Authority Crossrail	11,951	12,830
West London Waste Authority Levy	13,794	12,708
TFL Concessionary Fares	7,230	5,016
Lee Valley Regional Park Authority	270	263
Environment Agency	249	245

Notes to the Main Financial Statements

31. OFFICER EMOLUMENTS

The number of employees in 2024/25 whose remuneration, excluding pension contributions, was £50k or more, are detailed below in bands of £5k. The bandings only include the remuneration of senior employees that have not been disclosed separately. The number of employees included in the totals that exceeded the £50k threshold due to lump sum termination payments are indicated in brackets. These employees left the employment of the Council during the financial year.

Remuneration Band	LBH EMPLOYEES				SCHOOL EMPLOYEES			
	2024/25		2023/24		2024/25		2023/24	
	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum
£50,000 - £54,999	180	-	153	(3)	140	-	100	-
£55,000 - £59,999	123	-	114	(2)	85	-	70	-
£60,000 - £64,999	94	-	64	-	64	-	44	-
£65,000 - £69,999	48	(1)	45	(2)	31	-	25	-
£70,000 - £74,999	30	(1)	32	-	26	-	12	-
£75,000 - £79,999	14	(1)	15	(1)	17	-	16	-
£80,000 - £84,999	15	-	11	(1)	17	-	18	-
£85,000 - £89,999	6	-	7	-	18	(1)	8	(1)
£90,000 - £94,999	8	-	8	(1)	7	-	7	-
£95,000 - £99,999	6	-	7	(2)	4	(1)	5	(1)
£100,000 - £104,999	3	(1)	2	-	5	-	3	-
£105,000 - £109,999	4	-	4	-	1	-	2	-
£110,000 - £114,999	5	(1)	1	-	3	-	-	-
£115,000 - £119,999	2	-	3	(1)	1	-	2	-
£120,000 - £124,999	2	-	2	(1)	1	-	-	-
£125,000 - £129,999	-	-	1	(1)	-	-	-	-
£130,000 - £134,999	-	-	1	-	1	-	-	-
£135,000 - £139,999	-	-	-	-	1	-	1	-
	540	(5)	470	(15)	422	(2)	313	(2)

Disclosure of Remuneration for Senior Employees (Schools): -

Details of school employees in the above table earning over £100,000 during 2024/25 is listed below.

Job Title	Pensionable Pay 2024/25	Pensionable Pay 2023/24	Due to Lump Sum
Headteacher - Harlington School	£115,634	£109,657	
Headteacher - Yeading Infant School	£102,645	Below £100,000	
Headteacher - Deanesfield Primary School	£121,437	£115,055	
Headteacher - Meadow High School	£138,396	£135,410	
Deputy Headteacher - Meadow High School	Below £100,000	£100,964	
Headteacher - Oak Wood School	£131,812	£119,872	
Headteacher - Botwell House Catholic Primary	£113,261	£108,573	
Headteacher - Sacred Heart Catholic Primary	£109,117	£103,813	
Headteacher - Bishop Winington-Ingram CofE	£102,854	Below £100,000	
Headteacher - Highfield Primary School	£100,775	Below £100,000	
Business Manager - Frithwood Primary School	£100,813	Below £100,000	
Headteacher - Coleman Manor Primary School	£102,214	Below £100,000	
Headteacher - Lady Bankes Primary School	£110,318	£104,238	

Notes to the Main Financial Statements

Disclosure of Remuneration for Senior Employees (LBH): -

The following disclosure sets out remuneration for staff included in tiers 1 and 2 of the Council's management structure for 2024/25.

Group	Job Title		2024/25			
			Contracted Salary	Compensation for loss of employment	EER's pension Contributions	Total
	Chief Executive (T Zaman)		£227,103	-	£54,732	£281,835
	Corporate Director of Finance (R Ennis)	1	£209,875	-	-	£235,456
	Corporate Director of Central Services (D Kennedy)		£180,349	-	£43,464	£223,813
	Corporate Director of Children's Services (J Kelly)		£176,106	-	-	£176,106
	Corporate Director of Adult Social Care and Health (S Taylor)		£159,132	-	£38,351	£197,483
	Corporate Director of Place (K Whelan)	2	£149,056	-	£35,922	£184,978
	Chief Operating Officer (M Wallbridge)		£159,132	-	£38,351	£197,483
Leavers	Corporate Director of Finance (A Evans)	3	£63,741	£84,870	£13,636	£162,247

1. Employment started 29/07/2024 - Interim appointment paid through an Agency

2. Employment started 10/06/2024

3. Employment ended 31/07/2024

The following disclosure sets out remuneration for staff included in tiers 1 and 2 of the Council's management structure for 2023/24.

Group	Job Title		2023/24			
			Contracted Salary	Compensation for loss of employment	EER's pension Contributions	Total
	Chief Executive (T Zaman)		£223,933	-	£53,968	£277,901
	Corporate Director of Finance (A Evans)		£171,671	-	£41,373	£213,044
	Corporate Director of Central Services (D Kennedy)		£175,950	-	£42,404	£218,354
	Corporate Director of Children's Services (J Kelly)		£172,043	-	£0	£172,043
	Corporate Director of Adult Social Care and Health (S Taylor)		£155,914	-	£37,575	£193,489
	Corporate Director of Place		£59,280	-	£0	£59,280
	Chief Digital and Information Officer		£103,500	-	£24,944	£128,444
Leavers	Corporate Director of Place (P Scott)	1	£142,627	-	£34,373	£177,000

1. Employment ended 05/01/2024

Notes to the Main Financial Statements

32. EXIT PACKAGES

The number of exit packages that have been agreed by the Council during the year are listed below. These packages include redundancy costs, pension strain costs, ex gratia payments and other departure costs. The Council does not award added years pension contributions, but pension strain is incurred where a pension is taken early without actuarial reduction and is a cost to the Council, not a direct payment to the employee. Exit packages for senior employees are disclosed in the remuneration of senior employees (note 31 above).

Exit package costs by banding which include special payments and pension strain costs of £372k.

LBH EMPLOYEES						
Cost Band	2024/25 No. of LBH Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	21	17	4	179	31	210
£20,001 - £40,000	2	2	-	56	-	56
£40,001 - £60,000	4	3	1	101	62	163
£60,001 - £80,000	3	3	-	47	120	167
£80,001 - £100,000	2	1	1	104	75	179
£100,001 - £150,000	1	1	-	48	83	131
Over £150,000	-	-	-	-	-	-
	33	27	6	535	372	907

LBH EMPLOYEES						
Cost Band	2023/24 No. of LBH Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	16	15	1	190	6	197
£20,001 - £40,000	6	4	2	151	21	173
£40,001 - £60,000	6	5	1	192	112	304
£60,001 - £80,000	5	3	2	166	175	341
£80,001 - £100,000	5	3	2	187	282	469
£100,001 - £150,000	1	1	-	31	74	105
Over £150,000	2	1	1	117	300	417
	41	32	9	1,034	972	2,006

SCHOOL EMPLOYEES						
Cost Band	2024/25 No. of Schools Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£20,000-£40,000	-	-	-	-	-	-
£40,001 - £60,000	1	-	1	51	-	51
	1	-	1	51	-	51

SCHOOL EMPLOYEES						
Cost Band	2023/24 No. of Schools Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	7	5	2	63	-	63
£20,000-£40,000	4	1	3	80	35	115
	11	6	5	143	35	179

Notes to the Main Financial Statements

33. DEDICATED SCHOOLS GRANT

As at 31 March 2020 the Council held a negative Dedicated Schools Grant balance of £15.0m within the Earmarked Reserves, which has increased to £65.9m as at 31 March 2025. In November 2020 a statutory instrument came into effect amending the Local Authority (Capital Finance and Accounting) Regulations (2003 Regulations) by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits. This relates to deficits in local authority accounts from 1st April 2020 onwards. The Council must now not charge the deficit to a revenue account but instead record any such deficit in an account established solely for recording schools' deficits. The new account is the Dedicated Schools Grant Adjustment Account and sits within Unusable Reserves. The new practice has the effect of splitting schools budget deficits from the General Fund into a new dedicated ring-fenced reserve.

The Council's expenditure on schools is funded by grant monies provided by the Department for Education through the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budgets as defined in the School and Early Years Finance (England) Regulations 2014. The Schools Budget includes elements for a restricted range of services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of the DSG receivable for 2024/25 are as follows:

Final DSG for 2024/25 before academy and high needs recoupment
Academy and high needs figure recouped for 2024/25
Total DSG after academy recoupment for 2024/25
Plus Brought-forward from 2023/24
Less Carry-forward to 2024/25 agreed in advance

Agreed initial budgeted distribution in 2024/25
In year adjustments

Final budgeted distribution for 2024/25

Less actual central expenditure
Less actual ISB deployed to schools
Absorbed by Local Authority 2024/25
In-year carry-forward to 2025/26

Carry-forward to 2025/26

DSG unusable reserve at the end of 2023/24

Addition to DSG unusable reserve at the end of 2024/25

Total of DSG unusable reserve at the end of 2024/25

Net DSG position at the end of 2024/25

Schools Budget Funded by Dedicated Schools Grant		
Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
		387,529
		(184,904)
		202,625
		-
		-
52,119	150,506	202,625
-	(533)	(533)
52,119	149,973	202,092
67,432		67,432
	149,973	149,973
		-
(15,313)	-	(15,313)
		(50,582)
		(15,313)
		(65,895)
		(65,895)

Notes to the Main Financial Statements

34. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

REVENUE GRANT INCOME

	2024/25 £'000	2023/24 £'000
Revenue Grant Income Credited to Taxation and Non Specific Grant Income		
Section 31 Business Rates Grants	17,347	16,948
Revenue Support Grant	8,660	8,122
Services Grant	343	1,935
New Homes Bonus	541	1,494
Housing Benefit Administration Subsidy	1,026	1,040
Council Tax Support Hardship Award	9	466
Lower Tier Services Grant	396	396
UK Shared Prosperity Fund	279	297
Other	-	149
Local Reform & Community Voices Grant	163	-
Total Non-Specific Revenue Grants	28,764	30,847

Notes to the Main Financial Statements

Revenue Grant Income Credited to Services

Department for Education

Adoption and Special Guardianship Support Fund
Aim Higher
Core Schools Budget Grant
Dedicated Schools Grant
Pupil Premium
ESFA General Education Grants
EY Entitlement and Wraparound Care Programme
Meadow Special Day
Hedgewood Special
Universal Infant Free School Meals
Sixth Form & Adult Learning Grants
Section 31 Extended Personal Adviser Duty Implementation
Serious Youth Violence
Staying Close
Staying Put Implementation
Adult & Community Learning
Private Finance Initiative
ESFA Pay & Pension Grants
Holiday Activities & Food Grant
PE & Sports Grant
School Improvement Monitoring & Brokering Grant

Department for Levelling Up, Housing & Communities

Homelessness Prevention Grant
Rough Sleeping Initiative
Asylum Dispersal Grant
Homes for Ukraine
Troubled Families Grant
Criminal Justice Grant
Business Rates Cost of Collection Allowances
Ex-Offenders Grant
Redmond Review
COVID-19 Reopening the High Street Safely
UK Shared Prosperity Fund

Department of Health & Social Care

Public Health Grant
Adult Social Care Support Grant
Better Care Fund
Improved Better Care Fund
Adult Social Care Discharge
Market Sustainability & Fair Cost of Care
Skills for Care

Arts Council

Music Education Hub

Department for Work and Pensions:

Housing Benefit Subsidy
COVID-19 Winter Grant Scheme
Discretionary Housing Payments

Home Office:

Funding for Unaccompanied Asylum Seeking Children

GLA

MOPAC Grant

Other

Other Grants

Contributions

Other Contributions

Total Grants Credited to Services

Total Revenue Grant Income

2024/25 £'000	2023/24 £'000
63	-
9	-
109	-
199,951	183,617
6,566	6,552
3,913	4,733
550	-
-	3,478
-	2,860
2,502	2,445
2,668	2,396
398	-
10	-
811	-
933	-
2,026	1,836
1,112	1,778
5,092	1,387
1,106	1,125
874	879
63	123
3,522	3,329
2,640	2,517
2,363	2,051
1,238	1,896
1,297	1,196
1,261	591
561	558
-	132
50	63
10	15
1,359	-
19,914	19,143
20,578	15,607
9,125	8,340
7,468	7,468
1,745	2,644
4,555	2,438
204	-
448	448
76,138	86,748
4,139	4,139
664	671
7,430	7,754
822	528
2,754	4,836
31,974	24,642
431,015	410,961
459,779	441,808

Notes to the Main Financial Statements

CAPITAL GRANT INCOME

	2024/25 £'000	2023/24 £'000
Capital Grant Income credited to the Comprehensive Income and Expenditure Statement		
Disabled Facilities Grant	6,342	5,557
Education and Skills Funding Agency	14,466	12,013
Department for Energy Security and Net Zero	7,480	6,785
HS2	631	1,489
Greater London Authority	35,552	4,028
Ministry of Housing, Communities and Local Government	4,319	-
Transport for London	1,768	1,713
Total Capital Grant Income	70,558	31,585
Schools Capital Contributions	1,892	2,492
Department for Transport	638	168
S106 Contributions	2,999	743
Community Infrastructure Levy	694	2,562
Environment Agency	-	23
National Highways	5	132
National Lottery Heritage Fund	-	921
Lawn Tennis Association	107	62
Sports England	418	-
Network Rail	-	78
Other Capital Contributions	11	311
Total Capital Grants and Contributions Received	77,322	39,077

Of the capital grant income applied to the Comprehensive Income and Expenditure account within Taxation and Non-Specific Grant income, £66,147k was used to fund the Capital Programme and £11,175k was transferred to the Capital Grants Unapplied Reserve for future use.

GRANTS RECEIVED IN ADVANCE

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the awarding body should condition for use fail to be met. The balances at the year-end are as follows:

	2024/25 £'000	2023/24 £'000
Capital Grant & Contribution Receipts in Advance		
ESFA & Other Capital Grants	16,353	28,087
Housing Capital Grants including Green initiatives	17,214	26,724
S106	27,185	27,226
Total Capital Grant & Contribution Receipts in Advance	60,752	82,037

	2024/25 £'000	2023/24 £'000
Revenue Grant Receipts in Advance		
Home Office - Relocation & Assistance Scheme	1,571	-
MHCLG - Homes for Ukraine Scheme	1,850	-
Department for Education grants	1,008	782
Other	1,841	371
Total Revenue Grants Receipts in Advance	6,270	1,153

Notes to the Main Financial Statements

35. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in this note.

	2024/25 £'000	2023/24 £'000
Opening Capital Financing Requirement *	462,426	420,622
Capital investment		
Property, Plant and Equipment	230,422	96,862
Infrastructure Assets	12,423	11,067
Intangible Assets	2,132	539
Heritage Assets	87	800
Revenue Expenditure Funded from Capital under Statute	17,444	17,972
THCC care home acquisition - deposit	575	-
Leases:		
New Right of Use Assets	1,020	-
Sources of finance		
Capital receipts	(27,824)	(18,163)
Government grants and other contributions	(66,146)	(36,940)
Sums set aside from revenue:		
Direct revenue contributions	(26,866)	(22,736)
Minimum Revenue Provision (MRP) / loans fund principal	(17,551)	(17,864)
Previous Voluntary Revenue Provision released	-	4,839
Other Revenue Provision	(1,204)	(72)
Closing Capital Financing Requirement	586,938	456,926
Explanation of movements in year		
Increase/(Decrease) in underlying need to borrow :		
- unsupported by Government financial assistance	124,512	36,304
Increase/(Decrease) in Capital Financing Requirement	124,512	36,304

The Capital Financing Requirement (CFR) is a measure of the Council's underlying need to borrow for capital purposes. It does not represent the Council's actual borrowing which is determined following consideration of other balances such as reserves, provisions, working capital and timing differences of cash inflows and outflows.

*the opening CFR is restated to include £5,500k Right of Use leased assets recognised on transition to IFRS16 on 1st April 2024.

Notes to the Main Financial Statements

36. LEASES

In 2024/25, the Council applied IFRS 16, Leases, as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (ie those lease arrangements where the Council's judgment was that the arrangement did not transfer substantially all the risks and rewards of ownership of an asset and expenditure was recorded in the Comprehensive Income and Expenditure Statement each year) a. Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that Right of Use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 without adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code:

- lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the authority's incremental borrowing rate at that date
- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics
- the weighted average of the incremental borrowing rates used to discount liabilities was 4.81%
- Right of Use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024

This has resulted in the following additions to the Balance Sheet:

- £4,865k Property, plant and equipment - land and buildings right of use assets
- £635k Property, plant and equipment – vehicles, plant and equipment right of use assets
- £5,494k Lease liabilities
- £6k Provisions for end of lease costs

The newly recognised lease liabilities of £5,494k compare with the operating lease commitments of £308k at 31 March 2024 disclosed in the notes to the 2023/24 financial statements. When these are discounted to their present value of £294k (using the incremental borrowing rate at 1 April 2024), there is a difference of £5,200k from the newly recognised lease liabilities. This is largely due to the identification of existing leases at the transition date that were not previously disclosed as operating leases including temporary accommodation property leases. Lease liabilities recognised post transition also exclude amounts for leases of low value items (below £10k) and leases that will expire before 31 March 2025.

Right-of-use assets recognised under leases are accounted for using the policies applied generally to Property, Plant and Equipment assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Notes to the Main Financial Statements

Council as Lessee

From 1 April 2024, IFRS 16 Leases (as adopted by the CIPFA Code of Practice on Local Authority Accounting) requires that the rights to use items acquired under all leases are recognised as assets on the Balance Sheet, together with a liability for the payments to be made for the acquisition.

Lease payments are apportioned between:

- a charge for the acquisition of the right to use the property, plant or equipment which is applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The table below sets out the change in accounting arrangements on existing leased assets at the transition date from the former lease accounting standard IAS17 to IFRS16:

	IAS 17 accounting				IFRS 16 accounting						
	Assets 31/03/2024	Liabilities 31/03/2024	Service cost 2024/25	Service income 2024/25	Assets 1/4/2024	Liabilities 1/4/2024	Service cost 2024/25	Service income 2024/25	Interest cost 2024/25	Interest income 2024/25	MRP 2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Temporary accommodation leases	-	-	516	-	4,443	(4,443)	-	-	189	-	328
Other Operating leases	-	-	599	-	1,057	(1,051)	-	-	39	-	560
Total - transition	-	-	1,115	-	5,500	(5,494)	-	-	227	-	888
New leases	-	-	143	-	-	-	-	-	38	-	105
New head & sub-leases	-	-	35	(35)	-	-	10	(10)	4	(4)	-
Grand total	-	-	1,294	(35)	5,500	(5,494)	10	(10)	270	(4)	993

Notes to the Main Financial Statements

The difference on transition is set out in the following table

	Difference on transition							
	Assets 1/4/2024	Liabilities 1/4/2024	Provisions 1/4/2024	Service cost 2024/25	Service income 2024/25	Interest cost 2024/25	Interest income 2024/25	MRP 2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Temporary accommodation leases	4,443	(4,443)	-	(516)	-	189	-	328
Other Operating leases	1,057	(1,051)	(6)	(599)	-	39	-	560
Total - transition	5,500	(5,494)	(6)	(1,115)	-	227	-	888
New leases	-	-	-	(143)	-	38	-	105
New head & sub-leases	-	-	-	(26)	26	4	(4)	-
Grand total	5,500	(5,494)	(6)	(1,284)	26	270	(4)	993

The right of use assets and associated lease liabilities and provisions at 1st April 2024 are recognised on the Council's Balance Sheet through an adjustment to opening balances.

Lease Liabilities Outstanding

The table below sets out lease liabilities outstanding following transition and including new leases commencing in 2024/25.

	Lease Liabilities outstanding under IFRS 16				Receivables
	Balance 31/03/2025	Balance 31/03/2026	Balance 31/03/2027	Balance 31/03/2028	Balance 31/03/2025
	£'000	£'000	£'000	£'000	£'000
Temporary accommodation leases	(4,115)	(3,795)	(3,448)	(3,083)	-
Other Operating leases	(491)	(73)	(12)	(4)	-
Total - transition	(4,607)	(3,869)	(3,460)	(3,087)	-
New leases	(904)	(763)	(680)	(593)	-
New head & sub-leases	(225)	(157)	(79)	(4)	225
Grand total	(5,735)	(4,789)	(4,219)	(3,684)	225

The Council's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles. Most are individually immaterial; however material leases include temporary accommodation leases at three sites to provide accommodation for homeless households. These comprise:

- four leases for up to 10 years for the use of 25 residential units of self-contained temporary accommodation at Great Central House, South Ruislip. Rents are fixed at £516k per annum in total for five years, rising to £620k per annum from 9th February 2029. This is reflected in the lease liability calculation.
- two leases for 17 flats in total at 163 Yiewsley High Street at a fixed total payment of £197k per annum. The existing lease arrangement ends in 2025/26 but may be extended.
- seven leases for up to 10-years for the use of seven self-contained homes for temporary accommodation in Longford, for homeless households. The initial headlease commenced in April 2024 and rent payable to the Landlord in year one of the lease is £16k per unit, a total of £112k across the seven properties. The headlease is subject to an annual increase in line with the Consumer Price Index (CPI) based on the value of the CPI for the month before the relevant annual review date.

Right of Use Assets

The table below shows the change in the value of right-of-use assets held under leases by the authority:

	Land and Buildings	Vehicles Plant and Equipment	Total
	£000s	£000s	£000s
Balance at 1 April 2024	4,865	635	5,500
Additions	902	118	1,020
Revaluations	-	-	-
Depreciation and Amortisation	(797)	(320)	(1,117)
Total	4,970	433	5,403

Notes to the Main Financial Statements

The balance of £5,403k as at 31 March 2025 is categorised as Right of Use assets on the Balance Sheet.

Transactions under leases

The authority incurred the following expenses and cash flows in relation to leases:

	2024/25 £'000
Comprehensive income and expenditure statement	
Interest expense on lease liabilities	279
Expense relating to short term leases	123
Expense relating to exempt leases of low value items	831
Income from subletting right of use assets	
Cash flow statement	
Cash outflow on leases	(161,603)

Maturity Analysis of Lease Liabilities and Receivables

	Lease liabilities		Lease receivables	
	Gross Undiscounted	Principal	Gross Undiscounted	Principal
Maturity analysis 31/03/2025	£'000	£'000	£'000	£'000
Within one year	1,204	957	75	65
1 to 2 years	771	569	75	68
2 to 5 years	2,125	1,629	96	92
5 to 10 years	2,824	2,580	-	-
10 to 20 years	-	-	-	-
20 to 40 years	-	-	-	-
Over 40 years	-	-	-	-
Total	6,923	5,735	245	225

Lease liabilities of £957k within one year are included in Short Term Creditors within the Balance Sheet and the lease liabilities totalling £4,778k greater than one year are included as Deferred Liabilities within the Balance Sheet.

Lease liabilities and lease receivables include matching liabilities and receivables of £225k in respect of the employee car lease scheme, where costs are fully recovered from the staff via salary sacrifice off payroll.

Short Term or Low Value Leases - Lessee - Outstanding Obligations on 31 March 2025

Where leases are for items of low value, or the lease term is less than 12 months from commencement, amounts paid under the lease are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased item. For this purpose, items with a value of less than £10k when new are considered low value.

	2024/25 £'000	2023/24 £'000
Within 1 year	783	122
2 - 5 years	730	186
Total future lease payments	1,513	308

Low value items operating lease obligations include commitments held by Hillingdon maintained schools as well as those held by the Council.

Notes to the Main Financial Statements

Council as Lessor

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such a sports facilities and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

Lease Receivables

Within 1 year
2 - 5 years
More than 5 years
Total future lease payments receivable

2024/25 £'000	2023/24 £'000
762	1,034
2,329	2,671
7,305	7,726
10,396	11,431

The minimum lease payments receivable do not include rents that are contingent on events taking place after the commencement of the lease, such as adjustments following rent reviews.

Transactions under leases

The authority made the following gains and losses as a lessor during the year:

	2024/25 £'000	2023/24 £'00
Lease income	1,034	1,132

37. LONG TERM CONTRACTS AND PRIVATE FINANCE INITIATIVE

Private Finance Initiative (PFI)

In December 1998 the Council entered into a 25 year contract with a private sector partner, Jarvis (Barnhill) Limited, to build and provide facilities management at Barnhill Community High School under a private finance initiative (PFI) arrangement. The school opened in September 1999. In 2010 the parent company Jarvis PLC went into administration and management of the facility was transferred to Johnson Workplace Management Ltd without impacting the day to day operation of the school. In August 2013 Johnson Workplace Management Ltd were acquired by Bellrock Facilities Management who are now responsible for the management of the contract. The PFI contract has ended in September 2024. In 2024/25 the Council paid principal of £30k, interest of £9k and service charges of £2,321k.

In financial years prior to 2024/25 the Council acquired a private finance initiative (PFI) school under finance leases with the risks and rewards associated with ownership of such assets having transferred to the Council. Assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet. Since the initial transfer, the PFI school moved to Academy status and the asset was removed from the balance sheet, with the liability being held by The Council. As the PFI ended during September 2024, there is no liability from 2025/26.

Plant, Property and Equipment Outstanding obligations on 31 March

Within 1 year (held in current liabilities)
2 - 5 years
Total costs payable in future years
Total future lease payments

Finance Lease Liabilities		Minimum Lease Payments	
2024/25 £000's	2023/24 £000's	2024/25 £000's	2023/24 £000's
-	30	-	39
-	-	-	-
-	-	-	30
-	30	-	39

Notes to the Main Financial Statements

38. CONTINGENT LIABILITIES AND ASSETS

In 2024/25 the Council settled two claims that were undergoing legal proceedings and at 31 March 2024 were previously reported as contingent liabilities. The total compensation paid was £240k. One further claim for £226k was scheduled for hearing at an employment tribunal. These claims are unrelated to each other.

The Council has around 150 special educational needs and disabilities (SEND) tribunals occurring up to July 2026. This is an independent national tribunal that decides appeals against local authority decisions about the special educational needs of children and young people. The outcome of the tribunals are highly uncertain, however this presents a significant financial risk to the high needs block within the DSG.

There are no contingent assets reported as at 31 March 2025.

39. EVENTS AFTER THE BALANCE SHEET DATE

Events taking place after the 31st March 2025 are not reflected in the financial statements or notes, unless they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events to report after the Balance Sheet date that deem adjustment in the accounts, although as stated in the Narrative Statement the Council has subsequently been in active discussions with MHCLG about securing Exceptional Financial Support (EFS). The Chief Finance Officer is currently confident that EFS will be agreed and hence is of the view that it is not necessary to issue a Section 114 notice at this time.

40. AGENCY

Collection of Mayoral CIL

The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008, as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. Following this, the Mayoral CIL (MCIL) was introduced to assist in financing Crossrail. The MCIL Levy was ratified on 29 February 2012 and applies to developments agreed after 1 April 2012. The levy is charged on most developments in Central London and is charged at £35 per square metre (MCIL1) or £60 per square metre (MCIL2) in Zone 2. Local planning authorities are responsible for collecting Mayoral CIL payments on behalf of the Mayor. The local planning authority is able to retain 4% of the levy to cover the costs of administration and collection. Contributions of £566k have been received this year and £544k has been paid over to the charging authority (Transport for London) with £22k retained by the Council to cover administrative expenses.

41. SUMMARY OF TREASURY MANAGEMENT POLICY

The Council defines its treasury management activities as:

“The management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Notes to the Main Financial Statements

The Council's underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement which represents the cumulative capital expenditure of the Council that has not been financed from internal resources.

The Council's borrowing will be affordable, sustainable, and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

42. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Credit Risk: Treasury

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council manages credit risk by ensuring treasury investments are only placed with organisations of high credit quality as outlined in the Treasury Management Strategy. These include financial institutions with a minimum long term credit rating of A- (Fitch); A3 (Moody's); A- (S&P) for UK counterparties, A+ (Fitch); A1 (Moody's); A+ (S&P) for Overseas counterparties and AA+ (Fitch); Aa1 (Moody's); AA+ (S&P) for non-UK sovereigns, the UK government, other local authorities and organisations without credit ratings upon which the Council has received independent investment advice. The Treasury Management Strategy also sets maximum sums that can be invested with any financial institution. The Council also considers other information such as corporate developments, market sentiment towards investment counterparties and other sources of intelligence before making deposits.

Credit Rating Definitions

Long Term		Money Market Funds
AAA	Highest credit quality	Fitch: AAAMmf : Extremely strong capacity to achieve fund's investment objective of preserving principal and providing shareholder liquidity through limiting credit, market, and liquidity risk.
AA	Very high credit quality	
A	High credit quality	Moody's: Aaa Money Market Funds are judged to be of an investment quality similar to Aaa-rated fixed income obligations.
BBB	Good credit quality	
BB	Speculative	S&P: AAAM has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks.
B	Highly speculative	
CCC	Default possibility	
CC	Default imminent	
D	Defaulted	

Notes to the Main Financial Statements

The table below summarises the credit risk exposures of the Council's treasury investment portfolio and other receivables by credit rating and remaining time to maturity, also identifying expected loss:

31 March 2025				31 March 2024			
Rating at 31 March 2025*	Long Term	Short Term	Expected Loss	Rating at 31 March 2024*	Long Term	Short Term	Expected Loss
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AA-	-	1,586	-	A+	-	1,632	-
AA	-	-	-	AA-	-	-	-
AA-	-	(9)	-	A+	-	376	-
AA-	-	8,978	-	A+	-	13,326	-
AA-	-	1,043	-	A+	-	1,005	-
A+	-	294	-	A	-	1,971	-
A+	-	-	-	A	-	-	-
Unrated	-	1,039	-	Unrated	-	1,063	-
	-	12,930	-		-	19,373	-
AA-	-	14,302	N/A	AA-	-	28,522	N/A
A+	-	-	N/A	A+	-	-	N/A
AAA**	-	-	N/A	AAA**	-	-	N/A
Unrated	13	-	N/A	Unrated	14	-	N/A
Unrated	13,921	-	N/A	Unrated	13,931	-	N/A
Unrated	37	-	N/A	Unrated	35	-	N/A
Unrated	2,597	-	N/A	Unrated	6,759	-	N/A
N/A	-	17	N/A	N/A	-	20	N/A
	16,569	14,319	-		20,739	28,542	-
N/A	1,373	-	(6)	N/A	1,308	-	(4)
	4	59,366	(18,474)		1,562	34,110	(15,413)
	1,376	59,366	(18,480)		2,870	34,110	(15,417)
	17,945	86,615	(18,480)		23,609	82,025	(15,417)

Credit Risk Exposures

UK Banks:

- Barclays Current Accounts
- Handelsbanken Current Account
- HSBC Current Accounts
- Lloyds Current Accounts
- Lloyds Short-Term Deposit
- NatWest Current Accounts
- Santander Current Accounts
- PrePaid Financial

Sub Total

Investments where credit loss is not applicable

Government & Local Authority Investments:

- DMADF
- Cornwall Council
- Money Market Funds
- Pooled Funds (Long-Term)
- Strategic Pooled Funds
- Shares in Listed Companies (Long-Term)
- Hillingdon First Limited
- Cash Held By Council

Sub Total

Soft Loan

Trade Receivables - Simplified Approach

Sub Total

Total

*Ratings provided are the Fitch rating or lowest equivalent, ** All funds held with AAAmmf or equivalent ratings with at least one of the rating agencies

Notes to the Main Financial Statements

Loss Allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. Loss allowances as at 31 March 2025 and 31 March 2024 have been calculated on treasury investments held at amortised cost but are immaterial and therefore no impairments have been made.

Loss allowances on trade receivables are calculated using a simplified approach based on historic experience adjusted for current and forecast influences. Credit impairment assessments are carried out annually with the total balance sheet carrying amount being adjusted and the movement being allocated to the CIES accordingly.

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

Borrowing

The policy on borrowing is to spread exposure between Public Works Loans Board (PWLB), local authorities and market sources. This enables the Council to avail itself of rescheduling facilities offered by PWLB and to obtain favourable rates, when offered by the market.

	31 March 2025				31 March 2024			
	PWLB	Market	Temporary Local Authorities	Total	PWLB	Market	Temporary Local Authorities	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Nominal Value	377,480	48,000	92,000	517,480	239,171	48,000	69,000	356,171
Premium	(9,346)	-	-	(9,346)	(9,409)	-	11	(9,398)
Accrued Interest	2,051	607	981	3,639	705	607	987	2,299
Amortised Value	370,185	48,607	92,981	511,773	230,466	48,607	69,998	349,072

Liquidity Risk

Liquidity risk is the risk that cash will not be available when it is required. This can jeopardise the ability of the Council to carry out its daily functions or disrupt these from being carried out in the most cost-effective manner. To prevent or minimise this risk, the Council has a comprehensive cash flow management process that seeks to ensure that cash is available as needed. The Council holds as a minimum £10m of liquid financial assets that can be withdrawn at short notice if required to meet cash outflows on financial liabilities. If unexpected movements occur, the Council has ready access to borrowings from money markets and the PWLB. There is no significant risk that the Council will be unable to raise finance to meet its commitments.

Instead, the risk to which the Council is exposed is when loans or other forms of capital financing mature, they cannot be refinanced where necessary on terms that reflect the assumptions made in formulating revenue and capital budgets. The policy on debt redemption is to maintain a fairly stable fall out of debt required to be refinanced each year. To achieve this, targets are set within the Treasury Management Strategy which limit the maximum amount of debt maturities within specific time periods. This spreads the risk of interest rate exposure so all debt is not subject to renewal at the same time. The maturity analysis of financial liabilities is as follows:

		31 March 2025			31 March 2024		
	Limit for Debt Maturity	Actual % Debt Maturity	Principal Repayment £'000	Principal and Interest Repayments £'000	Actual % Debt Maturity	Principal Repayment £'000	Principal and Interest Repayments £'000
Less than 1 year	50%	24.2%	123,988	142,945	28.9%	103,477	117,243
Between 1 and less than 2 years	50%	22.5%	115,349	128,470	9.0%	32,167	40,206
Between 2 and less than 5 years	50%	15.8%	80,967	111,105	11.6%	41,500	62,055
Between 5 and less than 10 years	100%	14.1%	72,107	105,488	13.7%	49,167	77,858
Between 10 and less than 20 years	100%	11.2%	57,109	94,155	15.5%	55,571	96,191
Between 20 and less than 30 years	100%	1.0%	5,000	35,360	1.4%	5,000	40,523
Between 30 and less than 40 years	100%	4.9%	25,254	45,886	6.6%	14,191	37,093
Between 40 and less than 50 years	100%	4.5%	23,000	27,570	10.9%	39,000	45,210
Over 50 years	100%	1.8%	9,000	9,326	2.5%	9,000	9,671
Total		100.0%	511,773	700,306	100.0%	349,072	526,050

Notes to the Main Financial Statements

In addition to debt that falls out naturally in any year, the Council can choose to redeem debt early as part of its overall debt management policy. This assists in restructuring the Council's debt portfolio and although in the short term a premium charge may be incurred, longer term finance costs may be significantly reduced. LOBO loans have been included at their final maturity date.

Interest Rate Risk

The Council is exposed to risks arising from movements in interest rates. To manage interest rate risk the Council will aim to balance variable rate debt with its exposure to variable rate investments. This approach will offset any increase or decrease in borrowing costs with comparable changes in investment income. The Council is required to set an indicator to control the Council's exposure to interest rate risk. The interest rate risk indicator Limit Upper limit on one-year revenue impact of a 1% rise in interest rates is £1.0m; Upper limit on one-year revenue impact of a 1% fall in interest rates is (£1.0m). The impact of a change in interest rates is calculated both on the assumption that fixed-rate maturing loans and investments will be replaced at their existing fixed rates and with a forecast maximum variable rate net investment and debt position of £100m.

Movements in interest rates can impact the Council in several ways. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates and pooled funds – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

If interest rates had been 1% higher (based on 2024/25 balances and with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	773
Increase in interest receivable on variable rate investments	(283)
Decrease in fair value of investments held at FVPL charged against provision of services	690
Impact on Surplus or Deficit on the Provision of Services	1,180
Share of overall impact credited to the HRA	3,791
Decrease in fair value of investments held at FVOCI	-
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(23,904)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The fair value assumptions are based on the same methodology as used in the "Fair Value" disclosure note.

Price Risk

The Council has a small historic holding of £50k classified as shares in listed companies. Based on the holding value at 31 March 2025 a 5% fall in share prices would result in a £3k charge to the Income and Expenditure Account. The Council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's exposure to equities within its £15m strategic pooled funds being diluted as the investments are in diverse asset classes

Notes to the Main Financial Statements

also including bonds. Based on the holding value at 31 March 2025 a 5% fall in share prices would result in transfer of £20k to Pooled Investment Fund Adjustment Account.

The market prices of the Council's units in pooled funds are governed by prevailing interest rates and the market risk associated with these instruments which is managed alongside interest rate risk.

Foreign Exchange Risk

All the financial assets and liabilities are denominated in GBP and thus have no exposure to loss arising from movements in exchange rates.

Financial Liabilities

The majority of borrowing made by the Council is sourced from the PWLB (£377,480k nominal value at 31 March 2025 all at fixed rates). Borrowing at fixed rates enables the Council to enjoy stability of costs in future years and helps improve budgetary processes. Fixed rates protect the Council from interest rate increases but in contrast exposes it to opportunity costs should rates fall. Borrowing at variable rates currently allows the Council to source debt at levels which are considerably lower than fixed rate debt. Sourcing debt from the PWLB allows the Council to reschedule or prematurely redeem debt and the portfolio is continually monitored to take advantage of opportunities that may present themselves periodically to reduce overall costs.

A total of £36,000k debt (nominal value) is held in "Lenders Option Borrowers Option" (LOBO) market loans. These have been set to provide varying periods of fixed rate ranges with subsequent options for the lender to change this rate on agreed dates. In 2025/26 two loans totalling £10,000k are scheduled for rate change options. In addition, the Council held £12,000k of fixed-rate market loans and £92,000k of Local Authority to Local Authority borrowing.

Although internal borrowing continued to be utilised during the year, external borrowing was also required during 2024/25 to ensure liquidity was maintained and finance significant capital expenditure. The total loan portfolio increased by £32,500k resulting in a total nominal balance at year-end of £517,480k.

Financial Assets

The Council had a weighted average balance of investments for 2024/25 of £62,620k including £15,000k in strategic pooled funds. Throughout the year deposits were placed in instant access accounts, pooled funds and in fixed-term deposits with varying maturity periods. This approach aimed to match investment maturities with expected expenditure and so spread interest rate risk. At year-end there were no deposits with maturities extending beyond one year and therefore all instruments are classified as variable.

In 2019/20 the Council made a long-term cash investment of £3,371k in shares in the subsidiary Hillingdon First. The objective of Hillingdon First Limited is to deliver a financial return to the Council and provide housing and or a commercial unit for sale or rent. It will achieve this by the generating of long-term sustainable revenue streams through the delivery of high-quality housing to meet the needs of Hillingdon's residents. The fair value of the investment is currently £2,597k.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. While one of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. To limit these risks, upper limits on the sums invested in each category have been set in Table 1 below. Furthermore, the Council is protected against any loss through a charge over the assets of Hillingdon First Ltd.

Table 1 - Loans & Shares for Service Purposes

Hillingdon First Ltd	2023/24 Approved Limit £m
Loans	0-35
Shares	0-50
TOTAL	50

Notes to the Main Financial Statements

43. PENSION SCHEMES

Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits that include retirement pensions, dependent pensions, death grants and lump sum payments. Although these benefits will not actually be payable until employees retire, the Council's commitment to make future payments needs to be disclosed as the future entitlement is earned.

The Council participates in four defined benefit pension schemes; two funds of the Local Government Pension Scheme (LGPS), the Teachers' Pension Scheme and the NHS Pension Scheme. Accounting for the Teachers' Pension Scheme and NHS scheme varies from that of the LGPS and is expanded upon further within this note.

LGPS

The two LGPS scheme funds are:

- London Borough of Hillingdon (LBH) Pension Fund of the LGPS for employees, administered locally by the Council.
- London Pension Fund Authority (LPFA) Pension Fund of the LGPS, which is a closed arrangement for former employees administered by the London Pension Fund Authority.

For the London Borough of Hillingdon LGPS, contributions are made at a level intended to balance the pensions liabilities with investment assets. The adequacy of the funds' contributions and investments to resource future liabilities is reviewed tri-annually by actuaries appointed by the Council. Contribution rates are then set to meet the overall liabilities of the fund under Pension Fund Regulations.

Employees contributed at variable rates between 5.5% and 12.5% of pensionable salary. The employer's contribution rate set for 2024/25 is 24.1% with any pension strain costs being directly attributable to the service area, as was the case in 2023/24.

The London Pension Fund Authority (LPFA) Pension Scheme has been combined with London Borough of Hillingdon Pension Fund in the figures within this note as it is a closed non-contributing fund for a number of former employees.

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme. This fund is administered by the Department for Education and provides teachers with defined benefits upon their retirement. The Council contributes towards the pensions by making payments to the fund based on a percentage of members' pensionable salaries. The employer's contribution rate for 2024/25 was 28.68% (the rate in 2023/24 was 23.68%). The total contribution to the fund by the Council in 2024/25 was £11,919k (£11,968k in 2023/24), of this amount £123,383.29k (Oakwood School) was outstanding on 31 March 2025 (£1,055k on 31 March 2024).

The Teachers' Pension Scheme is a defined benefit scheme. Although the scheme is unfunded, a notional fund is used as a basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme. There was £349k paid in respect of on-going early retirement payments in 2024/25 (£342k in 2023/24).

NHS Pension Scheme

The Health and Social Care Act 2012 made provision for the transfer of public health services and staff from primary care trusts (PCTs) to local authorities. As a result of this transfer, the Council is responsible for deduction of pension contributions, both employees and employers from transferred staff. These contributions are forwarded on directly to the National Health Service Pension Scheme. The National Health Service Pension Scheme is unfunded and administered by National Health Service Business Services Authority (NHSBSA). It is not possible for the Council to

Notes to the Main Financial Statements

identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted on the same basis as a defined contribution scheme. The pension cost charged to the accounts is the contribution rate set by the NHSBSA. In 2024/25 the Council paid a total of £13.6k (£15.2k in 2023/24) to the NHS Pension Scheme, representing 14.38% of pensionable pay. The Department of Health and Social Care's transitional arrangement for the increase of employer contributions continued in 2024/25. This means that in 2024/25 all employers continued to pay 14.38% in employer contributions including 0.08% for the scheme administrator charge under the normal monthly payment process to the NHS Pension Scheme.

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Services						
Current Service Cost	26,012	25,985	-	-	26,012	25,985
Past Service Costs (Including curtailments)	444	1,246	-	-	444	1,246
(Gain)/Loss Settlements	-	-	-	-	-	-
Administration Expenses	933	734	-	-	933	734
Financing and Investment Income and Expenditure:	-	-	-	-	-	-
Net Interest Expense	8,452	12,148	112	106	8,564	12,254
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	35,841	40,113	112	106	35,953	40,219
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	2,846	(64,864)	(30)	27	2,816	(64,837)
Actuarial gains and losses arising on changes in financial assumptions	(187,338)	(54,686)	(62)	24	(187,400)	(54,662)
Other	(15,830)	35,062	(33)	-	(15,863)	35,062
Effect of Asset Ceiling	140,725	-	-	-	140,725	-
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(59,597)	(84,488)	(125)	51	(59,722)	(84,437)
Movement in Reserves Statement						
	602	(6,741)	(109)	(103)	493	(6,844)
Actual amount charged against the General Fund Balance for pensions in the year:						
Employer's contributions payable to scheme	(34,292)	(31,303)	-	-	(34,292)	(31,303)
Contributions in respect of unfunded benefits	(2,151)	(2,069)	(3)	(3)	(2,154)	(2,072)
Total Employers Contributions Payable to Scheme	(36,443)	(33,372)	(3)	(3)	(36,446)	(33,375)

Inclusive of the asset ceiling adjustment the Comprehensive Income and Expenditure Statement reports an actuarial gain of £59,722k in 2024/25 (£84,437k actuarial gain in 2023/24). Any impact of foreign exchange rates will come through as a result of market value movements in asset holdings.

The actuary estimates that the Council will make payments of £33,821k in respect of contributions to the LBH Pension Fund during the financial year 2025/26.

When the calculation results in an asset for the Council, the asset must be recognised at the lower of that asset and the asset ceiling, which is calculated as the net present value of future service costs less net present value of future contributions over the future working lifetime. Where the asset ceiling is the lower, an adjustment is required and is included as a remeasurement. The effect of the asset ceiling is to place a restriction on the amount of surplus which can be recognised. A surplus should only be recognised to the extent that the employer is able to recover the surplus either through reduced contributions in the future, or through refunds. The "surplus" will only be recovered through

Notes to the Main Financial Statements

reduced contributions in the future as the LGPS is not closed to new members and also the Council will continue to make contributions indefinitely.

44. PENSION SCHEMES BALANCE SHEET DISCLOSURES

Reconciliation of present value of scheme liabilities

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Benefit Obligation	1,246,314	1,230,520	1,746	1,893	1,248,060	1,232,413
Current Service Cost	26,012	25,985	-	-	26,012	25,985
Administration Expenses	933	734	-	-	933	734
Interest on defined liability	59,319	57,921	77	85	59,396	58,006
Contributions by Members	9,258	8,316	-	-	9,258	8,316
Remeasurement (gains) and losses:						
- Actuarial (gains)/losses arising from changes in financial assumptions	(187,338)	(54,686)	(62)	24	(187,400)	(54,662)
- Other	(15,830)	35,062	(33)	-	(15,863)	35,062
Past Service Cost including Curtailments	444	1,246	-	-	444	1,246
Liabilities Extinguished on Settlements	-	-	-	-	-	-
Estimated Unfunded Benefits Paid	(2,151)	(2,069)	(3)	(3)	(2,154)	(2,072)
Estimated Benefits Paid	(53,984)	(56,715)	(228)	(253)	(54,212)	(56,968)
Effect of Asset Ceiling	140,725	-	-	-	140,725	-
Closing Defined Benefit Obligation	1,223,702	1,246,314	1,497	1,746	1,225,199	1,248,060

Reconciliation of fair value of scheme assets

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Fair Value of Employer Assets	1,065,630	972,089	(622)	(321)	1,065,008	971,768
Interest Income on Plan Assets	50,867	45,773	(35)	(21)	50,832	45,752
Contributions by Members	9,258	8,316	-	-	9,258	8,316
Contributions by the Employer	34,292	31,303	-	-	34,292	31,303
Contributions in respect of Unfunded Benefits	2,151	2,069	3	3	2,154	2,072
Remeasurement (gains) and losses:						
- The return on plan assets, excluding the amount in the net interest expense	(2,846)	64,864	30	(27)	(2,816)	64,837
Assets Distributed on Settlements	-	-	-	-	-	-
Estimated Unfunded Benefits Paid	(2,151)	(2,069)	-	-	(2,151)	(2,069)
Estimated Benefits Paid	(53,984)	(56,715)	(231)	(256)	(54,215)	(56,971)
Closing Fair Value of Employer Assets	1,103,217	1,065,630	(855)	(622)	1,102,362	1,065,008

Administration costs are included within liabilities for the LBH Pension Fund and within assets for the LPFA Pension Fund as determined by the respective actuaries.

The LBH return on scheme assets is based on actual fund returns as provided by the administering authority at 4.5%.

The LPFA return is based on investment returns and market returns estimated where necessary.

Notes to the Main Financial Statements

Pension Scheme assets comprised

	LBH Pension Fund				LPFA Pension Fund				Total	
	Quoted in Active Markets (Level 1) 24/25	Not Quoted in Active Markets (Level 2&3) 24/25	Quoted in Active Markets (Level 1) 23/24	Not Quoted in Active Markets (Level 2&3) 23/24	Quoted in Active Markets (Level 1) 24/25	Not Quoted in Active Markets (Level 2&3) 24/25	Quoted in Active Markets (Level 1) 23/24	Not Quoted in Active Markets (Level 2&3) 23/24	31 March 2025	31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity Instruments										
Consumer	-	-	-	-	(105)	-	(84)	-	(105)	(84)
Manufacturing	-	-	-	-	(97)	-	(65)	-	(97)	(65)
Energy & Utilities	-	-	-	-	(10)	-	(6)	-	(10)	(6)
Financial Institutions	-	-	-	-	(68)	-	(44)	-	(68)	(44)
Health & Care	-	-	-	-	(34)	-	(22)	-	(34)	(22)
Information Technology	-	-	-	-	(146)	-	(94)	-	(146)	(94)
Other	23	-	23	-	(9)	-	(7)	-	14	16
Debt Securities										
Other	-	-	-	-	(35)	-	(21)	-	(35)	(21)
Private Equity	-	4,178	-	4,293	-	(49)	-	(43)	4,129	4,250
Real Estate	-	116,082	-	113,378	-	(75)	-	(58)	116,007	113,320
Investment Funds & Unit Trusts										
Equities	627,792	-	601,678	-	-	-	-	-	627,792	601,678
Bonds	183,284	37,659	183,546	36,676	-	-	-	-	220,943	220,222
Infrastructure	-	52,478	-	49,374	-	(93)	-	(72)	52,385	49,302
Other	-	72,109	-	69,949	-	-	-	-	72,109	69,949
Target Returns	-	-	-	-	-	(117)	(22)	(75)	(117)	(97)
Cash & Cash Equivalents	-	9,613	6,713	-	(17)	-	(9)	-	9,596	6,704
	811,099	292,118	791,960	273,670	(521)	(334)	(374)	(248)	1,102,363	1,065,008

LBH allocation between quoted and not-quoted investments reflects the fair value hierarchy shown in the Pension Fund Accounts.

Pensions Assets and Liabilities recognised in the Balance Sheet

	2024/25 £'000	2023/24 £'000	2022/23 £'000	2021/22 £'000	2020/21 £'000	2019/20 £'000	2018/19 £'000
Present value of liabilities:							
LBH	(1,223,702)	(1,246,314)	(1,230,520)	(1,658,268)	(1,716,627)	(1,353,063)	(1,518,557)
LPFA	(1,497)	(1,746)	(1,893)	(2,312)	(2,607)	(2,711)	(3,567)
	(1,225,199)	(1,248,060)	(1,232,413)	(1,660,580)	(1,719,234)	(1,355,774)	(1,522,124)
Fair Value of Assets:							
LBH	1,103,217	1,065,630	972,089	1,044,447	979,636	837,351	904,602
LPFA	(855)	(622)	(321)	(68)	209	457	832
	1,102,362	1,065,008	971,768	1,044,379	979,845	837,808	905,434
Deficit in the scheme:							
LBH	(120,485)	(180,684)	(258,431)	(613,821)	(736,991)	(515,712)	(613,955)
LPFA	(2,352)	(2,368)	(2,214)	(2,380)	(2,398)	(2,254)	(2,735)
Total	(122,837)	(183,052)	(260,645)	(616,201)	(739,389)	(517,966)	(616,690)

Defined Benefit Pension Asset - Recognition and Measurement:

Hymans Robertson, the actuary to the London Borough of Hillingdon Pension Fund, has valued the Council's pension fund at 31 March 2025 as a surplus meaning that the Council holds a pension asset rather than a liability. IAS19 states that where an entity has a surplus in a defined benefit pension plan, then it should measure the net defined benefit of the assets at the lower of:

- (i) the surplus identified in the plan, or
- (ii) the asset ceiling

Hymans Robertson LLP as appointed actuary has carried out the asset ceiling calculation for the 2024/25 accounts on the following basis:

Notes to the Main Financial Statements

Net present value of (employer) future service costs over the future working lifetime **less**

Net present value of (employer) future contributions over the future working lifetime

Applying the credit ceiling adjustment to the accounts has resulted in the overall net pension scheme position moving from a net pension asset to a net pension liability of £120.485 million. The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £1,084m plus the effect of the asset ceiling £140.7m is offset by the scheme assets of £1,102m to give the net pension liability of £122.8m as disclosed on the Balance Sheet.

Calculation of the pension asset ceiling

Under International Accounting Standard 19 (IAS19) Employee Benefits, if the council's funded defined benefit obligation becomes an asset, then the amount that can be recognised in the accounts is restricted to the amount of the pension asset ceiling. The pension asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. This recognises that any asset arising at the date of the balance will most likely lead to a refund to the employer, or reduced contributions for a period of time.

The accounts must recognise the lower of the pension asset ceiling or the net defined benefit asset. The pension asset ceiling is calculated by working out the difference between the net present value of employer's future service costs and the net present value of future employer's contributions. If the net present value of future service costs is less than the net present value of future contributions, then the asset ceiling is set at £0.

Furthermore, under IAS19, the International Financial Reporting Interpretations Committee (IFRIC 14) requires an additional liability to be recognised where agreed past service contributions would give rise to a future surplus and not be available after they are paid (that is, available as a refund or reduction in future contributions).

The council's actuaries have carried out the necessary calculations to determine what the funded liability amounts to and for 2024 to 2025 the value is £100.4 million. The pension liability including unfunded obligations is £120.4m.

Economic benefit available as a reduction in future contributions

Net present value of employer future service costs over future working lifetime
 Net present value of future employer contributions
 Asset Ceiling (economic benefit available as a reduction in future contributions)

31 March 2025 £'000
799,155
1,112,829
-

As the net present value of future employer contributions is greater than the net present value of employer future service costs, the economic benefit available as a reduction in future contributions is floored at £0. The asset ceiling is therefore £0.

Changes in the effect of limiting the net defined benefit asset to the Asset Ceiling

Net pension asset
 Economic benefit available as a reduction in future contributions
 Expected net asset once agreed past service contributions are paid
Net liability
 Plus unfunded liabilities
Total net liability

31 March 2025 £'000
40,329
-
(140,725)
(100,396)
(20,089)
(120,485)

In order to reduce the overall pension asset to the value of the pension asset ceiling, it is necessary to reflect a charge against the accounts. This charge appears in the Comprehensive Income and Expenditure Statement and is included under Other Comprehensive Income and Expenditure in the actuarial (gains) or losses on pension assets and liabilities.

Notes to the Main Financial Statements

In 2023/24 the Council's funded defined benefit obligation was a net liability, therefore there was no effect of the asset ceiling applicable.

45. PENSION SCHEMES BASIS OF ESTIMATION

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme liabilities for both LBH and LPFA have been assessed by their appointed actuary, estimates for the LBH scheme being based on the latest full valuation of the scheme as at 31 March 2022. The appointed actuary for LBH is Hymans Robertson LLP and for LPFA is Barnett Waddingham.

	LBH Pension Fund		LPFA Pension Fund	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
<u>Financial Assumptions: (%)</u>				
Pension Increase Rate	2.80%	2.80%	2.90%	2.95%
Salary Increase Rate	3.30%	3.30%	3.90%	3.95%
Discount Rate	5.80%	4.80%	5.40%	4.70%
<u>Mortality Assumptions:</u>				
Longevity at 65 for current pensioners:				
- Men	22	22	21	22
- Women	24	25	25	25
Longevity at 65 for future pensioners:				
- Men	22	23	23	23
- Women	26	26	26	26
Take-up of option to convert annual pension to tax free lump sum pre-April 2008	55%	55%	50%	50%
Take-up of option to convert annual pension to tax free lump sum post-April 2008	55%	55%	0%	0%

Sensitivity Analysis

The estimation of the defined benefit obligation is sensitive to principal actuarial assumptions used to measure the scheme. The sensitivity analyses below have been based on possible changes to principal assumptions occurring at the end of the reporting period and assumes all other assumptions remain constant. For example, the assumptions in longevity assume that life expectancy increases or decreases. The estimations on sensitivity analysis have followed the accounting policies of the scheme. The methods and types of estimations in sensitivity analysis have not changed from those in the previous period. Life expectancy is based on the Fund's Vita Curves with improvements in line with the Continuous Mortality Investigation (CMI) 2023 model

Notes to the Main Financial Statements

Changes in Assumptions as at 31 March 2025

0.1% Decrease in Real Discount Rate
1 Year Increase in Member Life Expectancy
0.1% Increase in the Salary Increase Rate
0.1% Increase in the Pension Increase Rate

LBH Pension Fund		LPFA Pension Fund	
% Increase to Employer Liability	Increase to Employer Liability £'000	% Increase to Employer Liability	Increase to Employer Liability £'000
2%	17,256	1%	8
4%	43,319	15%	229
0%	523	0%	-
2%	17,212	-1%	(8)

*The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, the estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 4%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption.

IAS19 remeasurements of plan amendments, curtailments and settlements

On 7 February 2018, the IASB issued amendments to IAS19 on accounting for plan amendments, curtailments and settlements ('events'). As set out in IAS19 and CIPFA guidance, it is the actuaries understanding that where an event is considered 'significant', the profit and loss account should be remeasured at the date of the event.

Where the event is not deemed to be significant, the actuary has not remeasured the profit and loss account in this year's disclosures. In the absence of any instruction or statutory guidance, the actuary has measured significance based on 5% of active membership being affected by any event. If an alternative measure of significance were to apply, changes may be required to our calculations and disclosures, however the closing balance sheet position would remain unchanged. Analysis by the actuary shows there were no significant events for 2024/25.

Scheme and Impact on the Authorities cash flows

The LBH Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of the Council. Policy is determined in accordance with the Pension Fund Regulations. The principal risks to the Council in relation to the scheme are the sensitivity of contribution rates to changes in assumptions, investment risk and regulatory risk. These risks are mitigated to an extent by the statutory requirements to charge amounts required by statute as described in the accounting policies note.

The objectives of the LBH LGPS Pension fund are to keep employer's contributions at a rate, which is as constant as possible. The Council's Pension Fund undergoes a triennial valuation to set the contribution rates of all the employers in the scheme to give a greater than 50% chance of achieving a funding level of 100% within the next 20 years. The current contribution rate was set over the last triennial valuation period ending March 2022 to cover contribution rates of the Council for three years from April 2023. Contributions are set for three years to minimise disruption in cash flow impacts of the Council.

The weighted average duration of the defined benefit obligation for Council scheme members is 16 years as established in the triennial valuation dated 31 March 2022.

Further information about the LBH pension Fund can be seen in the Pension Fund accounts and in the Pension Fund annual report.

46. Assumptions Made About Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Notes to the Main Financial Statements

The items in the Council's Balance Sheet as at 31 March 2025 for which there is significant risks of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. Assets are subject to a 5-year rolling valuation and assumptions are made by the specialist valuer regarding market indicators and other data available to assess an asset's value. Assets of high value are valued annually to reduce this risk. Investment properties are required to be measured at fair value, reflecting market conditions at the end of the reporting period. The carrying amount of Property, Plant and Equipment at 31st March 2025 is £2,011m.	A fall in value of the Council's Property, Plant and Equipment would impact on the net worth of the Council, however, would not impact on the Council's usable balances. Fluctuations in the value of assets will not correlate with normal market conditions; however, a 1% movement in asset values would move the Council's balance sheet position by £20.1m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2025 to comply with the accounting standard. The financial markets at the accounting date will have taken worldwide economic considerations into account. Net assets of the fund available to fund benefits at the end of 31st March 2025 are £1,410m.	The assumptions interact in complex ways. The actuaries review the assumptions triennially and changes are adjusted for in the accounts. Sensitivity analysis is represented in note 45 to the accounts.

Virgin Media Limited v NTL Pension Trustees II Limited High Court Case

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law.

The Court ruled that amendments made without the required section 37 confirmation are not valid, potentially impacting defined benefit schemes that were previously contracted-out on a salary-related basis. Therefore, potentially, any changes made by the trustees to the scheme between 1997 and 2016 could be invalid. As a result, there may be a further liability to the Employer's share of the Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid.

The Council's actuaries have made no additional allowance within the accounting balance sheet for this June 2023 legal judgement, because at the time of preparing their covering report for 31st March 2025:

- the ruling only applied to the above-named private sector pension scheme
- the legal judgement was subject to appeal (however the Court of Appeal dismissed in July 2024 and the original ruling stands)

Notes to the Main Financial Statements

- it is unknown whether Section 37 certificates exist for prior LGPS scheme amendments
- it is unknown whether there would be any potential remedy required to public service schemes (including the LGPS)
- it is unknown what the impact of any potential remedy would be

Legislation permitting to this issue was included in the government's Pensions Schemes Bill (Amendments) tabled in September 2025. These amendments include new clauses implementing the Government's proposed remedy following the Court of Appeal decision in Virgin Media Ltd v NTL Pension Trustees. The remedy will enable trustees to obtain retrospective actuarial confirmation that historic changes to contracted-out benefits met the relevant statutory requirements.

47. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 2025/26:

- From 1 April 2025, the Code will introduce changes to the valuation of Property, Plant and Equipment, to require the use of indices to update the carrying amounts of assets where an asset has not been valued in year. A further change is that intangible assets are to be held at historic cost only. The Council currently values the top 80% of assets by monetary value each year and all lower value assets at least every five years. As high value assets are being valued annually the Council does not expect a material change in the value of its non-current assets in 2025/26 arising from this change.
- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) will be amended to specify how an entity should evaluate whether a currency is exchangeable and how it should choose the spot exchange rate where this is the case. The standard also requires that the impact of currency not being exchangeable is disclosed to users of financial statements. These changes are not expected to have material impact on the Council's financial statements.
- IFRS 17 Insurance Contracts replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts. The impact is not expected to be material.

48. Critical Judgements in Applying Accounting Policies

Significant judgements are made by management in applying accounting policies, which could have a material effect upon the accounts.

Group Boundaries

The group boundaries have been estimated using the criteria associated with the Code. In line with this, the Authority has identified two subsidiaries. The authority has deemed that the activities of these entities are not material.

PFI Contracts

The authority had one PFI contract relating to a school. As the PFI ended during September 2024, there is no liability from 2025/26.

Other Financial Statements

Housing Revenue Account (HRA) (page 112)

There is a statutory duty to account separately for local authority housing provision. The HRA Income and Expenditure Statement shows further detail of the Income and Expenditure on HRA services included in the whole Council Comprehensive Income and Expenditure Statement. It includes the major elements of Council housing revenue expenditure on maintenance, administration and capital financing costs and major income sources such as rents and other income.

The Collection Fund Account (page 116)

This account reflects the statutory requirement to maintain a separate Collection Fund which shows the transactions of the billing authority in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed to preceptors and the general fund. The Collection fund is consolidated with the other accounts of the Council.

The Pension Fund Account (page 120)

This fund is not included within the Council's Balance Sheet but is maintained separately. The Council acts as the administrator for the London Borough of Hillingdon Fund of the Local Government Pension Scheme.

Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and other income. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	Note	31 March 2025 £'000	31 March 2024 £'000
Expenditure			
Repairs and maintenance		14,443	12,752
Supervision and management		26,778	22,407
Rents, rates, taxes & other charges		359	308
Increase in provision for bad debts		873	958
Depreciation of non current assets	3	14,068	13,675
Net revaluation loss		102,223	22,170
		158,743	72,271
Income			
Gross dwelling rents		(71,516)	(66,183)
Gross non dwelling rents		(2,296)	(2,263)
Charges for services and facilities		(6,033)	(6,103)
Contributions towards expenditure		(5,599)	(7,961)
		(85,444)	(82,509)
Net Cost of HRA Services as included in the HRA Income and Expenditure Statement		73,299	(10,238)
HRA Services share of Corporate and Democratic Core		986	827
Net Cost of HRA services		74,285	(9,411)
(Gain) on sale of HRA non current assets		(7,519)	(6,734)
Interest payable and similar charges		10,626	6,216
Interest & Investment Income		(3,791)	(1,067)
Capital Grant Income		(39,019)	(4,421)
(Surplus)/Deficit for the year on HRA services		34,581	(15,417)

Movement on the Housing Revenue Account Statement

The Movement on Housing Revenue Account Statement shows how the HRA Income and Expenditure Statement (surplus) / deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

	Note	31 March 2025 £'000	31 March 2024 £'000
HRA Balance 31 March		(15,101)	(15,186)
(Surplus)/Deficit for the year on HRA services		34,581	(15,417)
Adjustments between accounting basis & funding basis under regulations			
Gain/(Loss) on sale of HRA non current assets		7,519	6,734
HRA share of contributions to or from the Pension Reserve		(341)	(459)
Revaluation of Non Current Assets		(102,223)	(22,170)
Annual Leave Accrual Adjustment		(7)	(10)
Revenue Expenditure funded by Capital Under Statute		(6)	(23)
Provision for repayment of debt		7,545	10,011
Capital Grant Income		39,019	4,421
Net Increase before transfer to reserves		(13,913)	(16,913)
Transfer to Major Repairs Reserve		13,913	10,187
Transfer to Earmarked Reserve		-	6,811
(Increase)/Decrease in year on HRA		-	85
HRA Balance at 31 March		(15,101)	(15,101)
HRA Earmarked Reserve		(6,811)	(6,811)
Major Repairs Reserves	7	(4,302)	(3,187)
Total HRA Balances		(26,214)	(25,099)

Notes to the Housing Revenue Account

1. HOUSING STOCK

The Council was responsible at 31 March 2025 for managing dwellings (including shared ownership). The stock was as follows:

	Total Properties 31 March 2025	Total Properties 31 March 2024
1 Bed Properties	3,849	3,733
2 Bed Properties	3,494	3,439
3 Bed Properties	2,780	2,770
4 Bed plus Properties	308	286
Total	10,431	10,228

2. VALUE OF HRA ASSETS

	Net Book Value 31 March 2025 £'000	Net Book Value 31 March 2024 £'000
Council Dwellings	898,406	861,554
Other Land & Buildings	2,018	1,634
Vehicle, Plant & Equipment	2,419	3,050
Surplus Assets	13,493	13,700
Intangible Asset	35	52
Assets Held For Sale	-	-
Assets Under Construction	55,939	26,273
Total	972,310	906,263

The vacant possession value of dwellings within the Council's HRA as at 31 March 2025 was £3,591m. This differs from the balance sheet value of £898m, which is based on the economic use value of social housing. The difference of £2,693m between these two figures shows the economic cost of providing housing at social rents over 30 year cycle compared to open market rents.

3. DEPRECIATION

Depreciation charged in year to the HRA

	Depreciation 31 March 2025 £'000	Depreciation 31 March 2024 £'000
Council Dwellings	13,380	12,997
Other Land & Buildings	27	28
Intangibles	17	17
Surplus Assets	12	10
Vehicle, Plant & Equipment	632	623
Total	14,068	13,675

Notes to the Housing Revenue Account

4. CAPITAL EXPENDITURE

HRA Capital Expenditure during 2024/25 totalled £178,241k. This was financed by:

	31 March 2025 £'000	31 March 2024 £'000
Capital Receipts	16,456	6,466
Capital Grants & Contributions	30,086	4,421
Borrowing	104,833	27,848
Major Repairs Reserve	26,866	22,729
	178,241	61,464

Capital receipts from the sale of HRA Right to Buy dwellings properties during 2024/25 totalled £13,288k (including Section 42 lease premiums, a garage and repayments of discounts), net of admin fees of £185k. These funds have been fully retained by the Council.

5. RENT ARREARS

At 31 March 2025 the gross HRA rent arrears amounted to £4,979k (£4,607k in 2023/24).

6. IMPAIRMENTS

The impairments balance on all HRA debts as at 31 March 2025 was £4,047k (£3,563k in 2023/24). In year, there was an increase in the HRA bad debt provision of £873k and debts totalling £389k were written off.

7. MAJOR REPAIRS RESERVE

HRA resource accounting requires the maintenance of a Major Repairs Reserve (MRR) and holds depreciation charged to the HRA and revenue contribution to capital expenditure of HRA. The movements on this reserve are shown below.

	31 March 2025 £'000	31 March 2024 £'000
Balance as at 1 April	3,187	2,054
Depreciation transferred to Reserve	14,068	13,675
Transfer to MRR	13,913	10,187
Capital programme funding	(26,866)	(22,729)
	4,302	3,187

The funds of £4,302k held in this reserve will be used to finance future capital expenditure on dwellings.

8. CONTRIBUTIONS TO PENSION RESERVE

The cost of employer's pension contributions in the HRA Income and Expenditure is reported in-line with IAS 19, which requires the current service cost, rather than the actual employer's contribution, be recognised. The HRA increase for 2024/25 was £341k.

9. EARMARKED RESERVE

An earmarked reserve of £6,811k was created in 2023/24 to support financing of future HRA affordable housing developments. There was no activity on this reserve in 2024/25.

Collection Fund Account

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council, as a billing authority, to maintain a separate Collection Fund. This statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Council Tax	Note	31 March 2025	31 March 2024
		£'000	£'000
Council Tax Income		(193,994)	(181,935)
Contribution towards previous years' estimated Council Tax (Surplus)/Deficit	1	(1,326)	(7,001)
Write-offs Uncollectable Council Tax Debt		1,218	(166)
Write-back Uncollectable Council Tax Debt		-	-
Provision for Doubtful Council Tax Debts		11,989	1,171
London Borough of Hillingdon Council Tax Precept	1	145,751	137,440
Greater London Authority Council Tax Precept	1	49,340	44,988
Council Tax (Surplus)/Deficit for the Year		12,978	(5,503)
Opening Council Tax (Surplus)/Deficit Balance		(2,269)	3,234
Council Tax (Surplus)/Deficit for the Year		12,978	(5,503)
Brought Forward Council Tax (Surplus) / Deficit Balance		10,709	(2,269)

National Non-Domestic Rates (NNDR) & Business Rate Supplement (BRS)	Note	31 March 2025	31 March 2024
		£'000	£'000
National Non-Domestic Rates Income		(387,171)	(366,478)
Business Rate Supplement Income		(11,962)	(12,841)
Contribution towards previous years' estimated NNDR (Surplus)/Deficit		19,455	14,704
Write-offs Uncollectable NNDR Debt		4,252	367
Write-back Uncollectable NNDR Debt		1	(933)
Provision for Doubtful NNDR Debts		2,179	(420)
Provision/(Release of Provision) for Backdated Appeal Losses	3	10,721	2,416
London Borough of Hillingdon Share NNDR Income	2	115,934	104,493
Greater London Authority Share NNDR Income	2	142,985	128,874
Central Government Share NNDR Income	2	127,528	114,942
Transitional Payment Protection Receivable		2,630	(9,145)
Payment to Greater London Authority in respect of BRS Income		11,951	12,830
NNDR Cost of Collection Allowance		561	558
BRS Cost of Collection Allowance		11	11
NNDR (Surplus)/Deficit for the Year		39,075	(10,622)
Opening NNDR (Surplus)/Deficit Balance		(23,239)	(12,619)
NNDR (Surplus)/Deficit for the Year		39,075	(10,622)
Brought Forward NNDR (Surplus)/Deficit Balance		15,836	(23,241)

Notes to the Collection Fund Account

1. Calculation of the Council Tax Base and 2024/25 Council Tax Revenues

The Council Tax Base is based upon the number of dwellings within the borough, analysed by valuation band and adjusted for reductions in expected tax yield arising from discounts, exemptions and the Council Tax Support Scheme. The Council Tax Base is set annually in advance of budget setting, with the 2024/25 base agreed by full Council on 18 January 2024.

Band	Estimated No. of Properties	Discounts & Exemptions	Council Tax Support Scheme	Net Estimated No. of Properties	Band D Equivalent Ratio	Band D Equivalent 2024/25	Band D Equivalent 2023/24
A	1,950	(292)	(314)	1,344	6/9	897	866
B	6,598	(1,166)	(1,149)	4,283	7/9	3,331	3,260
C	28,287	(3,505)	(3,571)	21,211	8/9	18,854	18,475
D	47,434	(3,560)	(3,699)	40,175	9/9	40,177	39,798
E	18,847	(1,531)	(777)	16,539	11/9	20,214	20,378
F	10,080	(878)	(179)	9,023	13/9	13,033	13,116
G	5,319	(696)	(41)	4,582	15/9	7,637	7,642
H	487	(38)	(4)	445	18/9	891	891
Total	119,002	(11,666)	(9,734)	97,602		105,035	104,425
Adjustment for Non-collection						(1,050)	(1,566)
Ministry of Defence Contribution						683	766
Council Tax Base						104,668	103,625
London Borough of Hillingdon Band D Council Tax (£)						1,393	1,326
Greater London Authority Band D Council Tax (£)						471	434
Total Band D Council Tax (£)						1,864	1,760
Demand on Collection Fund (£'000)						195,092	182,427

Notes to the Collection Fund Account

Annual precepts levied upon the Collection Fund Account in respect of Council Tax by the Council and Greater London Authority are derived from the Council Tax Base and the Band D Council Tax charge approved for the financial year. The following table analyses all Council Tax activity within the Collection Fund between the major preceptors, with the Council's own activity reflected in the main statement of accounts.

	Balance 31 March 2024	2024/25 Precept	Release of Prior Year Estimated Surplus	2024/25 Council Tax Revenues	2024/25 Deficit	Balance 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000
London Borough of Hillingdon	(1,687)	145,751	(985)	(135,065)	9,701	8,014
Greater London Authority	(582)	49,340	(327)	(45,737)	3,277	2,695
Total	(2,269)	195,092	(1,312)	(180,802)	12,978	10,709

Notes to the Collection Fund Account

2. National Non-Domestic Rating Income & Business Rate Retention System

National Non-Domestic Rates are levied on the basis of the Valuation Office Agency's assessment of the Rateable Value of a non-domestic property. As at 31 March 2025 the aggregate Rateable Value across the 8,690 hereditaments within the borough totalled £847.4m, with rates payable determined by the National Non-Domestic multiplier which is set annual by Central Government. For 2024/25 the standard multiplier was frozen at 54.6p in the pound and for small businesses 49.9p in the pound.

The Business Rate Retention System requires that locally raised income is shared between the Council (30%), the Greater London Authority (37%) and Central Government (33%). The Council's own share of these revenues are reflected in the main statement of accounts.

	Balance 31 March 2024	2024/25 Budgeted Share of Income	Release of Prior Year Estimated Surplus	2024/25 Non- Domestic Rates Revenues	2024/25 Surplus	Balance 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000
London Borough of Hillingdon	(6,971)	115,934	5,836	(110,048)	11,722	4,750
Greater London Authority	(8,600)	142,985	7,198	(135,726)	14,457	5,859
Central Government	(7,670)	127,528	6,420	(121,053)	12,895	5,226
Total	(23,241)	386,447	19,454	(366,827)	39,074	15,835

3. Provision for losses on Non-Domestic Rating Income due to back-dated appeals

Non-Domestic Ratepayers are able to challenge the Valuation Office Agency's assessment of the Rateable Value for their property, which if successful will result in a reduction in future payments and in some cases a refund of previously levied rates. The Council's appeals provision reflects the current level of activity with the VOA in the Check, Challenge & Appeal process as well as making an estimation for future activity. Given the inherent uncertainty around the financial impact of such appeals, a provision of £13.6m has been established on the basis of past experience. This represents an increase of £10.7m on the previously held provision. With 2024/25 being the second year of a three-year revaluation cycle, it is anticipated that more appeals will be lodged in the third and final year once businesses know the final position on the current rating list.

Notes to the Pension Fund Account

PENSION FUND ACCOUNT

	Note	31 March 2025 £'000	31 March 2024 £'000
Contributions	4	60,666	58,148
Transfers In from other pension funds	5	6,189	51,642
		66,855	109,790
Less: Benefits	6	(65,199)	(60,556)
Less: Payments to and on account of leavers	7	(11,110)	(8,907)
		(76,309)	(69,463)
Net additions/(withdrawals) from dealings with members		(9,454)	40,327
Less: Management expenses	8	(13,100)	(13,441)
Net additions/(withdrawals) including fund management expenses		(22,554)	26,886
Return on investments			
Investment income	9	17,573	19,609
Profit and losses on disposal of investments and changes in market value of investments	10A	52,595	129,976
Taxes On Income		(31)	(29)
Net return on investments		70,137	149,556
Net Increase/(Decrease) in the fund during the year		47,583	176,442
Net Assets at start of year		1,361,954	1,185,512
Net Assets at end of year		1,409,537	1,361,954

	Note	31 March 2025 £'000	31 March 2024 £'000
Investment Assets	10	1,406,412	1,361,382
Investment Liabilities	10	-	-
Total net investments		1,406,412	1,361,382
Current Assets	11	3,364	994
Current Liabilities	12	(239)	(422)
Net assets of the fund available to fund benefits at the end of the reporting period		1,409,537	1,361,954

The Pension Fund Accounts summarise the transactions of the scheme and show the net assets at the disposal of members. They do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 18.



Steve Muldoon

Corporate Director of Finance (S151 Officer)

XX February 2026

Notes to the Pension Fund Account

1. DESCRIPTION OF THE FUND

a. General

The London Borough of Hillingdon Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Hillingdon ("the administering body"). The Council is the reporting entity for this pension fund. The Fund is a contributory defined benefits scheme established in accordance with statute to provide benefits to members and retired members of the London Borough of Hillingdon and Admitted and Scheduled bodies in the Fund. Benefits in respect of service from 1 April 2014 are based on career average revalued earnings (CARE) scheme. Benefits in respect of past service up to 31 March 2014 are based on final salary. Pensions move in line with the Consumer Price Index (CPI) annually. Benefits paid out include a pension payable to former members and their dependants, lump sum retirement benefits, payment of death benefits where death occurs in service or retirement, and yearly payment of benefits on medical grounds.

The Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

b. Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme. Due to government legislation, since 1 February 2013 all new employees who are not in the scheme are automatically enrolled. Members have the option to opt out of the scheme. Employees who have opted out are then re-enrolled every 3 years, when they can again opt out.

Organisations participating in the London Borough of Hillingdon Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable, and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Employers who contribute to the Fund in addition to London Borough of Hillingdon are:

Admitted Bodies:

Culinera– Uxbridge High school

CCS Homecare Service

Cucina – Bishopshalt

Cucina - Ryefield

East & North Herts NHS Trust

Energy Kidz Ltd

Greenwich Leisure

Kindred Cleaning - Harlington School Cleaners

Notes to the Pension Fund Account

Hayward Services

- Guru Nanak School
- Ryefield School
- Field End Primary
- Hermitage Primary

Heathrow Travel Care

Herts Catering Limited

Hillingdon & Ealing Citizens Advice

Hillingdon Care Contract

HPS Services FM Limited

Pabulum - West Drayton Academy

Service Master – Belmore Academy

KGB Cleaning – Highfield School

Glen Group Ltd – Meadow High School

The Pantry (UK) Limited (Frays Academy – St Matthews)

Scheduled Bodies:

Barnhill Academy

Belmore Academy

Bishop Ramsey Academy

Bishopshalt Academy

Charville Academy

Douay Martyrs Academy

Eden Academy Trust

- Moorcroft School
- Pentland Field School
- Grangewood School
- Sunshine House School

Elliot Foundation Trust

- Hillingdon Primary School
- John Locke Academy
- Pinkwell School

Guru Nanak Academy Trust

- Nanak Sar Primary School
- Guru Nanak Sikh Academy

Notes to the Pension Fund Account

Global Academy

Harefield Academy

Richmond, Harrow & Uxbridge College

Haydon Academy

UTC Heathrow

LBDS Frays Academy Trust

- Cowley St. Lawrence Academy
- Laurel Lane Academy
- St. Matthews Primary School
- St. Martins Primary School

London Housing Consortium

Park Federation Trust

- Park Academy West London
- Cranford Park Academy
- Lake Farm Park Federation
- Wood End Academy

QED Academy Trust

- West Drayton Academy
- Coteford Junior Academy
- Queensmead Academy
- Northwood Academy

Rosedale Hewens Academy Trust

Swakeleys Academy

VLT

- Field End Junior School
- Hermitage Primary School
- Ruislip Academy
- Ryefield Academy
- Vyners Academy

Uxbridge Academy

William Byrd School

Willows Academy

Notes to the Pension Fund Account

London Borough of Hillingdon Pension Fund	31 March 2025	31 March 2024
Number of employers with active members	66	66
Number of employees in scheme		
London Borough of Hillingdon	5,445	5,639
Other employers	3,554	3,543
Total	8,999	9,182
Number of Pensioners		
London Borough of Hillingdon	7,445	7,048
Other employers	1,212	1,341
Total	8,657	8,389
Deferred Pensioners		
London Borough of Hillingdon	9,962	9,746
Other employers	4,562	4,625
Total	14,524	14,371

c. Funding

The Fund is financed by contributions from the employers, Pension Fund members and by income from the Fund's investments. The Pension Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. The contributions from the London Borough of Hillingdon and other participating employers are set through the triennial actuarial valuation at a rate sufficient to meet the long-term liabilities of the Fund.

Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as of 31 March 2022 - this covers the three financial years following 2022/23 (2023/24, 2024/2025 & 2025/26). Currently employer contribution rates range from 18.9% to 42.3% of pensionable pay, as per the 2022 valuation.

d. Investments

The Pension Fund investments are managed externally by fund managers: Adams Street Partners, AEW UK, Legal & General Investment Management, LGT Capital Partners, London CIV, Macquarie Investments, Permira LLP, UBS Global Asset Management and Blackstone Investments. In addition, there is one direct investment into pooled funds with M&G Investments.

e. Governance

The Fund is overseen by the Pensions Committee (comprised of Councillors) and the Pensions Board (comprised of an even number of employer and member representatives). The performance of the fund managers is monitored by the Pensions Committee (Four meetings in 2024-25) and governance is overseen by the Pensions Board (Three meetings in 2024-25). Pensions Committee and Pensions Board consisted of the following members in 2024/25:

Pensions Committee

Cllr Reeta Chamdal (Chairman)	Cllr Stuart Mathers
Cllr Kaushik Banerjee (Vice-Chairman)	Cllr Tony Burles
Cllr John Riley – until 28 November 2024	Cllr Douglas Mills – From 29 November 2024

Pensions Board

Roger Hackett (Scheme Member Representative)	Shane Woodhatch (Employer Representative)
Tony Noakes (Scheme Member Representative)	Vicky Trott (Employer Representative)
Jack Francis-Kent (Scheme Membership Representative)	Anna Beattie (Employer Representative)

Notes to the Pension Fund Account

2. BASIS OF PREPARATION

The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 which is based on International Financial Reporting Standards (IFRS) as amended for the public sector and underpinned by the Local Government Pension Scheme Regulations. The accounts have been prepared on an accrual basis, except for transfer values, which are accounted for on a cash basis, and summarise the Fund transactions and report on the net assets available to pay pension benefits as of 31 March 2025.

The accounts do not take into account obligations to pay benefits and pensions that fall due after the reporting date (31 March 2025). The Pension Fund Accounts have been prepared on a going concern basis.

3. ACCOUNTING POLICIES

a. Valuation of assets

- Market quoted investments: Equities are valued at bid market prices available on the final day of the accounting period.

- Fixed income securities including short-term instruments are priced based on evaluated prices provided by independent pricing services.

- For pooled funds, if bid prices are provided by the Fund administrators, then these are used, otherwise the Net Asset Value (NAV) is used. The NAV for pooled funds is derived by subtracting the fund's liabilities from assets and divide the result by total units/shares within the pooled fund.

- Private Equity is valued using the latest audited valuation from the Limited Partner/General Partner. This is adjusted for any capital calls/distributions that have taken place since the date of the statement. Unquoted investments for Private Placements and Infrastructure are priced using discounted cash flow methodology.

b. Foreign currency translation of assets and liabilities and forward foreign exchange contracts are converted into sterling at the closing middle rates of exchange in the Net Assets Statement. Overseas income is converted at rates of exchange ruling when remitted.

c. Acquisition costs of investments occur as brokerage commission when investments are purchased. They are recorded in the cost figure on an accrual basis.

d. Investment management expenses are recorded at cost when the fund managers/custodian invoice the fund on a quarterly basis or provide a fee schedule deducted at source. Expenses are recorded on an accrual basis. Where an investment manager's complete fee schedule has not been received by year end, an estimate based on the previous quarter's amount is included in the accounts. In 2024/25, no such fees are based on estimates. The fund also agreed with the following fund managers that their fees include elements of performance, Adams Street Partners, AEW UK, Macquarie Infrastructure Partners, Permira LLP, London CIV and Blackstone Investments.

e. Administration expenses are paid when invoiced by third party providers through the administering authority's payment system and recharged to the Pension Fund.

f. Interest on property developments - property is held in unit trusts for the Pension Fund, the return received is calculated in accordance with the unit price at the Net Assets Statement date.

g. Contribution Income

Normal contributions are accounted for on accrual basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes, that rise according to pensionable pay.

Notes to the Pension Fund Account

- Employer contributions are set at a percentage rate recommended by the fund actuary for the period which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant body.

Additional employers' contributions in respect of ill-health are accounted for as part of the tri-ennial valuation exercise and employers' contribution rates adjusted accordingly for relevant employers. Early retirement strain costs are accounted for on accrual basis.

- h. Benefits are accounted for in the period in which they fall due. All benefits are calculated in accordance with the statutory regulations in force at the relevant benefit date.
- i. Transfers are accounted for on a cash basis, as the amount payable or receivable by the scheme is not determined until payment is made and accepted by the recipient. Group transfers are accounted for under the agreement upon which they are made.
- j. Cash and cash equivalents are held in the custody accounts by fund managers as agreed in the individual Investment Management Agreements (IMA). Cash held is at the discretion of the manager but must not exceed the stipulated permitted range in the IMA.
- k. Investment Income - dividends from quoted securities are accrued when the securities are quoted ex-dividend. Interest on cash deposits is accrued on daily basis.

Critical Judgements and Uncertainties

- l. Unquoted Alternative Investments - Fair values of alternative investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted alternative investments are valued by investment managers using methods such as IFRS fair value principles, discounted cash flow method and guidelines set out by the International Private Equity and Venture Capital Association (IPEV), of which the British Venture Capital Association is a founding member. The value of alternative investments as of 31 March 2025 was £268,326k (£244,700k on 31 March 2024).
- m. Assumptions made about the future and other major sources of estimation uncertainty - The Pension Fund accounts contain estimated figures that are based on assumptions made by the Fund about the future or events that are otherwise uncertain. Estimates are made considering historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Notes to the Pension Fund Account

Items where there is a significant risk of material movements in value in the financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines or commensurate overseas equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The fair value principles employed to value the underlying investments and the valuation policy remains unchanged. Both managers continue to use the latest valuation available from underlying investment managers, adjusting for any known cash flows and take into account any known and measurable impact. It is important to note that given the evolving situation and the quarterly cycle of private equity valuations, additional data needs to be accessible before a more accurate estimate can be made with regard to potential effects of market events on net asset values.	The total private equity investments in the financial statements are £2,993k. There is a risk that this investment may be under or overstated in the accounts.
Item	Uncertainties	Effect if actual results differ from assumptions
Infrastructure - Macquarie Infrastructure Real Assets and LCIV Stepstone	Infrastructure Valuation represents the fair value of investments held at 31 March 2024. The valuations have been completed by MIRA (Macquarie Infrastructure Real Assets) in accordance with ASC 820-10 (Fair Value Measurements), under which the fair value is determined to be the price that would be received upon sale of the investments in an orderly transaction between market participants. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure alternative investments in the financial statements are £69,222k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Item	Uncertainties	Effect if actual results differ from assumptions
Private Finance - M&G and Blackstone	Private Finance investments are valued at par as they are mostly floating rate notes tied to LIBOR. Final valuation is undertaken by the analysts employed by the fund manager as they are not traded on the open market.	The total private finance investments in the financial statements are £20,876k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.

Notes to the Pension Fund Account

Item	Uncertainties	Effect if actual results differ from assumptions
Direct Lending - Permira Credit Solutions & LCIV Private Debt	Private Debt Investments are valued on a quarterly basis and in accordance with International Private Equity and Venture Capital valuation guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Private Debt investments in the financial statements are £70,838k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Item	Uncertainties	Effect if actual results differ from assumptions
Pooled Property - AEW UK & UBS Property	Pooled property assets are valued independently for the respective managers with a lot of subjective and unobservable inputs that may be affected by prevalent socio-economic issues. The underlying assets do not have the luxury of an open market transactional data like Equities and does result in valuation varying by wide degrees.	The total Pooled property investments in the financial statement is £106,070k. There is a risk the investments may be over or under stated in the accounts. These asset class of investments are not openly traded and a lot of unobservable inputs are utilised in the valuation of the assets. These unobservable valuation assumptions may have a profound effect on the actual pricing at year end thus skew shown valuation the fund accounts.
Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rates at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of actuaries, Hymans Robertson, are engaged to provide the fund with expert advice about the assumptions to be applied. The IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2024 to comply with the accounting standard.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in pension liability. An increase in assumed earnings would increase the value of liabilities and an increase in assumed life expectancy would increase the liability. This would not effect the Fund Account or Net Asset Statement, but would impact the Council Accounts. Below are the details of the sensitivity analysis to the method of assumptions used for year ended 31 March 2025 by the fund's actuaries.

Notes to the Pension Fund Account

Sensitivity to Unquoted Alternative Assets valuation and Pricing: Information on sensitivities of the valuation and pricing methodologies of these asset classes are disclosed in notes 14 and 16.

Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2025	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a increase in the Discount Rate	2%	17
1 year increase in member life expectancy	4%	43
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	17

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1-year increase in life expectancy would approximately increase the liabilities of the Pension Fund by around 3-5%.

4. CONTRIBUTIONS

By category	31 March 2025 £'000	31 March 2024 £'000
Employees	13,412	12,506
Employers Contributions:		
Normal	40,045	38,867
Deficit Funding	7,209	6,775
	60,666	58,148

Deficit Funding: At the actuarial valuation on 31 March 2022 the Fund was 88% funded, with the remaining 12% deficit to be recovered over a period of 20 years.

By authority	31 March 2025 £'000	31 March 2024 £'000
LB Hillingdon	41,503	39,847
Scheduled Bodies	18,667	17,874
Admitted Bodies	496	427
	60,666	58,148

Notes to the Pension Fund Account

5. TRANSFERS IN

	31 March 2025 £'000	31 March 2024 £'000
Individual transfers in from other schemes	6,189	6,401
Bulk Transfers In*	-	45,241
	6,189	51,642

6. BENEFITS

By category

Pensions
Commutations and Lump Sum Retirement Benefits
Lump Sum Death Benefits

	31 March 2025 £'000	31 March 2024 £'000
Pensions	(53,735)	(49,125)
Commutations and Lump Sum Retirement Benefits	(9,885)	(10,191)
Lump Sum Death Benefits	(1,579)	(1,240)
	(65,199)	(60,556)

By authority

LB Hillingdon
Scheduled Bodies
Admitted Bodies

	31 March 2025 £'000	31 March 2024 £'000
LB Hillingdon	(56,183)	(54,265)
Scheduled Bodies	(8,462)	(5,499)
Admitted Bodies	(554)	(792)
	(65,199)	(60,556)

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2025 £'000	31 March 2024 £'000
Refunds to members leaving service	(157)	(172)
Individual transfers out to other schemes	(9,230)	(8,735)
Bulk Transfers Out	(1,723)	-

Notes to the Pension Fund Account

8. MANAGEMENT EXPENSES

The administering authority incurred costs in managing the Fund for the period ending 31 March 2024 as follows:

	31 March 2025 £'000	31 March 2024 £'000
Administrative Costs	(1,212)	(1,166)
Investment Management Expenses	(11,592)	(11,796)
Oversight and Governance	(296)	(479)
	(13,100)	(13,441)

8A. INVESTMENT MANAGEMENT EXPENSES BREAKDOWN

2024/2025	£'000	£'000	£'000	£'000
	Total	Management Expenses	Performance Fees	Transaction Costs
Equities	-	-	-	-
Pooled Investments	(6,854)	(3,635)	(1,660)	(1,559)
Pooled Property Investments	(4,632)	(3,100)	(42)	(1,490)
Private Equity	(49)	(82)	34	(1)
	(11,535)	(6,817)	(1,668)	(3,050)
Custody Fees/Investment Advice	(56)			
Total	(11,591)			

2023/2024	£'000	£'000	£'000	£'000
	Total	Management Expenses	Performance Fees	Transaction Costs
Equities	-	-	-	-
Pooled Investments	(6,670)	(3,610)	(2,363)	(697)
Pooled Property Investments	(4,977)	(3,714)	-	(1,263)
Private Equity	(149)	(96)	(22)	(31)
	(11,796)	(7,420)	(2,385)	(1,991)
Custody Fees/Investment Advice	(46)			
Total	(11,842)			

8B. EXTERNAL AUDIT COSTS

	31 March 2025 £'000	31 March 2024 £'000
Payable in Respect of External Audit	(93)	(93)
	(93)	(93)

External Audit costs are included in Oversight and Governance within Management Expenses

Any Increase in external audit costs will be attributable to fee adjustment to reflect procurement outcome by PSAA/MHCLG

Notes to the Pension Fund Account

9. INVESTMENT INCOME

	31 March 2025 £'000	31 March 2024 £'000
Income from Equities	-	-
Pooled Property Investments	4,359	6,152
Pooled Investments- Unit trusts and other managed funds	12,413	12,606
Interest on cash deposits	801	851
	17,573	19,609

10. INVESTMENTS

	31 March 2025 £'000	31 March 2024 £'000
Investment Assets		
Equities	27	29
Pooled investments	1,195,087	1,156,809
Pooled property investments	194,432	190,438
Private equity	2,993	5,521
Other Investment balances		
Cash deposits	13,793	8,316
Investment income due	80	269
Total investment assets	1,406,412	1,361,382
Net investment assets	1,406,412	1,361,382

Notes to the Pension Fund Account

10A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2024/25	Value 1 April 2024 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2025 £'000
Equities	29	-	(1)	(1)	27
Pooled Investments	1,156,787	315,432	(312,520)	35,388	1,195,087
Pooled Property Investments	190,460	220	(3,930)	7,682	194,432
Private Equity	5,521	14	(1,730)	(812)	2,993
	1,352,797	315,666	(318,181)	42,257	1,392,539
Other investment balances	1,352,797	315,666	(318,181)	42,257	1,392,539
Cash Deposits	8,316				13,793
Investment Income Due	269			10,338	80
Total Investment Assets	1,361,382			52,595	1,406,412
2023/24	Value 1 April 2023 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2024 £'000
Equities	29	-	-	-	29
Pooled Investments	965,621	88,693	(21,164)	123,659	1,156,809
Pooled Property Investments	194,436	1,592	(1,133)	(4,457)	190,438
Private Equity	6,346	46	(1,108)	238	5,521
	1,166,432	90,330	(23,405)	119,440	1,352,797
Other investment balances	1,166,432	90,330	(23,405)	119,440	1,352,797
Cash Deposits	16,510				8,316
Investment Income Due	140				269
Adjustments to Market Value Changes	-			10,536	-
Total Investment Assets	1,183,082			129,976	1,361,382

Notes to the Pension Fund Account

10B. ANALYSIS OF INVESTMENTS

	31 March 2025 £'000	31 March 2024 £'000
Equities		
UK		
Quoted	27	29
	27	29
Pooled funds - additional analysis		
Fixed income unit trust	231,038	229,796
Diversified Growth Funds	60,056	63,800
Infrastructure Funds	69,221	66,313
Global Equity	763,763	725,899
Limited liability partnerships	71,009	71,001
	1,195,087	1,156,809
Other Investments		
Pooled property Investments	194,432	190,438
Private equity	2,993	5,521
	197,425	195,959
Cash deposits	13,793	8,316
Investment income due	80	269
	13,873	8,585
Total investment assets	1,406,412	1,361,382
Net investment assets	1,406,412	1,361,382

10C. INVESTMENTS ANALYSED BY FUND MANAGER

Investment Assets and Liabilities by Fund Manager

Fund Manager	Market Value 31 March 2025 £'000	%	Market Value 31 March 2024 £'000	%
Investments Managed by London CIV Pool				
Legal & General Investment Management	779,602	55	816,668	60
London CIV Asset Pool	423,872	30	337,193	25
	1,203,474	86	1,153,861	85
Investments Managed Outside of London CIV				
Adams Street Partners	1,600	-	3,713	-
AEW UK	74,652	5	72,517	5
Blackstone Investments	20,705	1	19,241	1
LGT Capital Partners	1,393	-	1,809	-
M&G Investments	171	-	460	-
Macquarie Infrastructure	8,362	1	15,124	1
Permira Credit Solutions	11,214	1	14,739	1
UBS Global Asset Management (Equities)	50	-	56	-
UBS Global Asset Management (Property)	72,827	5	74,891	6
Other*	11,964	1	4,971	-
	202,938	14	207,521	14
Total	1,406,412	100	1,361,382	100

Notes to the Pension Fund Account

* Other includes pending trades, accrued income and cash held in custody accounts, independent of fund managers not mandated to hold cash. * No single holding within an investment represents more than 5% of total assets

Notes to the Pension Fund Account

10D. STOCK LENDING

The Fund's investment strategy sets the parameters for the Fund's stock-lending programme. At the year-end, the value of quoted equities on loan was £27k (31 March 2024: £29k). These equities continue to be recognised in the Fund's financial statements.

Counterparty risk is managed through holding collateral at the Fund's custodian bank. At the year-end the Fund held collateral (via the custodian) at fair value of £29k (31 March 2024: £31k) representing 106% of stock lent. Collateral consists of acceptable securities and government debt.

Stock-lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower. There are no liabilities associated with the loaned assets.

11. CURRENT ASSETS

	31 March 2025 £'000	31 March 2024 £'000
Debtors		
Employers' contributions due	39	50
Employees' contributions due	137	157
Other	1,619	99
Cash balances	1,569	688
	3,364	994

12. CURRENT LIABILITIES

	31 March 2025 £'000	31 March 2024 £'000
Creditors		
Other local authorities (LB Hillingdon)	-	(72)
Other entities	(239)	(350)
	(239)	(422)

Note: Other entities liabilities are due from the Pension Fund to bodies external to the government e.g., fund managers.

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Additional Voluntary Contributions paid by scheme members are not included in the accounts. The additional voluntary contributions are paid by scheme members directly to Prudential Assurance Company, who manage these monies independently of the fund and, as determined by the fund actuary, do not form part of the Fund valuation.

According to information provided by Prudential, £99k was received in additional voluntary contributions by members, in 2024/25 (£92k 2023/24) and AVC Fund value was £3,374k (£3,591k 2023/24). Any transfer of additional contributions into the Fund during the year are included in the employee contributions value as detailed in note 4.

Notes to the Pension Fund Account

Prudential Assurance Company

Market Value 31 March 2025 £'000	Market Value 31 March 2024 £'000
3,374	3,591
3,374	3,591

14. FAIR VALUE - BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period.	Not required	Not required
Pooled investments - overseas unit trusts	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not required
Pooled Investments - Property Funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not Required
Pooled Investments Property Funds	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Alternative Assets (Private Equity, Private Credit and Infrastructure)	Level 3	Comparable valuation of similar companies e.g. in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018)	EBITDA multiple revenue multiple discount for lack of marketability control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Having analysed historical data and current market trends, and consulted with fund managers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held on 31 March 2025.

It is worth noting the sensitivity analysis below is just one of the possible changes to assets value due to the impact of factors affecting valuation methodology employed by the fund managers. Sensitivity being measured in this note differs from those in note 16 (other price risks).

Notes to the Pension Fund Account

Sensitivity of assets valued at level 3

	Valuation range (+/-)	Market Value 31 March 2025 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled investments - Limited Liability Partnerships (Infrastructure) a	10%	69,221	76,143	62,299
Pooled investments - Limited Liability Partnerships (Private Credit) b	10%	71,009	78,110	63,908
Pooled Property - UBS Property & AEW UREF	10%	106,070	116,677	95,463
Pooled Dislocation Fund - Balckstone	5%	20,705	21,740	19,670
Private Equity - d	5%	2,993	3,143	2,843
Total		269,998	295,813	244,183

a) The potential movement of 10% represents a combination of the following factors, which could all move independently in different directions: i) material changes in economic and financial assumptions. ii) discounted equity cash flow rate.

b) The assumed movement is based on pricing of loans in the secondary leveraged loan market, with widening/narrowing spreads resulting in price changes either way.

c) The assumed movement is based fluctuations in market prices for comparable assets, real estate market Illiquidity and counterparty default.

d) Movement in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 5% is caused by unexpected changes to cash flow forecast and discounts for lack of potential bids.

14A. FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Notes to the Pension Fund Account

Values as at 31 March 2025	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at Fair Value through Profit and Loss				
Equities	27	0	0	27
Pooled Investments	0	1,034,152	160,935	1,195,087
Pooled Property Investments	0	88,377	106,055	194,432
Private Equity	0	0	2,993	2,993
	27	1,122,529	269,983	1,392,539
Financial Liabilities at Fair Value through Profit and Loss				
Total	27	1,122,529	269,983	1,392,539

Values as at 31 March 2024	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at Fair Value through Profit and Loss				
Equities	29	0	0	29
Pooled Investments	0	1,000,277	156,532	1,156,809
Pooled Property Investments	0	84,441	105,997	190,438
Private Equity	0	0	5,521	5,521
	29	1,084,718	268,050	1,352,797
Financial Liabilities at Fair Value through Profit				
Total	29	1,084,718	268,050	1,352,797

Notes to the Pension Fund Account

14B. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Level 3 Assets Reconciliation

Fund Managers & Asset Categories	Value 1 April 2024	Purchases at cost	Sales proceeds	Unrealised gains/(losses)	Realised gains/(losses)	Value 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity - Adams Street Partners, LGT Capital Partners & UBS	5,521	14	(1,730)	(1,451)	639	2,993
Private Finance - M&G	460	-	(214)	(105)	30	171
Infrastructure - Maquarie & LCIV	66,313	51,624	(58,710)	7,469	2,525	69,221
Property - UBS Property,& AEW UREF	105,997	220	(869)	509	213	106,070
DGF/Dislocation - Blackstone	19,240	9,670	(5,937)	(2,131)	(137)	20,705
Direct Lending - Permira & LCIV Private Debt	70,519	888	(5,061)	5,380	(888)	70,838
Total Level 3 Assets	268,050	62,416	(72,521)	9,671	2,382	269,998

There were no transfers into Level 3 in 2024/25

Notes to the Pension Fund Account

14C. LEVEL 3 PRICING HIERARCHY DISCLOSURES

Quantitative Information on Significant unobservable inputs

Private Equity: Adams Street & LGT capital

The significant unobservable inputs used in the fair value measurement of privately held securities are Revenue multiples, EBITDA multiple, net income multiple and discount for lack of marketability and potential bids.

Private Finance: M&G

The assets are mostly floating rate notes and held at par value.

Infrastructure: Macquarie

The following quantitative information are considered for significant unobservable inputs, in valuation of infrastructure assets:

- The acquisition financial model is used as a base case.
- Update for any material changes in economic, operational, and financial assumptions.
- Discount equity cash flows at the sum of the risk-free rate and the appropriate risk premium (as determined by the implied risk premium at acquisition unless there is an inherent change in the riskiness of the underlying investments which may necessitate a change in the risk premium).

Direct Lending: Permira

The following key terms are confirmed as inputs for each yield analysis calculation:

- Cash / PIK (Payment in Kind) margin
- Frequency of interest payments
- Commitment and settlement date
- Contracted and expected maturity date

Pooled Property: AEW, UBS Property & LGIM LPI

Fair value is primarily derived using recent market transactions on arm's length terms, where available and discounted cashflow of future earnings are taken into consideration, alongside observable and unobservable inputs.

Description of Valuation Process

Private Equity

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Private equity investments for which market quotations are not readily available are valued at their fair values by the Board of Directors. Private equity valuations are usually generated by the managers of the underlying portfolio of investments on a quarterly basis and are actually received with a delay of at least one-to-two months after the quarter end date. As a result, the year-end net asset value predominantly consists of portfolio valuations provided by the investment managers of the underlying funds at a specific date, adjusted for subsequent capital calls and distributions. If the Board of Directors comes to the conclusion upon recommendation of the Investment Manager (after applying the above-mentioned valuation methods), that the most recent valuation reported by the manager/administrator of a Fund investment is materially misstated, it will make the necessary adjustments using the results of its own review and analysis. The valuation adjustments relate to events subsequent to the last capital account valuation statement received but based upon information provided by the investment manager and all other available unobservable inputs. In estimating the fair value of fund investments, the Investment Manager in its valuation recommendation to the Board of Directors considers all appropriate and applicable factors.

Private Finance: M&G

These assets are floating rate and are held to maturity, they are valued at par unless suffering from impairment. Impairments may be applied if an asset's credit rating deteriorates.

Direct Lending: Permira

Notes to the Pension Fund Account

- In each case, valuations are prepared in accordance with International Private Equity & Venture Capital Valuation (“IPEV”) Guidelines
- All direct lending investments are valued on a mark-to-market basis at the date of valuation
- Where an investment is considered illiquid (level 3), a yield analysis is performed to infer a fair market value for that investment.
- Each valuation is reviewed to ensure:
 - Third party evidence to support pricing (such as Market data, broker quotes or Bloomberg pricing, as well as latest financials and capital structure; and any other adjustments to value) was evidenced.
 - That the valuations are prepared in a consistent manner with previous valuations and that any changes in methodology or valuation are clearly explained; and valuations are derived using methodology consistent with the IPEV guidelines.

Infrastructure: Macquarie

Valuations are calculated by the individual asset teams on a quarterly basis. The valuation process follows the British Venture Capital Association (BVCA) guidelines and is compliant with International Financial Reporting Standards (IFRS). The most generally accepted methodology of valuing infrastructure assets is by way of a discounted cash flow (DCF) analysis.

DCF-Based Market Valuation Process

Financial Model

The acquisition financial models of all the Fund’s underlying investments will be externally audited prior to financial close. They will be used as the initial base financial models for the DCF analysis.

Update for Economic, Operational and Financial Assumptions

The economic assumptions in the financial models are adjusted every three months to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

The initial operational assumptions in each of the financial models are the acquisition forecasts. Any historical information (e.g., distributions received in an intervening period and year-to-date performance) will be updated within the model. In relation to forward-looking assumptions, the acquisition assumptions will continue to be used unless there is a material inconsistency between these assumptions and:

- The actual operational results to date
- The revised forecasts provided by management or approved by the board.

The financial assumptions in the model (e.g., cost of debt and capital structure) are also updated to reflect the actual debt put into place, current base rates and any material change in outlook with regards to future leverage.

Discount Rate

Equity cash flows are discounted at the acquisition internal rate of return, which is adjusted for changes in the relevant risk-free rate. The acquisition internal rate of return is the return, which is forecast under the acquisition case and price, reflecting the risks inherent in each of the investments. The difference between the acquisition internal rate of return and the risk-free rate at the date of acquisition equates to the risk premium, which is the risk compensation to equity holders.

Most of the Fund’s assets are likely to see some decrease in the risk premium as assets are de-risked following acquisition. Such projects may have a changing risk “life cycle”, whereby the risk changes as the asset matures. In addition, if there is a change in the inherent risk of an investment, then the risk premium may need to be reconsidered.

Pooled Property: AEW, UBS Property & LGIM LPI

Pooled properties have been valued in accordance with RICS valuation – Professional Standards VPS4 (7.1) fair value and VPGA 1 valuations for inclusion in financial statements, which adopts the definition of fair value used by the International Accounting Standards Board:

Notes to the Pension Fund Account

“The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.”

The properties are valued individually, and the details of tenure, tenancies and floor area are considered for valuation purposes.

Dislocation Fund: Blackstone

Fair value guidance defines fair value, establishes a framework for measuring fair value, and establishes requirements for disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

Investments in Investee Funds

The fair value of investments in limited Consolidated Partnerships and investment funds and affiliated limited Consolidated Partnerships and investment funds (“Investee Funds”) is generally determined using the reported net asset value per share of the Investee Fund, or its equivalent (“NAV”), as a practical expedient for fair value if the reported NAV of the Investee Fund is calculated in a manner consistent with the measurement principles applied to investment companies.

In order to use the practical expedient, the AIFM has internal processes to independently evaluate the fair value measurement process utilized by the underlying Investee Fund to calculate the Investee Fund’s NAV. Such internal processes include the evaluation of the Investee Fund’s policies and related internal controls in place to estimate the fair value of its underlying investments that are included in the NAV calculation, performing ongoing operational due diligence, review of the Investee Fund’s audited financial statements and ongoing monitoring of other relevant qualitative and quantitative factors.

Narrative and Quantitative description of sensitivity to changes in valuation methods and market conditions:

Private Equity

Market valuation method applied to investments is sensitive to four main components:

- i) changes in actual market prices.
- ii) interest rate risk.
- iii) foreign currency movements; and
- iv) other price risks

Private Finance (M&G)

The only possible sensitivity associated with private finance valuations and methodology is credit rating. This may result in an analyst impairing an asset if there is a change in the asset’s credit rating.

Infrastructure: Macquarie

The economic assumptions in the financial models are adjusted every three months in order to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

Infrastructure: LCIV

See Direct Lending, LCIV Private Debt below

Direct Lending: Permira

The yield analysis methodology used to value the level 3 assets are sensitive to the following inputs:

- EURIBOR swap rates (up to 7 years)
- LIBOR swap rates (up to 7 years)
- ELLI (3 year discounted spread data)

Notes to the Pension Fund Account

These inputs are sourced directly from Bloomberg feeds or independently from Duff & Phelps (ELLI data) relevant to each period end date.

These inputs impact on: (1) the implied IRR calculations at the period end valuation date; (2) the forecast cash and/or PIK yields that track LIBOR or EURIBOR; and (3) ultimately the implied asset price calculated from these inputs as the period end to determine the valuation price.

Direct Lending: LCIV Private Debt

Investments are initially recognized at cost and subsequently measured at fair value. Investments are valued on a basis that the Manager considers fair and reasonable having considered the latest available valuation provided by the investment entity. The level of estimation uncertainty is significant, and actual values may differ significantly from estimates.

Purchases and sales are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver, an asset or liability arises. All realised and unrealised gains and losses on investments are recognized as net capital gains/(losses) in the Statement of Total Return. Unrealised gains and losses comprise changes in the fair value of investments for the period.

Pooled Property – AEW, UBS Property & LGIM LPI

Prevalent economic conditions may affect occupancy rate or possible default in rent payments and conversely affecting transaction values. Local authority intentions, planning proposals and onerous restrictions are some of the other factors to which Pooled Property assets transactions may be sensitive towards. These are:

- i) Market price risk: Future values of investments in direct property and related property investments will fluctuate due to changes in market prices.
- ii) Real Estate valuation changes: Property investments are illiquid assets and valuing is difficult.
- iii) Credit risk: counterparty (to a financial instrument) or tenant (of a property) will cause a financial loss to the Fund by failing to meet a commitment it has entered with the Fund.

15. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

	Designated as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortise d Cost	Total	Designate d as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortised Cost	Total
	31 March 2025 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2024 £'000
Financial Assets								
Equities	27	-	-	27	29	-	-	29
Pooled Investments	1,195,087	-	-	1,195,087	1,156,809	-	-	1,156,809
Pooled property investm	194,432	-	-	194,432	190,438	-	-	190,438
Private Equity	2,993	-	-	2,993	5,521	-	-	5,521
Cash	-	13,793	-	13,793	-	8,316	-	8,316
Other Investment balan	-	80	-	80	-	269	-	269
	1,392,539	13,873	-	1,406,412	1,352,797	8,585	-	1,361,382
Total	1,392,539	13,873	-	1,406,412	1,352,797	8,585	-	1,361,382

Notes to the Pension Fund Account

15A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	31 March 2025 £000's	31 March 2024 £000's
Financial Assets		
Designated at Fair Value through profit and (loss)	52,595	129,976
	52,595	129,976

16. NATURE & EXTENT OF EXPOSURE TO RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency, and interest rate risks) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

The risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. To mitigate against market risk the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories. The management of the assets are placed with a few fund managers with different performance targets and investment strategies. Each fund manager is expected to maintain a diversified portfolio in each asset class. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to Pensions Committee where they are monitored and reviewed.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instruments or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The potential losses from shares sold short are unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy Statement.

Other price risk - Sensitivity Analysis

Notes to the Pension Fund Account

Following analysis of historical data and expected investment return movement during the financial year, the Fund has determined that the following potential change in market price risk are reasonably possible for the relevant reporting periods.

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on Fund asset allocations. The potential volatilities are consistent with one standard deviation movement of the change in value of assets over the last three years. This can then be applied to period end asset mix.

Had the market price of the Fund investments increased or decreased in line with the percentage change below, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset Type	Value as at 31 March 2025 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	763,763	12.00%	855,415	672,111
UK Equity	27	12.00%	30	24
Bonds	231,038	8.50%	250,676	211,400
Alternatives	203,279	5.40%	214,256	192,302
Property	194,432	6.20%	206,487	182,377
Total	1,392,539		1,526,864	1,258,214

Note: Bonds valuation in the table above includes pooled fund held bonds.

Asset Type	Value as at 31 March 2024 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	770,458	12.10%	863,683	677,233
UK Equity	29	12.10%	33	25
Bonds	229,796	9.10%	250,707	208,885
Alternatives	162,054	3.60%	167,888	156,220
Property	190,460	6.80%	203,411	177,509
Total	1,352,797		1,485,723	1,219,871

Note: Bonds valuation in the table above includes pooled fund held bonds.

Interest Rate Risk - The risk to which the Pension Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. Based on interest received on fixed interest securities, cash, and cash equivalents.

The Fund's direct exposure to interest rate movements as of 31 March 2024 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest Rate Risk Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 100 basis points (1%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Notes to the Pension Fund Account

Assets exposed to interest rate risks

Cash balances

Bonds - pooled funds

Total change in assets available

Value as at 31 March 2025	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
£'000	£'000	£'000	£'000
15,362	154	15,516	15,208
231,038	2,310	233,348	228,728
246,400	2,464	248,864	243,936

Assets exposed to interest rate risks

Cash balances

Bonds - pooled funds

Total change in assets available

Value as at 31 March 2024	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
£'000	£'000	£'000	£'000
8,984	90	9,074	8,894
229,796	2,298	232,094	227,498
238,780	2,388	241,168	236,392

Currency Risk - The risk to which the pension fund is exposed to fluctuations in foreign currency exchange rates.

The Pension Fund can set up a passive currency hedge where these risks are perceived to be adverse. As of 31 March 2024, the Fund had no currency hedge in place for those managers who do not hedge their own portfolios. The following table summarises the fund's currency exposure as of 31 March 2024 and as at the previous period ending 31 March 2023.

Currency exposure by asset type

Currency risk sensitivity analysis

Following analysis of historical data in consultation with PIRC Ltd, the Funds data provider, the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.1%, based on the data provided by PIRC. A 6.1% fluctuation in the currency is considered reasonable based on PIRC's analysis of historical movements in month end exchange rates over a rolling twelve-month period. This analysis assumes that all variables, in particular interest rates, remain constant. Managers that hedge against currency risk are not included in this sensitivity analysis. A 6.1% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk

Pooled Funds

Private Equity/Infrastructure

Asset Value 31 March 2025	Potential market movement	Value on increase	Value on decrease
£'000	£'000	£'000	£'000
633,163	38,623	671,786	594,540
72,214	4,405	76,619	67,809
705,377	43,028	748,405	662,349

Assets exposed to currency risk

Pooled Funds

Private Equity/Infrastructure

Asset Value 31 March 2024	Potential market movement	Value on increase	Value on decrease
£'000	£'000	£'000	£'000
663,973	40,502	704,475	623,471
71,834	4,382	76,216	67,452
735,807	44,884	780,691	690,923

Notes to the Pension Fund Account

Credit Risk - Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Pension Fund's entire investment portfolio is exposed to some form of credit risk, except for the derivative position, where the risk equates to the net market value of a positive derivative position. Credit risk can be minimised through careful selection of high-quality counterparties, brokers, and financial institutions. The Pension Fund is also exposed to credit risk through Securities Lending, Forward Currency Contracts, and its daily treasury activities. The Securities Lending programme is run by the Fund's custodian Northern Trust which assigns four different risk management oversight committees to control counterparty risk, collateral risk, and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the pension fund is ring fenced from Northern Trust. Securities lending is capped by investment regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time.

The prime objective of the Pension Fund treasury management activity is the security of principal sums invested. As such it will take a prudent approach to organisations employed as the banker and deposit taker. The Pension Fund will ensure it has adequate but not excessive cash resources in order to meet its objectives. The bank accounts are held with NatWest Bank, which holds an S&P long-term credit rating of A. Deposits are placed in the AAAM rated Northern Trust Money Market Fund which is ring fenced from the administering company. Credit ratings, market indicators and media coverage are monitored to ensure credit worthiness is maintained. The Fund's cash holding under its treasury management arrangements on 31 March 2025 was £15,308k (31 March 2024: £8,984k) and this was held with the following institutions:

Summary	Rating S&P	Balances as at 31 March 2025 £'000	Rating S&P	Balances as at 31 March 2024 £'000
Money market funds				
Northern Trust	AAAm	13,793	AAAm	8,316
Bank current accounts				
NatWest	A+	1,569	A+	668
Total		15,362		8,984

Liquidity Risk - The risk the Pension Fund will have difficulties in paying its financial obligations when they fall due.

The Pension Fund holds a working cash balance in its own bank accounts with NatWest as well as Money Market Funds to which it has instant access to cover the payment of benefits and other lump sum payments (£1,569k). At an investment level the fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As of 31 March 2025, these assets totalled £1,034,192k, with a further £13,739k held in cash in the Custody accounts at Northern Trust.

Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

Notes to the Pension Fund Account

17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a revaluation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as of 31 March 2022 setting rates for the period April 2023 to March 2026. The next triennial valuation will take place as of 31 March 2025.

In line with the triennial valuation the Fund updates its Funding Strategy Statement every three years. The key elements of the funding strategy are:

1. to ensure the long-term solvency of the fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment.
2. to ensure that employer contribution rates are as stable as possible.
3. to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
4. to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so.
5. to use reasonable measures to reduce the risk to other employers and ultimately to the Council taxpayer from an employer defaulting on its pension obligations.

The funding level is the ratio of assets to liabilities at the valuation date. A funding level of less/more than 100% implies that there is a deficit/surplus in the Fund at the valuation date against the funding target. Funding plans are set to eliminate any deficit (or surplus) over the set time horizon and therefore get back to a funding level of 100%. To do so, additional contributions may be required to be paid into the Fund; these contributions are known as the "secondary rate".

At the 2022 actuarial valuation, the Fund was assessed as 88% funded (87% at the March 2019 valuation). This corresponded to a deficit of £167m (2019 valuation: £161m) at that time. The slight improvement in funding position between 2019 and 2022 is mainly due to investment performance over the inter-valuation period. The liabilities have also increased due to a reduction in the future expected investment return, although this has partially been offset by lower-than-expected pay and benefit growth (both over the inter-valuation period and forecast to continue into the long term).

Significant events

The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as of 31 March 2022. Details can be found at <http://www.lgpsregs.org/>.

Contribution rates

The table below summarises the whole Fund Primary and Secondary Contribution rates at this triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary, and the total of employer secondary rates expressed as a monetary amount, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (%) 1 April 2023 - 31 March 2026	Secondary		
	2023/24	2024/25	2025/26
19.60%	£6,682,000	£6,897,000	£7,120,000

The Primary rate above includes an allowance for administration expenses of 0.8% of pay. The employee average contribution rate is 6.7% of pay.

At the previous formal valuation on 31 March 2019, a different regulatory regime was in force. Therefore, a contribution rate that is directly comparable to the rates above is not provided.

Notes to the Pension Fund Account

The valuation of the Fund has been undertaken using a risk-based approach, this approach recognises the uncertainties, and risks posed to funding and follows the process outlined below:

Step 1: The Fund sets a funding target (or funding basis) which defines the target amount of assets to be held to meet the future cash flows. The assumptions underlying the funding target are discussed further in the next section. A measurement is made at the valuation date to compare the assets held with the funding target.

Step 2: The Fund sets the time horizon over which the funding target is to be reached.

Step 3: The Fund sets contributions that give a sufficiently high likelihood of meeting the funding target over the set time horizon.

Assumptions

Due to the long-term nature of the Fund, assumptions about the future are required to place a value of the benefits earned to date (past service) and the cost of benefits that will be earned in the future (future service). Assumptions fall into three categories when projecting and placing a value on the future benefit payments and accrual – financial, demographic and Commutation.

Financial Assumptions

A summary of the financial assumptions underpinning the target funding basis and adopted during the assessment of the liabilities of the Fund as of 31 March 2022 (alongside those adopted at the previous valuation for comparison) are shown below.

Description	31 March 2022	31 March 2019
Funding Basis Discount Rate	4.1%	4.0%
Benefit Increases (CPI)	2.7%	2.3%
Salaries Increases	3.2%	2.6%

Demographic Assumptions

The main demographic assumption to which the valuation results are most sensitive is that relating to the longevity of the Fund's members. The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.7 years	24.4 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.4 years	25.6 years

All other demographic assumptions are unchanged from last year and are as per the latest funding valuation of the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 85% of the maximum tax-free cash for post-April 2008 service.

Notes to the Pension Fund Account

18. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The IAS19 balance sheet is based on financial market values and future market expectation indicators as of 31 March 2022 to comply with the accounting standard.

Description	31 March 2025 % per annum	31 March 2024 % per annum
Inflation /Pensions Increase Rate	2.8%	2.8%
Salary Increase Rate	3.3%	3.3%
Discount Rate	5.8%	4.8%

An IAS 26 valuation was carried out for the Fund as of 31 March 2025 by Hymans Robertson with the following results:

Description	31 March 2025 £m	31 March 2024 £m
Present Value of Promised Retirement Benefits	1,283	1,482
Active Members	419	468
Deferred Members	304	368
Pensioners	560	646

**Incorporates an allowance for the potential increase in liabilities arising from the McCloud judgement and GMP indexation*

These figures are presented as required by IAS 26. They are not relevant for the calculations undertaken for funding purposes or other statutory purposes under UK pension legislation. This item is not recognised in the Net Asset Statement, hence is considered not to be in opposition to the assertion included in the Net Asset Statement surrounding future liabilities of the Fund.

The promised retirement benefits on 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as of 31 March 2022. The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

Note that the above figures on 31 March 2025 (and 31 March 2024) include an allowance for the "McCloud ruling", i.e., an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

Net Liability

The table below shows the total net liability of the Fund as of 31 March 2025. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

Notes to the Pension Fund Account

Description	31 March 2025	31 March 2024
	£m	£m
Present Value of Promised Retirement Benefits	(1,283)	(1,482)
Fair Value of Scheme Assets (bid value)	1,409	1,361
Net Liability	126	(121)

19. Going Concern

The Pension Fund accounts, and Notes have been prepared on a going concern basis. The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority Accounting in the United Kingdom 2024/25) in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

The Fund's triennial valuation on 31 March 2022 reported a funding level of 88%. Currently, contributions and investment income are sufficient to fund benefits as they fall due without the need to liquidate investments. The Fund is currently operating with a cash flow surplus. If a need to obtain liquidity arises, approximately 71% of the Fund's assets are held in liquid investments.

A cash flow forecast covering the period 01 April 2025 to 31 March 2026 has been produced to confirm the solvent position and outlook of the Pension Fund over the period stated above.

20. RELATED PARTY TRANSACTIONS

It is required under IAS 24 "Related Party Disclosures" that material transactions with related parties which are not disclosed elsewhere should be included in a note to the financial statements. The London Borough of Hillingdon is a related party to the Pension Fund, represented by the Pensions Committee members. The committee is responsible for management of fund assets, including investment directions and administration of the fund. List of committee members may be found in Note 1C. The revenue contributions the Council has made into the Pension Fund are set out in note 4 to the Pension Fund accounts. No senior officer or Pension Committee member had any interest with any related parties to the Pension Fund.

Key Management Personnel

Two employees of the London Borough of Hillingdon held key positions in the financial management of the London Borough of Hillingdon Pension Fund. These employees are the Section 151 officer, and the Director of Pensions, Treasury & Statutory Accounts. Total remuneration payable to key management personnel is set out below:

	31 March 2025 £'000	31 March 2024 £'000
Short term benefits	125	111
Post employment benefits	136	112
	261	223

The Pensions Committee of the London Borough of Hillingdon Pension Fund ("the Fund") has prepared an Investment Strategy Statement (ISS) in accordance with the MHCLG Guidance on Preparing and Maintaining an Investment Strategy Statement.

As set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Pensions Committee will review this Statement from time to time, but at least every three years, and revise it as

Notes to the Pension Fund Account

necessary. Also, in the event of a significant change, changes will be reflected within three months of the change occurring. The current version of the ISS is available on the pension fund pages of the Council's website: www.hillingdon.gov.uk and included in the Annual Report.

21. BULK TRANSFER

There was a bulk transfer out of £1,722,606 in the 2024–25 financial year. This transfer was made on behalf of Orchard Hill College Academy Trust (OHCAT).

The amount relates to two employers within OHCAT:

- Pride Academy
- The Skills Hub

22. CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) as of 31 March 2025 totalled £78,201k (£84,523k on 31 March 2024). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the Private Equity, Infrastructure, Property and Private Credit parts of the portfolio. The amounts called by these funds vary both in size and timing over a period of up to six years from the date of each original commitment.

23. CONTINGENT ASSETS

Four admitted body employers in the London Borough of Hillingdon Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. Total value of bonds held come to £153,000.00.

24. POST BALANCE SHEET EVENTS

Events taking place after the 31st of March 2025 are not reflected in the financial statements or notes, unless they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. Where events taking place before this date provided information about conditions existing on 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events to report after the Balance Sheet date that deem adjustment or disclosure in the accounts.

Annual Governance Statement 2024/25

Hillingdon Council Annual Governance Statement 2024/25

1. EXECUTIVE SUMMARY

The London Borough of Hillingdon Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, safeguarding public money, and using resources economically, efficiently, and effectively. The governance framework comprises systems, processes, culture and values that direct and control the authority and engage with the community. The system of internal control is also designed to manage risk to a reasonable level.

This statement meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 which require an authority to conduct a review at least once a year of the effectiveness of its system of internal control and to include a statement reporting on the review with the published Statement of Accounts. Regulation 6(1)(b) requires that the statement is an Annual Governance Statement (AGS) which must be prepared in accordance with proper practices in relation to the accounts.

The governance arrangements in place during the 2024/25 financial year have been reviewed and this statement produced in accordance with the CIPFA guidance. The review was overseen by the Corporate Governance Board comprising key statutory officers and stakeholders.

Overall Opinion on Governance and being Fit for Purpose

The governance framework is aligned with the seven principles of good governance as identified in the CIPFA/SOLACE 2016 Framework set out below:



The Council's Local Code of Corporate Governance is reviewed annually and shown here:

[Council constitution and delegations - Hillingdon Council](#)

The governance framework has been in place for the year ended 31st March 2025 and up to the date of approval of the 2024/25 Statement of Accounts.

Annual Governance Statement 2024/25

Overall, this review concludes that internal control and governance systems as set out in the Local Code of Governance were in place for the financial year 2024/25. However there were a number of key areas of improvement to be taken further during 2025/26:

1. Financial Governance and Oracle
2. Financial sustainability
3. Directorate Governance
4. Capacity and Organisational Change
5. Performance Management Framework
6. Impacts of Heathrow Airport and Asylum

The Council is committed to improving governance on a continuing basis through a process of evaluation and review. The governance outlook includes the implementation of the Digital and Information element of the Corporate Services Directorate to modernise systems and data across the Council, Council initiated transformation projects and a Zero-Based Budgeting exercise to manage pressures and identify areas of innovation. The Council is dedicated to ensuring that governance will be fit for purpose.

Approved by:

Chief Executive

Tony Zaman

Leader of the Council

Councillor Ian Edwards

Date: xx February 2026

Date: xx February 2026

2. OUR ASSESSMENT OF EFFECTIVENESS

Conducting the Annual Review

The review of effectiveness was conducted through a combination of internal and external assessments as set out in the diagram below:

Annual Governance Statement 2024/25



This review has been, and will continue to be, overseen by a new Corporate Governance Group chaired by the Monitoring Officer and comprising the Chief Operating Officer, Head of Legal Services and S151 Officer with input as and when required from the Head of Internal Audit and the Democratic Services Manager.

Alignment with Planned Outcomes and Value for Money

Arrangements are in place to support the authority's delivery of planned outcomes and meet its responsibilities for value for money/best value.

All London's Boroughs are having to absorb unfunded cost pressures arising from the Government's increase in Employer National Insurance and the minimum wage, higher than forecast inflation and unanticipated and exceptional demand pressures for housing and social care. London Councils have reported that boroughs overspent on their homelessness budgets by at least £330m in 2024/25 and they estimated that the total overspend by all of London Borough Councils will be more than £700m.

Unlike other local authorities, Hillingdon incurs additional costs as a result of being home to Heathrow Airport and the surrounding hotels commissioned by the Home Office during the pandemic, which have been used to house people seeking asylum. The Council is paying £3 million annually to support individuals seeking asylum as well as those evicted from hotels by the Home Office.

The Council is committed to a strategy of "Putting Residents First" requiring it to be responsive to residents' needs for high quality universal and statutory services whilst doing all it can to keep council tax and charges as low as possible. This is achieved through transforming how the Council operates and lowering its consequent costs. The Council has delivered savings averaging £11.0m per year over the last 10 years but, owing to the present funding pressures, savings of £15.8m were required for 2024/25, with roll forward savings taking total planned delivery for 2024/25 to £21.5m. Of this, £7.1m were achieved by year end, £9.6m written out of the Council's budget that could no longer be delivered while the remaining balance of £4.8m was carried forward and planned for delivery in 2025/26.

The outturn position for 2024/25 also required the use of £28.5m from reserves which is not sustainable and further cost reduction or income growth is required moving forwards. To that end Cabinet decided to consult on the introduction of a charge for the collection of garden waste for 2025/26 as well as to further increase fees and charges. There has also

Annual Governance Statement 2024/25

been substantial progress on the outsourcing of the Council's early years' service which is expected to be complete in 2025/26, along with the outsourcing of the running of its golf courses and the insourcing of care provision for both young and older residents. A new operator for the Beck Theatre has also been secured eliminating the need for ongoing operating subsidy.

The Government's Fair Funding Review 2.0 - a new assessment of how much money local authorities should receive from the Government - identified Hillingdon Council as being significantly underfunded, and implicitly that this has been the case for several years. Whilst the Government's intention has been to rectify this, the conclusion of the review was delayed by the Covid pandemic and recovery, now to be introduced in 2026/27 onwards.

The outturn position for 2024/25 presented a £31.5m overspend (representing a £20.5m adverse movement from Month 10). However, service delivery within the Council continues to be well run, with the spend on frontline services being below its comparator group (predominantly Outer London Boroughs) whilst continuing to receive good ratings from external oversight bodies. A substantial proportion of the overspend emerged from a review of the balance sheet undertaken as part of the Council's Finance Modernisation Programme.

The Finance Modernisation Programme was devised in autumn of 2024 following the challenges with stabilising the Council's budget for the past two to three years. The programme will strengthen the Council's financial capacity and capability across both the Finance department and the wider organisation. Within this programme there are a number of workstreams, including a review of the Council's Balance Sheet and accounting practices. That workstream has uncovered a number of accounting errors or assumptions originating as far back as 2013/14 that needed to be rectified in the 2024/25 outturn position, although £9.6m relates to transactions since 2022/23. Whilst these issues are problematic, the Council has recognised the need to understand year on year movements across balances and reserves in more detail.

The Section 151 Officer and the Chief Executive met with the Ministry of Housing, Communities and Local Government (MHCLG) in the last quarter of 2024 and numerous times in 2025 to discuss the Council's financial position and the efforts being made to manage it.

Several initiatives were also initiated during 2024/25 to manage financial pressures, including a zero-based budgeting exercise, star chambers and a recruitment spend control panel.

External Assurance Providers and Internal Audit's Annual Conclusion

Internal Audit conducted 45 audits consisting of 29 assurance reviews, 10 advisory reviews and 7 grant claim audits which is consistent with past years. There was a decrease from 63% to 48% in the proportion of assurance reviews resulting in 'substantial' or 'reasonable' assurance. As a consequence, the Head of Internal Audit provided a 'No' level of assurance on the Council's internal control environment for 2024/25, noting the impact of the significant transformation work undertaken during the year. The Internal Audit team also delivered an advisory report on Directorate Governance in September 2024, which contained five recommendations for improvement. The council took immediate action and began to formulate the Governance Review Improvement Plan (GRIP), which sets out a programme for implementing these recommendations (detailed further below).

The external auditors Ernst & Young's Final Audit Report 2023/24 opinion, issued in March 2025, highlighted financial challenges and significant weaknesses in financial sustainability, and the quality of Council information. These were reflected in the 2023/24 updated Annual Governance Statement. The Report contained seven recommendations for improvement. These recommendations were immediately incorporated into the GRIP in April 2025. This report was subsequently followed in July 2025 by a report (containing recommendations) issued under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014, which was presented to the Audit Committee on 28 August 2025 and then full Council on 11 September 2025. These recommendations were checked against the GRIP to ensure any updated wording was aligned and more clearly referenced to the S24 report, and to ensure all recommendations would be tracked and addressed. One additional recommendation was made in the November 2025 draft auditor's annual report, reported to Audit Committee on 10 February, and one last additional recommendation in the final auditor's annual report presented at the same meeting. These will also be added to the GRIP document for completeness.

Annual Governance Statement 2024/25

How the Overall Opinion has been agreed

The review of effectiveness was conducted through a combination of internal and external assessments, including the Corporate Governance Group Review, Internal Audit Reports, and External Auditor Reports.

The review also took into consideration the operating environment during 2024/25. There has been a significant focus on developing new ways of working and fast paced change to address the increasing demand pressures in key areas such as adult social care, children and young people services and homelessness. This increased transformational work was essential to ensure long-term stability. However, it also impacted on governance arrangements due to the limited resources available at a senior level, increased uncertainty around performance data and forward planning, and previous processes were stepped down due to a wider review of roles in the finance directorate.

Overall, this review concludes that internal control and governance systems as set out in the Local Code of Governance were in place for the financial year 2024/25, however there were a number of key areas of improvement identified to be taken further during 2025/26.

These areas for improvement are set out in the sections below.

3. WHERE OUR GOVERNANCE NEEDS TO IMPROVE

Hillingdon Council has implemented a range of improvement actions to strengthen governance arrangements and control systems as part of its overall continuous improvement programme. A review of the effectiveness of the core governance arrangements identified the following issues in 2024/25, along with the actions to address them in 2025/26:

Gaps & failures identified during the year, and where core arrangements were not operating effectively	Action Plans taken to improve these areas
Financial Governance & the Oracle Project: Financial Governance arrangements were impacted during 2024/25 following the implementation of the Oracle system. Key areas of improvement required include: Greater understanding and ownership of budgets at a service level and addressing data quality issues and reliance on manual calculations and adjustments. Improving governance around major projects such as the Oracle Implementation including clear success and go/no go criteria, defined cut-over plans, data migration reconciliations, and benefits identification, realisation and monitoring.	A Finance Modernisation Programme was put in place in April 2025, although the Oracle implementation element began in September 2024. The programme deals with the depth and breadth of financial structures, systems and processes as well as the appropriate Governance arrangements. Plans to implement recommendations relating to the improvement of Financial Governance are addressed in the GRIP document Workstream 1. Key actions include stronger spend control measures, robust savings programmes, and training to embed awareness of financial responsibilities and financial regulations at all levels of the organisation.
Financial Sustainability: The delivery of detailed implementation plans supporting planned savings and a full review of service delivery models to ensure they are efficient, represent value for money and achieve the required outcomes. That the financial forecast process ensures pressures/issues are identified promptly to allow effective mitigation.	The Council is currently taking steps to manage down pressures, this includes, as part of the Finance Modernisation Programme, ensuring the Council is on top of the saving programme for 2025/26 which includes £34.0m of new savings, plus £4.8m of savings yet to be delivered from previous years, i.e. a total £38.8m.

Annual Governance Statement 2024/25

Gaps & failures identified during the year, and where core arrangements were not operating effectively	Action Plans taken to improve these areas
In 2024/25 the Council continued to face increasing demand for front line services with unmatched funding. The outturn position presented a £31.5m overspend (representing a £20.5m adverse movement from Month 10). A review of the Council's Balance Sheet and accounting practices also uncovered a number of accounting errors or assumptions dating back as far as 2013/14, h that needed to be rectified in the Council's accounts. Due to those periods being closed, the Council has recognised them as an £14.1m adverse movement in the 2024/25 outturn position although £9.6m related to issues since 2023/24. This resulted in a closing general fund reserve of £1.45m.	The Chief Finance Officer has also advised the Government office responsible for local government, the Ministry for Housing, Communities and Local Government (MHCLG) and is in active discussions about requesting Exceptional Financial Support. As above, recommendations relating to the improvement of Financial Governance are addressed in the GRIP document Workstream 1 and include stronger spend control measures and training to embed awareness of financial responsibilities and financial regulations at all levels of the organisation
Directorate Governance: On a number of occasions during the year, senior management resources were reallocated to focus on strategic reviews and transformational projects. This impacted on the capacity within senior leadership teams to dedicate adequate time to collate, review and consider core governance reports and related actions. It also highlighted that inconsistencies in relation to reporting and governance arrangements had developed across directorates.	Plans to implement recommendations relating to the improvement of Directorate Governance are addressed in the GRIP document Workstream 2. Key actions include embedding a consistent approach to directorate governance by utilising a new template agenda and action log and developing performance dashboards to provide accurate and timely information in line with agreed priority areas. Improvements in relation to the presentation and scrutiny of finance data within directorates are also being addressed as part of the Finance Modernisation Programme and GRIP document Workstream 1.
Capacity and Organisational Change: 2024/25 was a year of discovery and rapid transformational change across the Council to identify new ways of working. This has resulted in many long-standing processes, policies and procedures becoming outdated and new processes will take time to be embedded within all day-to-day operations.	The Business Design Authority implemented in 2024/25 is now more established to critically assess any business cases related to digital and intelligence projects. This includes finance and procurement representatives to ensure value for money. The transformation team has also moved to work with the digital team and provide additional support in relation to change management and there is now a project tracker in place to monitor the ongoing projects, outputs and benefits each month. They have also increased focus on change management and embedding changes into everyday practice. Action plans have also been developed to address specific areas of improvement and monitored through defined governance groups to ensure they are embedded in a timely manner. These groups include the Workforce Improvement Board, monitoring improvements around HR compliance,

Annual Governance Statement 2024/25

Gaps & failures identified during the year, and where core arrangements were not operating effectively	Action Plans taken to improve these areas
	and the Land and Property Group, implementing stronger asset management arrangements. The Finance Modernisation Programme has added GT capacity to supplement the finance team and as the programme goes forward will lead to a more balanced finance team with the right skills to deliver to modern Local Government requirements.
Performance Management Framework: During 2024/25 significant work has been undertaken to collate performance data from key council systems and develop accurate performance dashboards to aid monitoring arrangements and effective decision making at both Corporate Management Team and Cabinet Member level. There are still areas of improvement to address, including aligning information to priority areas and working with services to improve forecasting information.	There is a dedicated Business Intelligence Team working with services and the Corporate Management Team to improve the accuracy of information and develop key performance indicators for key priority areas of review. There are now over 100 Power BI dashboards in place across the Council, with plans for a further 90 to be developed in 2025/26. These dashboards will also be aligned with wider corporate and directorate objective as part of the Finance and Business plans.
Heathrow Airport: In being home to Heathrow Airport, the Council has a longstanding disproportionate responsibility to support unaccompanied asylum-seeking children (UASC). However, this has been further compounded by a growing number of British passport holders arriving at Heathrow and requiring Council assistance. The borough also has a high number of asylum seekers placed in hotels by the Home Office. As this occurs in an unplanned way, it is difficult to manage the impact of this through routine governance arrangements. The impact is on the statutory responsibilities the Council and other agencies have, and on local charities and volunteering, all of which receive no additional financial support, and in turn there is an impact on the ordinarily available support services in the borough for residents.	The Council is in regular discussion with the Home Office and Ministry of Housing, Communities and Local Government to address the financial impact. Further work is also being undertaken by the Homes and Communities directorate as part of their wider Temporary Accommodation Action Plan.

Monitoring of Actions Plans to address these

The progress of these action plans will be monitored through:

- Monthly reviews by the Corporate Governance Group
- Regular updates to the Corporate Management Team and Directorate structure
- Oversight by the Audit Committee, including regular updates on the GRIP programme.
- Cabinet Portfolio Holder review and financial scrutiny by select committees

Annual Governance Statement 2024/25

4. How we have improved our governance arrangements in 2024/25

The governance issues identified in the previous year's statement are set out below, together with how these have been addressed or if further action is required.

Areas for improvement 2023/24	How these have been addressed and what further action is required
Financial sustainability: In 2023/24 the Council faced a high inflation environment and increased demand for front line services. The final outturn position reported an underspend of £2k against the Council's General Fund, however this relied on funding from Earmarked Reserves and a review of the balance sheet delivering a £9,443k one-off financial benefit. In total £11,727k was released from earmarked reserves, of which £4,550k was factored into the 2023/24 budget, £3,622k relating to additional inflationary pressures and £3,555k driven by demand for services. This resulted in a closing balance of total reserves of £35,181k. The Council recognises the scale of the financial challenges, with £34m of savings required for 2025/26, and has taken a number of steps since the end of 2023/24.	• The Council engaged external consultants for a zero-based budgeting exercise to identify efficiencies. • Senior officer star chambers were introduced to review operations, and a budget review was conducted to remove optimism bias. • CIPFA was appointed to present a report on areas for improvement • The council designed and sought a partner to support delivery of a finance modernisation programme, which is now underway with Phase 2 • We continue to monitor the balance sheet and adjust financial strategies, such as debt collection, accordingly. • The Council recognised the shortcomings in the Oracle implementation and negotiated a remedial programme of work which commenced in September 2024
Quality of Council Information: During their post year end audit of the 2023/24 Annual Accounts, the Council's External Auditors highlighted difficulties performing their audit procedures due to poor quality working papers and supporting information provided by the Council, and capacity limitations within the Council's finance team. This was consistent with concerns raised by the Council's Internal Audit team during the year and the Council has not received unqualified accounts since 2021/22. The weaknesses in both financial and non-financial data quality increased the risk that there are insufficient arrangements in place to ensure the Council takes properly informed decisions and supports challenge and transparency.	• The Digital and Intelligence division was established with a significant action plan to improve digital infrastructure and business intelligence. • The action plan of the Digital and Intelligence division to improve data quality and digital infrastructure has been devised and implemented. • The FMP has as a required outcome the guidance and procedures to ensure consistent approaches to financial management, controls and workings
Dedicated Schools Grant (DSG): Rising costs and increased demand for High Needs funding to support students with Special Education Needs and Disabilities have consistently impacted the Council's ability to manage within the government funding for this area. The DSG deficit is calculated to be nearly £66m by the end of 2024/25. Data quality issues were also uncovered in relation to historic cases, which impacted on the final outturn position.	• Significant service changes were undertaken to address challenges and improve resilience. • Data quality issues were addressed, resulting in stabilized client numbers and reduced spend volatility. • Continuing to implement the plan agreed with the Department for Education to reduce in-year costs and improve data quality.

Annual Governance Statement 2024/25

	• The year-on-year deficit is now reducing • The council has been commended on its work by the DfE practice advisor
Capacity Constraints: A number of times over the year finance systems, processes and vacancies in the service have resulted in reports being submitted through governance processes without adequate time for accountable officers to take ownership of the presented detail and related actions. Similarly, elected members have not always had sufficient time to consider so fully as they may prefer.	• Approaches to address staffing shortages were initiated, and the reimplementation of Oracle, the financial system, is underway to address identified challenges. • The FMP provides support on creating and right sizing the capacity and capability required for the council's finance function and associated practices
Heathrow Airport: By being home to Heathrow Airport, the Council has a longstanding disproportionate responsibility to support unaccompanied asylum-seeking children (UASC). However, this has been further compounded by the high number of asylum seekers placed in Hillingdon by the Home Office. As this occurs in an unplanned way, it is difficult to manage the impact of this through routine governance arrangements. The impact is on the statutory responsibilities the Council and other agencies have, and on local charities and volunteering, all of which receive no additional financial support, which then has an impact on the ordinarily available support services in the borough for residents.	• The Council is in regular discussion with the Home Office and MHCLG address the financial impact.

Other significant steps to improve governance.

During 2024/25 a dedicated Corporate Governance Group (CGG) was established to oversee corporate governance across the organisation, with a particular remit to monitor delivery of the Governance Review Implementation Plan (GRIP). The CGG ensures that significant governance weaknesses which may impact on the Council's objectives are appropriately identified, assessed, managed and reported to the Corporate Management Team where necessary. The CGG is chaired by the Monitoring Officer and members include the Chief Operating Officer, S151 Officer and Deputy Monitoring Officer.

The GRIP is a working document, subject to continual change and updating which seeks to establish a series of actions to review and improve governance in three key workstreams:

1. Workstream 1: Financial Governance – a financial improvement plan has been established to capture and implement all the areas identified as being of concern in various internal and external reviews. These form the basis of a series of actions within the GRIP
2. Workstream 2: Directorate Governance (officer level decision-making) – work to standardise, streamline and improve corporate governance at a directorate level is underway.
3. Workstream 3: Democratic Governance (Member level decision-making, Constitutional) – an external, peer level review of the Constitution will be commissioned to ensure LBH is consistent with the very best practice.

There were seven recommendations raised by Ernst & Young in their July report received by Audit Committee on 28 August 2025, issued under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014. These are included in the GRIP under workstream 1 and are being monitored and addressed with oversight from the Audit Committee. Further recommendations may be added as they arise, including from the auditor's results reports.

Annual Governance Statement 2024/25

The specific recommendations set out in the July 2025 Section 24 report were as follows:

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.

5. Forward look on governance

Looking forward into 2025/26, the Council will continue to monitor progress against the Governance Review Improvement Plan and the three main workstreams. Additional action will be taken though the Corporate Governance Group to review any additional governance issues identified.

The Government's proposed new Local Government Funding formula and funding settlement for 2026/27 implementation identifies Hillingdon as being one of the most underfunded London Borough. Notwithstanding this prospect, the Council is committed to further cost reductions to ensure it remains a cost efficient local authority.

As at Month 7, the Council is forecasting a net overspend of £36m against normal operating activities, with service operating budgets overspending by £26.8m, non-delivery of cross-cutting and unallocated savings of £7.1m, unavailability of reserves as budgeted of £4.2m, offset by mitigations of £1.5m and other favourable movements of £0.6m. The Council continues to review all options to mitigate this pressure, which includes tighter spend control measures and ensuring that any windfall receipts are retained and not spent. The Finance Modernisation Programme and Finance Governance Workstream of the GRIP are both key to improving financial management and governance across the council, including the savings programme and better budget management and ownership across service areas.

Annual Governance Statement 2024/25

As indicated above and in the Going Concern note to the financial statements, the Council has now formally engaged with MHCLG about its financial position with a formal request for Exceptional Financial Support, and it is expected that this will bring further scrutiny and focus on the Council's financial and wider governance procedures from 2026 to ensure that the Council can find its way back to financial sustainability.

The Council will continue to monitor emerging legislation on key governance issues. For example, the anticipated guidance on potential changes to the standards regime and possible centralisation and standardisation of codes of conduct and procedures for hearing member complaint matters. In addition, compliance with the new procurement legislation will be monitored to ensure procedures remain fit for purpose and appropriate training rolled out where required.

The Council has subsequently established a new wholly owned company, The Hillingdon Care Company (THCC), to host some of the Council's directly provided adult social care services. The Council will need to ensure appropriate governance arrangements are in place, including proper oversight by the company directors on the one hand and the Council in its shareholder capacity on the other, in addition to sound financial management, compliance with company law requirements and related policies such as conflict of interest arrangements.

Glossary

ACCRUAL - A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end of the period.

ACCUMULATED ABSENCES ACCOUNT - Absorbs the differences arising from the statutory requirement to neutralise the impact on the General Fund Balance of accruing for compensated absences earned but not taken in year.

ACTUARIAL VALUATION - A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

ACTUARY - An independent professional who advises on the financial position of the pension fund.

AGENCY SERVICES - The provision of services by one body (the agent) on behalf of another that is legally responsible for providing the service.

AMORTISED COST - The initial measurement will be at fair value, normally the amount of the originating transaction such as the receipt or loan advance less transaction costs. The effective interest rate is then calculated to the amount in the balance sheet at initial measurement. The result in the balance sheet carrying amount (the amortised cost) and a profile of interest charges that might be different from the amounts specified in the contract as being for interest and principal.

ASSET - Something that will be used by the Council over a long period of time and has a lasting value (e.g. land, buildings, and roads). See also **COMMUNITY ASSETS**, **NON-CURRENT ASSET**, **INFRASTRUCTURE ASSETS**, **ASSETS HELD FOR SALE**, **NON-OPERATIONAL** and **OPERATIONAL ASSETS**.

ASSETS HELD FOR SALE - Assets that are being actively marketed for sale and are expected to be sold within the next financial year.

BAD DEBT PROVISION – See “Impairment Allowance” below.

BALANCES - Unallocated reserves held to resource unpredictable expenditure demands.

BUDGET - A statement of the Council's plans for services expressed in money shown over one or a number of years.

CAPITAL ADJUSTMENT ACCOUNT - The Capital Adjustment Account represents the balance of capital resources set aside to finance capital expenditure awaiting the consumption of those resources (i.e. depreciation or impairment).

CAPITAL CHARGE - A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE - Spending on assets (e.g. land, buildings, roads etc.) that adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECEIPTS - The proceeds from the sale of land, buildings or other assets. Capital receipts can be used to pay for new capital expenditure, within rules set down by the Government, or to repay outstanding loans.

CASH EQUIVALENT - Amounts held as short-term deposits which are readily convertible into cash.

CIPFA - The Chartered Institute of Public Finance and Accountancy is the professional accounting body that specialises in the public services.

COMMUNITY ASSETS - Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONTINGENCY - Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

CONTINGENT ASSET - A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Glossary

CONTINGENT LIABILITY - A contingent liability is either:

- a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- b) Past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

COUNCIL TAX - The local tax based on relative market values of residential property, which helps to fund local services.

CREDITORS / PAYABLES - Amounts owed by the Council for goods and services received where payment has not been made at the date of the balance sheet.

CREDIT RISK - Risk that other parties might fail to pay amounts due to the Council

CURRENT ASSET - An asset held, which will be consumed or cease to have value within the next financial year; examples are stocks and debtors.

CURRENT LIABILITY - An amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

CURRENT SERVICE COST - The increase in the present value of Pension Fund Liabilities expected to arise from current year service.

DEBTORS / RECEIVABLES - Amounts owed to the Council for goods and services provided but not received at the date of the balance sheet.

DEDICATED SCHOOLS GRANT - A specific grant for funding of schools and is ring fenced to the Schools Budget.

DEPRECIATION - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

DIRECT REVENUE FINANCING (revenue contributions to capital) - Resources provided from the Council's revenue budget to finance the cost of capital projects.

DISTRICT AUDITOR - An auditor employed directly by the Audit Commission to audit the accounts of local authorities.

EARMARKED RESERVES - Amounts set aside for a specific purpose or a particular service or type of expenditure.

EFFECTIVE INTEREST RATE - The rate of interest that will discount the estimated cash flows that take place over the life of the instrument.

EMOLUMENTS - All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

EXCEPTIONAL ITEMS - Material items that fall within the ordinary activities of the Council that need to be disclosed in order to present the accounts fairly.

EXTRAORDINARY ITEMS - Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur.

FAIR VALUE - the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FEES AND CHARGES - Income raised by charging users of services.

Glossary

FINANCE LEASE - A method of paying for capital expenditure where a rent is paid for an asset during its useful life. Finance Leases are treated as capital. See **OPERATING LEASE**.

FINANCIAL YEAR - The period covered by a set of financial accounts - the Council's financial year commences 1 April and finishes 31 March the following year.

GENERAL RESERVE - amounts remaining unspent on revenue account after taking account of all expenditure and income for the year. The General Reserve is required to enable the Council to meet potential business risks in the future so that services will not be affected financially should unexpected events occur.

GOING CONCERN - The concept that an entity will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assumes no intention to significantly curtail the scale of operations.

GOVERNMENT GRANTS - Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the Council.

GROSS EXPENDITURE - The total cost of providing the Council's services before taking into account income from government grants and fees and charges for services.

IMPAIRMENT - A reduction in the value of a fixed asset below its previously assessed value in the balance sheet.

IMPAIRMENT ALLOWANCE - Amounts set-aside in the accounts towards potentially irrecoverable debts. This amount reduces the value of the Debtors in the Consolidated Balance Sheet (previously known as "Bad Debt Provision").

INCOME - Amounts due that has been or is expected to be received.

INFRASTRUCTURE ASSETS - Fixed assets that have no alternative use and are intended to be held in perpetuity. Examples of infrastructure assets are highways and footpaths.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - Statutory guidelines by which the accounts have to be prepared, implemented for the first time in the 2010/11 accounts.

INVENTORIES - The amount of unused or unconsumed stocks held in expectation for future use.

INVESTMENT PROPERTIES - Assets held solely for capital appreciation or to earn rental and not to meet service objectives.

INVESTMENTS - Short-term investments are those maturing within one year if the balance sheet date, any investments maturing more than one year after the balance sheet date are treated as long-term investments.

LOANS AND RECEIVABLES - Financial assets (excluding derivatives) that have fixed or determinate payments and that are not quoted in any in any active market. Loans and receivables are carried at amortised cost. The income and expenditure account is charged with interest receivable, impairment losses and any gain or loss on "de-recognition". Movements in fair value during the life of the asset are not recognised.

LIABILITIES - Money owed to individuals or organisations that will be paid at some time in the future.

LIQUIDITY RISK - The risk that the Council might not have funds available to meet its commitments to make payments.

MARKET RISK - The risk that the Council will loss out financially as a result in market factors such as interest rates or stock market movements.

MINIMUM REVENUE PROVISION - (MRP) - The minimum amount, which must be charged each year to the Council's revenue account to set aside funds to repay the principal sum of borrowing for capital purposes.

Glossary

NATIONAL NON-DOMESTIC RATE (NNDR) - A levy on businesses based on a national rate in the pound multiplied by the ratable value of the premises occupied. NNDR is redistributed among all local authorities and police authorities on the basis of population.

NET BOOK VALUE - The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET EXPENDITURE - Gross expenditure less specific service income but before deduction of revenue support grant.

NET CURRENT REPLACEMENT COST - The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE - The open market value of the asset in its existing use (open market value in the case of non-operational assets), or sale proceeds for stocks and stores less the expenses to be incurred in realising the asset.

NON-CURRENT ASSET - An asset that has value beyond one financial year.

NON-DISTRIBUTABLE COST - These include overheads for which no user now benefits and should not be apportioned to services. Examples are spare computer capacity and empty offices. These also include pension costs in relation to scheme members' past service.

NON-OPERATIONAL ASSETS - Non-Current assets held by the Council not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets under construction and assets that are surplus to requirements, pending sale or redevelopment.

OPERATIONAL ASSETS - Non Current Assets held, occupied, used or contracted to be used on behalf of the Council or consumed by the Council in the direct delivery of the services for which it has a responsibility, whether statutory or discretionary or for the service or strategic objectives of the Council.

OPERATING LEASE - A lease under which the asset can never become the property of the lessee.

OUTTURN - Actual income and expenditure for a financial year.

PAST SERVICE COST - The increase in present value of Pension Fund liabilities arising in the current year from previous years' service.

PENSION FUND - The Fund for staff in the Local Government Pension Scheme, maintained on an actuarial basis, which makes pension payments on retirement of participants; it is financed by contributions from the employer and employees and from investment income.

PENSION INTEREST COSTS - Expected increases in present value of Pension Fund liabilities because benefits are due one year sooner.

POST BALANCE SHEET EVENTS - Those events, both favorable and unfavorable, which occur between the balance sheet date and the date on which the Director of Finance signs the Statement of Accounts.

PRECEPT - The charge made by one authority on another to finance its net expenditure.

PRIOR YEAR ADJUSTMENTS - Material adjustments applicable to prior years arising from changes in accounting policies or to correct errors.

PRIVATE FINANCE INITIATIVE (PFI) - A central government initiative that aims to increase the level of funding available for public services by attracting private involvement.

PROVISION FOR DISCOUNT AND PREMIUMS ON LOAN REDEMPTION - A provision to spread over an appropriate period discounts received and premiums paid when loans from the Public Works Loan Board are prematurely repaid.

Glossary

PROVISION - An amount, set-aside in the accounts, for liabilities that have to be met but where timing is uncertain.

PRUDENCE - The concept that revenue is not anticipated but is recognised only when realised in the form of cash or other assets and full and proper allowance is made for all known and foreseeable losses and liabilities.

PUBLIC WORKS LOAN BOARD (PWLB) - A government agency that provides long term and medium-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

RELATED PARTY - Relationships between a senior officer or elected member or their families with another body that has, or might develop, a business relationship with the Council.

RESERVES - Money set aside by the authorities to meet particular expenditure in future years, which do not fall within the definition of provisions.

REVALUATION RESERVE - a new account opened on 1st April 2007 that records all accumulated gains from fixed assets held by the Council offset by that part of depreciation relating to the revaluation.

REVENUE EXPENDITURE - The day-to-day running costs incurred by the Council in providing services, for example payment of salaries to employees or purchase of materials.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE - A charge arising from capital expenditure but where there is no tangible asset. An example is grants given for private property improvement. The Council is permitted to borrow for such expenditure.

REVENUE SUPPORT GRANT - A grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

RIGHT OF USE ASSETS - an asset that represents the value of a leased asset that a lessee has the right to use during the lease term.

SOLACE - Society of Local Authority Chief Executives

SPECIFIC GRANTS - These are grants paid by various government departments outside the main formula. They include ring-fenced grants and specific formula grants.

SURPLUS ASSETS - Assets which are no longer in use by the Council, but which are not being actively marketed and are not expected to be sold within the next financial year.

TAXBASE - The number of Band D equivalent properties in a local authority's area. An authority's tax base is taken into account when it calculates its Council Tax, and when central government calculates entitlement to Formula Grant.

TRANSFER VALUE - A payment one superannuation fund makes to another when a member changes employment.

TRUST FUNDS - Money held in trust by the Council for a specified purpose.

USABLE RESERVES - Balances held by the Council which can be used to meet service expenditure.

UNUSABLE RESERVES - Balances held by the Council which cannot be used to meet service expenditure

USEFUL LIFE - The period over which the Council will derive benefits from the use of a fixed asset.

VIREMENT - The permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head, i.e. an authorised switch of resources between budget heads.

WORKS IN PROGRESS - Cost of work done on an uncompleted project at the balance sheet date.

YIELD - The amount of cash (in percent terms) of the return on investing activities

London Borough of Hillingdon

Draft Auditor's Annual Report
Year ended 31 March 2025

27 November 2025



The better the question. The better the answer. The better the world works.



Shape the future
with confidence

Audit Committee

London Borough of Hillingdon
Uxbridge
UB8 1UW

27 November 2025

Dear Audit Committee members

2024/25 Auditor's Annual Report

We are pleased to attach our Draft Auditor's Annual Report, including the commentary on the Value for Money (VFM) arrangements for the London Borough of Hillingdon. This report and commentary explains the work undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2024/25. As our audit of the financial statements is ongoing, this report has been issued as draft and will be finalised as part of issuing the 2024/25 audit report.

This report is intended to draw to the attention of the London Borough of Hillingdon any relevant issues arising from our work up to the date of issuing the report. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 18 November 2025.

The [2025 Transparency Report](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 27 June 2025.

Yours faithfully

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

Stephen Reid

Partner, For and on behalf of Ernst & Young LLP

Enc

Contents

01 Executive Summary

02 Audit of financial statements

03 Value for Money Commentary

04 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of the London Borough of Hillingdon in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of the London Borough of Hillingdon those matters we are required to state to them in this 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 Audit Committee and management of the London Borough of Hillingdon for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Page 192

Executive Summary

Purpose

The Auditor's Annual Report summarises the year's audit work, including value for money commentary and confirmation of the financial statement opinion. It also references any use by the auditor of their additional powers and duties under the Local Audit and Accountability Act 2014. In line with the NAO Code of Audit Practice 2024 ("the 2024 Code") and Auditor Guidance Note 03 (AGN 03), this report provides an overview to the London Borough of Hillingdon and the public, detailing current recommendations and a review of prior years' actions, including our assessment of whether they have been satisfactorily implemented.

Auditors must issue their draft Auditor's Annual Report to those charged with governance by 30 November each year, reflecting the audit position and value for money assessment at that time, even if the audit for the period is ongoing.

Responsibilities of the appointed auditor

We have undertaken our 2024/25 audit work in accordance with the Audit Planning Report that we issued on 24 July 2025. We have complied with the 2024 Code, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the year; and
- have been prepared properly in accordance with the relevant accounting and reporting framework.

Reporting by exception:

- if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the London Borough of Hillingdon;
- the use of additional powers and duties, for example making written recommendations under Section 24 and Schedule 7 of the Act or making a report in the public interest; and
- if we identify a significant weakness in the London Borough of Hillingdon's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the London Borough of Hillingdon

The Council is responsible for the preparation of the financial statements, including the narrative statement and governance statement, in accordance with the CIPFA Code and for having internal controls in place to ensure these financial statements are free from material error. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary

2024/25 conclusions

Value for money (VFM)	We have four matters to report by exception on the Council's value for money arrangements, relating to significant weaknesses in the Council's arrangements in respect of: • Financial sustainability; • The quality of Council information; • The capacity of the Council's finance team; and • The implementation of Oracle Fusion and Oracle EPM Each of these significant weaknesses highlights areas in which the Council needs to improve, however they are not independent of each other and the overall impact on the Council and its management of its financial position is of particular concern. The Council's financial position is now critical. We are unable to conclude that the Council is compliant with its statutory duty to set a balanced budget in respect of the 2025/26 financial year, as required under the Local Government Finance Act 1988. We have previously issued clear and repeated warnings about the deteriorating financial situation, which have not been acted upon with sufficient urgency or rigour. The failure to respond appropriately has now resulted in a position that is unsustainable and which we are unable to conclude upon as legally compliant. Immediate and decisive action is required. We have included our value for money commentary in Section 03.
Additional powers and duties	On 24 July 2025, we issued 7 recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act ('statutory recommendations') to the Council. These concerned three of the four significant weaknesses in the Council's arrangements highlighted above (the significant weakness in arrangements not covered being the implementation of Oracle Fusion and Oracle EPM over which audit work was ongoing at the time the recommendations were issued). These recommendations were issued as 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.

Executive Summary (cont.)

2024/25 conclusions (cont.)

Financial statements	Disclaimed As reported in our 2023/24 Audit Results Report, issued on 18 March 2025, we issued a disclaimer of opinion on the Council's 2023/24 financial statements under the arrangements to reset and recover local government audit. In 2024/25, we are continuing to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed within the 2024/25 financial statements. Taken together with the requirement to conclude our work by the 2024/25 backstop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2024/25 audit opinion. Commencement of our year-end audit fieldwork was delayed as a result of the Council not publishing its draft Statement of Accounts until 22 September 2025, nearly 3 months after the statutory deadline for commencement of the public inspection period of 1 July 2025. Due to the impact of this on the available time to complete our audit procedures ahead of the backstop date, and capacity considerations within both the Council's finance team and the audit team up to this date, there is an increased risk that not all planned procedures will be completed and that this could impact the assurance over balances at 31 March 2025 which is able to be obtained and carried forward for the 2025/26 audit. Following discussions with management, we have agreed a management-imposed limitation of scope to our audit to exclude the valuations of the Council's land and building assets from our work over the closing balance sheet for 2024/25. This was agreed as the valuation of land and buildings is a complex area which requires significant effort from both the Council and audit to test, but is an area where there are steps the Council can take in 2025/26 to mitigate the impact on the timeline for rebuilding of assurance in future years. This allows the audit and finance team's effort to be focused for 2024/25 on those areas where it is more difficult to rebuild assurance, and hence those areas which will ultimately be of most benefit in supporting future audit opinions.

Executive Summary (cont.)

2024/25 conclusions (cont.)

Going concern	Where a disclaimer of opinion is issued on the financial statements, we do not conclude on whether the use of the going concern basis of accounting is appropriate. We however draw attention to the fact that the financial statement disclosures on going concern highlight the significant financial challenges facing the Council and conclude that a material uncertainty over the Council's ability to continue as a going concern exists due to the reliance of the Council on government agreement to its request for exceptional financial support to avoid having to issue a Section 114 Notice. The Council has been in circumstances where the Council's Section 151 Officer has had to give serious consideration as to whether to issue a Section 114 Notice for some time. The decision as to whether to issue a Section 114 Notice is a personal one for the Council's Section 151 Officer and is a key judgement they have to make. The Council's Section 151 Officer has sought legal advice on their decision not to issue a Section 114 Notice whilst discussions with the Ministry for Housing, Communities & Local Government (MHCLG) are ongoing over exceptional financial support, which further highlighted that the decision as to whether to issue a Section 114 Notice is judgemental and for the Section 151 Officer to make, but acknowledged it may be reasonable in principle to defer such a notice whilst there remained a "reasonable prospect" of support being received. The continued deterioration in the Council's financial position only increases the risk that a Section 114 Notice will need to be issued.
Consistency of the annual governance statement	We were satisfied that the circumstances set out within the draft annual governance statement are consistent with our understanding of the Council. Management should however update the final annual governance statement to reflect our conclusions on the Council's value for money arrangements for 2024/25, as summarised above and set out in more detail within Section 03. We however draw attention to the overall conclusion of the Council that <i>"internal control and governance systems as set out in the Local Code of Governance were in place for the financial year 2024/25. However, there were a number of key areas of improvement to be taken further during 2025/26"</i>. Given the significance of the matters highlighted within the annual governance statement as areas for improvement, the 'no assurance' conclusion of the Council's internal auditor for the period and the observations set out within Section 03 of this report, we are unable to come to the same conclusion.
Consistency of the other information published with the financial statements	Financial information in the narrative statement and published with the financial statements was consistent with the draft unaudited accounts, other than some minor rounding differences. Management should however ensure that if the financial statements are amended during the audit process, any changes made are appropriately reflected within the other information published alongside the final financial statements.

Executive Summary

2024/25 conclusions (cont.)	
Consistency of the Pension Fund annual report and other information published with the financial statements	Audit work in relation to the audit of the Hillingdon Pension Fund is substantively complete. However we anticipate that the audit opinion will be issued at the same time as the audit opinion on the Council's financial statements. An unmodified audit opinion will be issued in respect of the Pension Fund financial statements. Based on the near-final versions provided for audit, financial information in the Pension Fund Annual Report and published with the financial statements is consistent with the audited accounts.
Whole of Government Accounts	We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO have not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our Audit Certificate until these procedures are complete.
Certificate	We will issue our Audit Certificate either as part of our audit report or, if later, upon receipt of confirmation from the NAO that no further procedures will be requested in relation to the Council's Whole of Government Accounts submission.

Executive Summary

Value for money scope

Under the 2024 Code, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in 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 in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

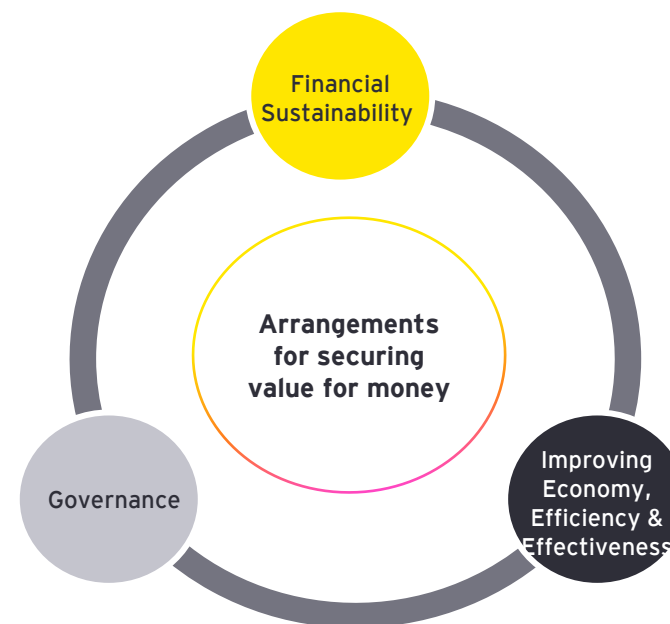
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

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.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of the Council's committee reports;
- meetings with the Council's management, including the Chief Executive, Section 151 Officer and Monitoring Officer;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with the Council's management and the finance team.



Executive Summary

Reporting

Our commentary for 2024/25 is presented in Section 03. This section provides a summary of our understanding of the arrangements at the Council, as determined from our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2024/25 and up to the date of issuing this draft Auditor’s Annual Report, which must be issued by 30 November 2025. The recommendations we have agreed upon with the Council are included in Appendices A, B and C.

The final version of this report will be issued alongside the signed audit report concluding on the 2024/25 year.

In compliance with the 2024 Code, we are required to provide commentary against the three specified reporting criteria. The table below outlines these criteria, indicates whether a significant risk of weakness was identified during our planning procedures, and details our current conclusions regarding any significant weaknesses within your arrangements.

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	Financial sustainability	Yes Financial sustainability
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	- Quality of Council information - Capacity of the finance team - Implementation of Oracle Fusion and Oracle EPM*	Yes - Quality of Council information - Capacity of the finance team - Implementation of Oracle Fusion and Oracle EPM*
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	No additional risks, however risks above have implications for the effectiveness of arrangements under this criteria.	No additional weaknesses Weaknesses above, however, have implications for the effectiveness of arrangements under this criteria.

* In our Audit Planning Report we did not identify the implementation of Oracle Fusion and Oracle EPM as a risk of significant weakness but noted “At this time, we do not consider it necessary to identify a separate risk of significant weakness in relation to the Oracle system upgrade as it is considered as part of the risks over the quality of Council information and capacity of the Finance Team, however we are alert to the potential for value for money observations (as well as financial statement impacts) to arise from the arrangements around the implementation of this new system itself and will keep this under review as we execute our audit procedures over the systems upgrade”. Based on our observations set out within our VFM commentary in Section 03, we have subsequently identified this as a discreet risk of significant weakness and concluded that a significant weakness in the Council’s arrangements existed. Further details are provided within our VFM commentary.

Executive Summary

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2024

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 27 June 2025:

[EY UK 2025 Transparency Report | EY – UK](#)



02 Audit of financial statements

Audit of financial statements

Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

Our audit of the 2024/25 financial statements is currently in progress. We will report our findings in our Audit Results Report to the February 2026 Audit Committee meeting. Commencement of our year-end audit fieldwork was delayed as a result of the Council not publishing its draft Statement of Accounts until 22 September 2025. We have worked with management to reschedule the availability of our audit resources, however this significant delay in the ability to commence our audit work means there is limited ability for us to accommodate delays of the nature encountered in the delivery of the 2023/24 audit arising from inadequate quality supporting schedules or working papers. If we encounter such delays for 2024/25, these will impact on the level of assurance we are able to report within our Audit Results Report. To date we have not encountered such delays in the execution of year-end audit work for 2024/25, and management have taken a number of steps to address the causes of prior year difficulties.

Following discussions with management, we have agreed a management-imposed limitation of scope to our audit to exclude the valuations of the Council's land and building assets from our work over the closing balance sheet for 2024/25. This was agreed as the valuation of land and buildings is a complex area which requires significant effort from both the Council and audit to test. However this is an area where there are steps the Council can take in 2025/26 to mitigate the impact on the timeline for rebuilding of assurance in future years. This allows the audit and finance team's effort to be focused for 2024/25 on those areas where it is more difficult to rebuild assurance, and hence those areas which will ultimately be of most benefit in supporting future audit opinions.

As our audit fieldwork has only recently commenced, we are not yet able to conclude on our audit risks and we will do so within our Audit Results Report.

Financial statement reporting assessment

Management, and the Audit Committee as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial reporting across a range of relevant measures.

Where we have been unable to undertake all planned procedures this is likely to extend the timetable to recover assurance on the Council's financial statements.

In addition, the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance is set out on page 18. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.

Audit of financial statements (cont.)

Financial statement reporting assessment (cont.)

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Ineffective			The Council published its draft financial statements on 22 September 2025, nearly 3 months after the statutory deadline for commencement of the public inspection period of 1 July 2025. Whilst the delay was partly a result of the Council seeking to ensure the quality of the draft financial statements (see below), difficulties arising from the implementation of Oracle Fusion and the significant other demands on the Council's finance team were also significant factors.	We consider this further within our value for money commentary. See Section 03.
Quality and completeness of the draft financial statements	Requires improvement			The Council has sought to strengthen controls and internal review processes supporting the preparation of the draft financial statements since the prior year. Our work to date indicates that this has resulted in an improvement in the quality of the Council's draft financial statements in comparison to 2023/24. We however note that there remain some significant issues with the Council's draft financial statements, including the presentation of multiple inappropriate restatements of the prior period comparative information. We are continuing to work through these with management, but, notwithstanding the fact the audit opinion on the 2023/24 financial statements was disclaimed, we would have expected to be informed of planned restatement of previous periods prior to such restatements being included within a published statement of accounts.	-
Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement			Key working papers and supporting schedules were not delivered to the originally agreed timetable, however this corresponded with the significant delay in the Council's publication of its draft financial statements. Once the full extent of likely delay was communicated to us, we worked with management to agree a revised timetable for the provision of working papers and other audit supports. This process is ongoing, the Council has mostly delivered against the revised timetable however we are beginning to see indicators of slippage which may impact our ability to conclude all planned audit procedures.	-

Audit of financial statements (cont.)

Financial statement reporting assessment (cont.)

Area	Status			Explanation	Further detail
	R	A	G		
Quality of working papers and supporting evidence	Requires improvement			The Council has sought to address audit feedback over the quality of working papers and supporting evidence provided as part of the 2023/24 audit. The steps taken have had a positive impact, with an improvement noted in the quality of supporting working papers and evidence. There are however some remaining quality issues, in particular where the Council relies on information from other bodies (such as its maintained schools) as well as where breakdowns contain high volumes of ins-and-outs making audit focus on the true underlying transactions difficult and increasing audit sample sizes.	-
Timeliness and quality of evidence supporting key accounting estimates	Unable to conclude yet			The main accounting estimates within the Council's financial statements are the valuation of land and buildings, the valuation of pension balances and the Council's bad debt provisions. Due to the agreed limitation of scope around the valuation of land and buildings, we have not reviewed evidence supporting these valuations. Support for the Council's pension balances was provided to the original pre-delay timetable, however due to the delay in commencement of the audit our procedures over these balances have only recently commenced. We have not yet received the supporting evidence for the Council's bad debt provisions.	-
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement			There has been significant change within the senior roles of the Council's finance team during the course of the 2024/25 audit. Council staff, both current and former, have been available to audit personnel when required and have actively engaged with the audit process however the level of turnover has impacted on the continuity of discussions and resulted in some delays and the need to revisit previous discussions with new Council officers.	-

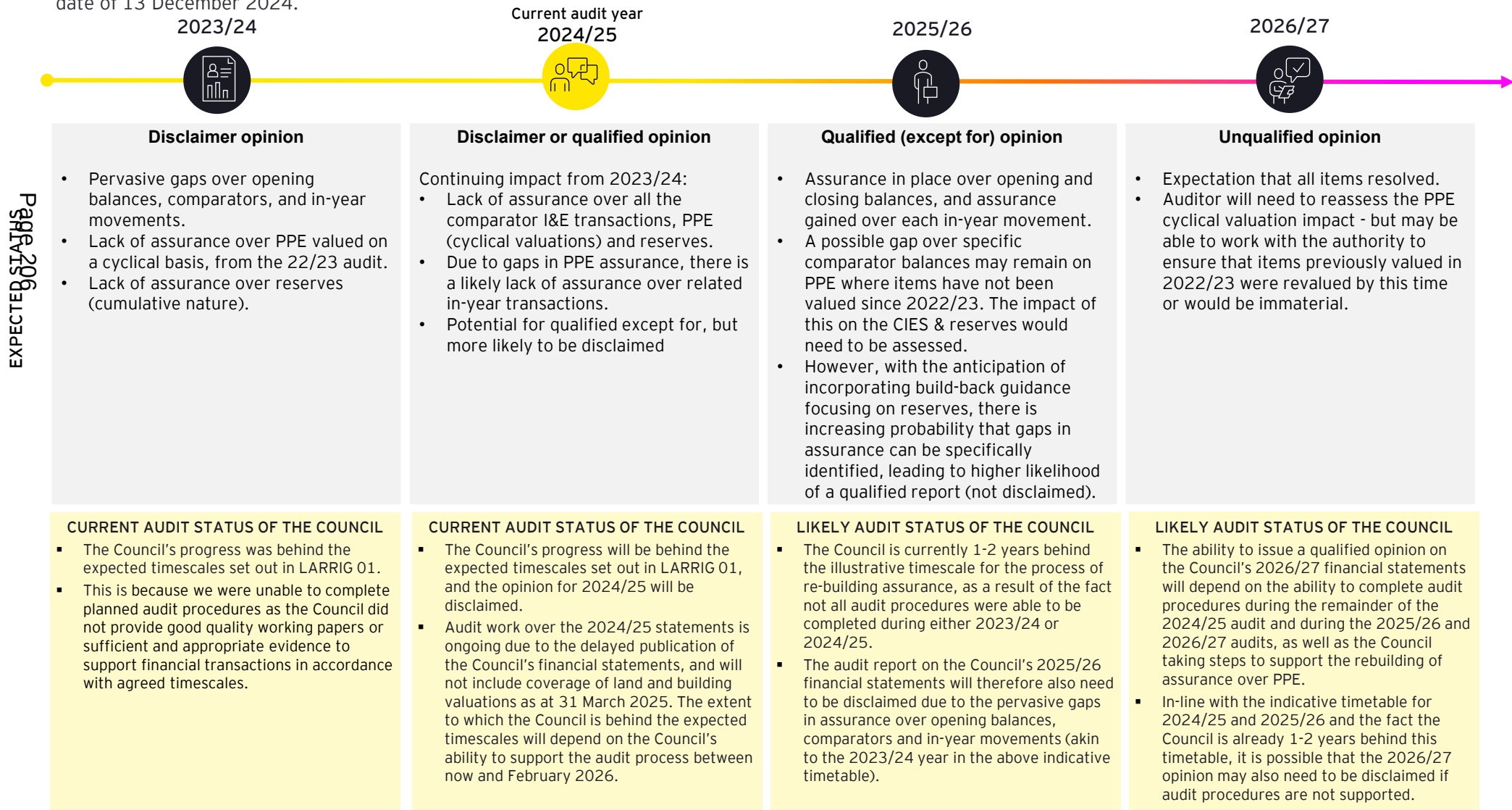
Audit of financial statements (cont.)

Financial statement reporting assessment (cont.)				
Area	Status			Further detail
	R	A	G	
Volume and value of identified misstatements	Unable to conclude yet			-
Volume of misstatements in disclosure	Unable to conclude yet			-

Audit of financial statements (cont.)

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.





03 Value for Money commentary

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.

Our responsibilities

Under the revised 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 on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. Our summary is below:

	Significant risk identified	Significant weakness identified
 Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.	Financial sustainability	Financial sustainability
 Governance How the Council ensures that it makes informed decisions and properly manages its risks.	- Quality of Council information - Capacity of the finance team - Implementation of Oracle Fusion and Oracle EPM	- Quality of Council information - Capacity of the finance team - Implementation of Oracle Fusion and Oracle EPM
 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.	No additional risks, however risks above have implications for the effectiveness of arrangements under this criteria.	No additional weaknesses Weaknesses above, however, have implications for the effectiveness of arrangements under this criteria.



VFM commentary: Financial Sustainability

Financial sustainability: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Financial Sustainability sub-criteria set out in AGN03:

- How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the body plans to bridge its funding gaps and identifies achievable savings;
- How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified one risk of a significant weakness in the Council's arrangements for financial sustainability relating to its overall management of its financial sustainability. In the prior year, one significant weakness in the Council's arrangements for financial sustainability was identified in relation to the same matter and we made 4 recommendations to the Council.

On 24 July 2025, we escalated these recommendations to statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014. We also made 3 additional recommendations to the Council, also as statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014. Further explanation for this escalation is on the following pages. We summarise our consideration of the Council's progress against the prior year recommendations in Appendix B, however we are not satisfied that they have been implemented satisfactorily.



VFM commentary: Financial Sustainability

Overview of our conclusions

Based on the work performed, we have identified a significant weakness in the Council's arrangements that we will be reporting by exception in relation to the Council's management of its financial sustainability.

Recommendations

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.

These recommendations were issued to the Council as statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 on 24 July 2025.



Financial Sustainability considerations

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, £2.2 million 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 commentary 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.



Financial Sustainability considerations

Identification of risks and pressures (cont.)

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 as 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"*.



Financial Sustainability considerations

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'.

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 (see note on page 28). 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 has been 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.

Exhibit 01 on page 29 demonstrates how the Council's assessment of its financial performance for 2024/25 has deteriorated through the financial year. Its assessment for the 2025/26 financial year to date is also shown (see commentary below). Exhibit 02 on the same page demonstrates the decline in the Council's reserves over time.

Savings within the Council's 2025/26 budget

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 £38.8 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.



Financial Sustainability considerations

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.

The revised assessment set out in the P2 forecast anticipated further overspends of £16.4 million against the Council's approved budget for 2025/26. The forecast overspend of £16.4 million was 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. By P5, the forecast overspend for 2025/26 had increased by a further £13.8 million to £30.2 million and the Council had concluded that it was *"clearly untenable for the Council to leave this position unaddressed"*. The financial position of the Council is now critical.

Whilst the budget set by the Council for 2025/26 in February 2025 was balanced to the extent that the expenditure included within the budget did not exceed the available funding budgeted for, the accompanying Section 25 Statement highlighted that *"In order for the budget to remain balanced and lawful, in the lead up to and throughout the coming financial year, it will be crucial for the actions [set out in this statement and the budget paper] to be implemented"*. Given both the significant deterioration in the Council's actual level of reserves at 31 March 2025 against those assumed at the time the budget was set, and the significant overspends forecast early during 2025/26 indicating optimism and/or inaccuracy in the budget's assumptions, we are unable to conclude that the Council did set a balanced budget for 2025/26 as it has a legal obligation to do.



Financial Sustainability considerations

Consideration of Section 114 notice

Given the Council's precarious financial position, 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"

The Council's Section 151 Officer has acknowledged this fact and stated on multiple occasions, including within the P2 and P5 budget monitoring reports, that they will likely need to issue a Section 114 Notice if the Council does not receive the exceptional financial support it has requested from the Ministry for Housing, Communities & Local Government (MHCLG). Most recently with the Council's P5 budget monitoring report stating:

"The S151 Officer remains of the view that he is not minded to issue a S114 notice at this point in time on the basis that MHCLG are engaged in discussions and reviewing the council's position. There remains a reasonable likelihood that EFS can be approved within an appropriate timeline. This position is held on the current assumption that MHCLG will support the council's application for EFS and that the level of EFS agreed will be seen through on time and to the level required by the council. The decision not to issue a S114 at this time is wholly contingent on the discussions with MHCLG and ultimately without reassurance and progress of substance in these discussions very serious consideration would need to be given to issuing such a notice."

The Council has been in circumstances where the Council's Section 151 Officer has had to give serious consideration as to whether to issue a Section 114 Notice for some time. The decision as to whether to issue a Section 114 Notice is a personal one for the Council's Section 151 Officer and is a key judgement they have to make. The Council's Section 151 Officer has sought legal advice on their decision not to issue a Section 114 Notice whilst discussions with MHCLG are ongoing over exceptional financial support. This advice further highlighted that the decision as to whether to issue a Section 114 Notice is judgemental and for the Section 151 Officer to make, but acknowledged it may be reasonable in principle to defer such a notice whilst there remained a "reasonable prospect" of support being received. The continued deterioration in the Council's financial position only increases the risk that a Section 114 Notice will need to be issued.

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.

Since setting its 2025/26 budget in February 2025, significant additional cost pressures have emerged – echoing the pattern seen in 2024/25, where cost pressures were similarly underestimated. This repeated failure to anticipate and respond to financial risks suggests that the Council does not have a credible understanding of its current position or its trajectory for the remainder of the year. Forecasting remains unreliable, and the measures currently in place appear insufficient. Without urgent intervention, the Council risks failing to identify and mitigate the full extent of the financial pressures it faces. During 2025/26, these pressures are also pushing the Council's borrowings up towards its capital financing requirement and there is a real risk that the Council could run out of cash without the receipt of exceptional financial support or some other form of exceptional measure.

This is a serious governance failure with potentially severe consequences.



Financial Sustainability considerations

Note on presentation of the impact of the balance sheet review

In its outturn report for the 2024/25 financial year, the Council highlighted £14.1 million of one-off impacts arising from a balance sheet review performed as part of the Council's Financial Modernisation Programme. It also stated that *"This position has arisen due to a number of accounting adjustments that have failed to be remedied by a number of s151 officers and audits having a material, but one-off, impact to the Council's financial position"*.

We sought an explanation from the Council of the basis for its description of these adjustments in this manner in July 2025, however this was only received following the November 2025 meeting of the Audit Committee. The Council's former Interim Section 151 Officer has confirmed to us that the outturn report narrative reflected their "professional opinion as the Council's S151 Officer at the time the report was produced".

The Council has also provided us with details of the individual adjustments, which we note include correction of entries made during periods for which the Council's audit opinion was disclaimed and adjustments arising from review of the assumptions used in the Council's bad debt provisions for which a specific audit recommendation to do so was made as part of the 2023/24 audit due to the Council's inability to support the assumptions used. We also note that the Council has not sought to restate its 2023/24 comparators within its 2024/25 financial statements in relation to any of the matters described in this manner, as required by IAS 8 if a misstatement is identified in prior period financial information and assessed as material.

We therefore disagree with the characterisation of these adjustments by the Council within its outturn report.

Overall conclusion

The Council's financial position is now critical. We are unable to conclude that the Council is compliant with its statutory duty to set a balanced budget, as required under the Local Government Finance Act 1988 and therefore make the following recommendation to the Council:

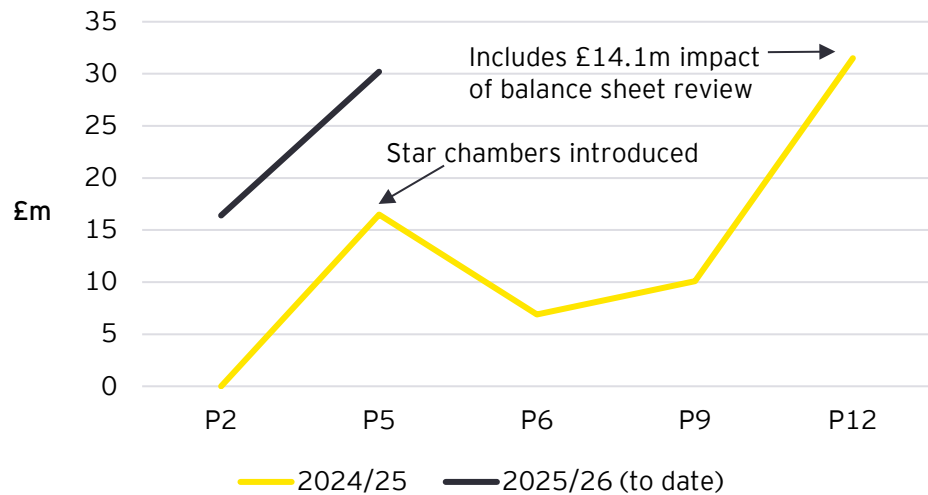
- 1. We recommend that the Council reassesses whether the assumptions and forecasts underpinning its 2025/26 budget were sufficiently robust to support the conclusion that the Council has set a balanced budget for the 2025/26 financial year. If the Council is unable to conclude that it has a balanced budget, it should consider what further actions it may be required to take to comply with its statutory responsibilities.**

We have previously issued clear and repeated warnings about the deteriorating financial situation, which have not been acted upon with sufficient urgency or rigour. The failure to respond appropriately has now resulted in a position that is unsustainable and which we are unable to conclude upon as legally compliant with the Council's duty to set a balanced budget. Immediate and decisive action is required.



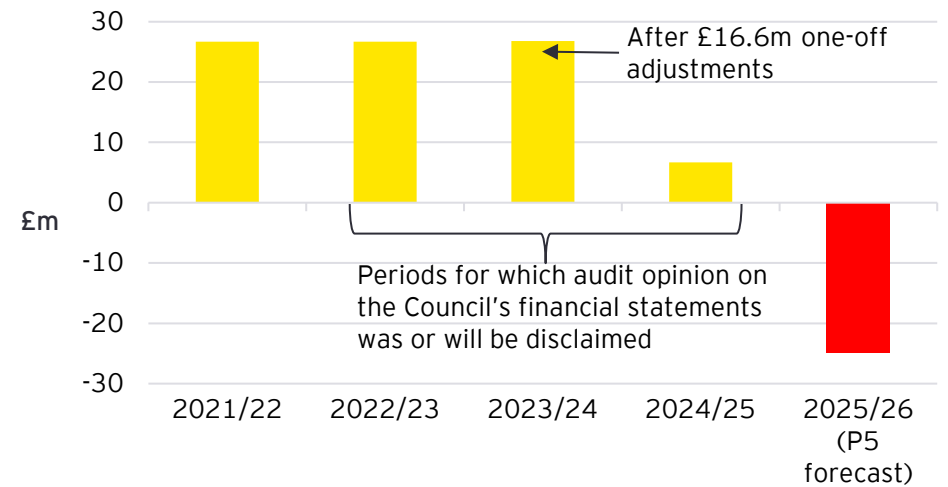
Financial Sustainability considerations

Exhibit 01: Evolution of forecast deficit through the financial year



* The Council did not produce updated forecasts in each month.

Exhibit 02: The Council's reserves over time



Note: Balances exclude the Council's DSG deficit.



VFM commentary: Governance

Governance: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Governance sub-criteria set out in AGN03:

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified two risks of a significant weakness in the Council's arrangements for governance relating to the quality of the Council's information and the capacity of the Council's finance team. During the course of our audit we identified an additional risk of significant weakness in relation to the implementation of Oracle Fusion and Oracle EPM, further explanation of which is included on the following pages.

In the prior year, one significant weakness in the Council's arrangements for governance was identified in relation to the quality of the Council's information. The capacity of the Council's finance team was not concluded as a significant weakness in the prior period, but it was noted as a contributory factor to the reported significant weakness over the quality of the Council's information. We made three recommendations to the Council in relation to governance arrangements. We summarise our consideration of the Council's progress against the prior year recommendations in Appendix B, however we are not satisfied that these actions have been implemented effectively or with sufficient rigour.



VFM commentary: Governance

Overview of our conclusions

Based on the work performed, we have identified three significant weaknesses in the Council's arrangements that we will be reporting by exception in relation to:

- The quality of the Council's information;
- The capacity of the Council's finance team; and
- The implementation of Oracle Fusion and Oracle EPM

Recommendations

1. 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.
2. 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.

These recommendations were issued to the Council as statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 on 24 July 2025.

In addition, we make a number of more granular recommendations to the Council in relation to its implementation of Oracle Fusion and Oracle EPM covering both recommendations the Council should action now to address ongoing risks impacting its current use of Oracle Fusion and Oracle EPM and recommendations the Council should consider in the context of any future significant IT system implementations but where the time for meaningful impact in relation to the implementation of Oracle Fusion and Oracle EPM has passed.

These recommendations, along with accompanying observations giving rise to them, are set out in Appendix C. These recommendations are not recommendations issued under our value for money reporting, but are brought to the attention of the Audit Committee within this report as we consider that they warrant the urgent attention of the Audit Committee.



Governance considerations

The implementation of Oracle Fusion and Oracle EPM

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 implementation of both Oracle Fusion and Oracle EPM was overseen by a Programme Review Board. The decision to 'go-live' with Oracle Fusion in May 2024 was taken by the Programme Review Board on 5 April 2024, however the Council has been unable to evidence the criteria used by the Programme Review Board to assess whether the new system was ready for 'go-live'. The Council has also been unable to evidence that key information supporting the system implementation was communicated to the Programme Review Board and other important stakeholders:

- Prior to taking the decision to 'go-live' for Oracle Fusion, the Programme Review Board was provided with a presentation which included details of outstanding programme matters which had yet to be resolved. The presentation pack provided to the Programme Review Board did not contain all of the red and amber rated matters recorded on the underlying Risks, Actions, Issues and Decisions (RAID) log, therefore the decision to 'go-live' with the system may have been taken without a full appreciation of the risks involved. The Council has asserted that mitigations were in place for all outstanding matters at 'go-live', however it has not been able to evidence this.
- The Council has not been able to evidence that the Programme Review Board approved the strategy for user acceptance testing (UAT). UAT is an important step in identifying practical issues users of any IT system may encounter once a system is live, and inadequate UAT increases the risk of issues only being identified once a system is in use across the organisation.
- The Council has not been able to evidence that there was a cut-over strategy for the transition from Oracle R12 to Oracle Fusion, or that the users of the system were informed of the change and the impact it would have on them. The Council opted not to close the Oracle R12 system once Oracle Fusion came into use, therefore users continued to use both systems in parallel resulting in the need for data migration to occur at multiple stages and increasing the risk that data recorded in Oracle R12 would not be appropriately reflected in Oracle Fusion.
- Whilst the Council recognised it was not ready to implement Oracle EPM at the point it implemented Oracle Fusion, it has been unable to evidence that the subsequent 'go-live' for Oracle EPM was separately approved by the Programme Review Board. As with Oracle Fusion, the Council has also been unable to evidence the criteria used to assess whether the Council was prepared for the 'go-live' of Oracle EPM.

The Council has not been able to provide evidence of the original budget for the Oracle system implementation, nor evidence that the actual costs incurred were being reported to the Programme Review Board or being tracked against the budget to assess whether the project was on-track financially. The realisation of benefits from the Oracle programme has been tracked by the Council, however only as a single 'savings' figure of £47,000 for which the Council has not been able to provide support. Given the impact of issues arising from the Oracle programme on the other activities of the Council, set out on the following pages, it is highly unlikely that the overall impact of the Oracle programme to date has been positive for the Council however we note major system implementations are long-term investments and there are opportunities for the benefits to the Council to increase as it resolves remaining implementation issues and starts to leverage the additional functionality of the new system.



Governance considerations

The implementation of Oracle Fusion and Oracle EPM (cont.)

Further gaps in the Council's arrangements supporting the implementation of Oracle Fusion and Oracle EPM of a technical nature are set out in Appendix C and include controls and processes in relation to user access rights (including privileged user access rights), user roles (including enforcement of segregation of duties), security settings and issue resolution during the hypercare period (the period immediately following system implementation).

Council 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 issues arising from the core Oracle Fusion implementation were a factor in the significant delay in the Council's ability to produce its draft 2024/25 financial statements.

The Council has had to invest significant resources into understanding and resolving issues arising from the implementation of Oracle Fusion and Oracle EPM impacting on the day-to-day execution of Council functions, and reports submitted to the Council's Cabinet have acknowledged 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"*.

Given these factors, as well as their impact upon the Council's activities as set out below, we are unable to conclude that the Council had proper arrangements in place to manage the implementation of Oracle Fusion and Oracle EPM and that a significant weaknesses in the Council's arrangements existed in respect of this system implementation.

Impact on the finance team

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.



Governance considerations

Impact on the finance team (cont.)

These issues are key sources of the lack of confidence the Council has in its financial forecasts as described earlier in the financial sustainability section of this commentary. 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.

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. The Council has subsequently appointed a permanent Section 151 Officer, meaning the Council has 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 significant additional demands being placed on the Council's finance team as a result of both the Council's financial position, and the resulting need for significant focus on where efficiencies can be generated, and the heavy levels of manual intervention being required to support budget monitoring, which itself is of heightened significance given the Council's financial position, have exacerbated concerns over the capacity of the Council's finance team reported in our value for money commentary for 2023/24. Given these factors, we are unable to conclude that the Council had proper arrangements in place during 2024/25 and conclude that a significant weakness in arrangements existed in respect of the capacity of the Council's finance team.

Wider Council governance

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 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"*.



Governance considerations

Wider Council governance (cont.)

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 framework and operations.

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 concluded in February 2025. 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) which concluded in March 2025. 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."



Governance considerations

The Council's response (cont.)

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.

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's Financial Modernisation Programme and Governance Review Improvement Plan was approved by the Audit Committee on 24 July 2025 and will be implemented between 31 July 2025 and 31 March 2026.

Both the Financial Modernisation Programme and wider Governance Review Improvement Plan are in progress, and it remains to be seen whether they will deliver the improvements in internal controls and governance which are urgently required. The Council must act swiftly to begin addressing the weaknesses already identified. Yet the cultural and structural changes needed are significant and will require sustained leadership and focus – something that has been lacking to date.

Updates on the Council's progress with both the Financial Modernisation Programme and wider Governance Review Improvement Plan were provided by officers at the November 2025 meeting of the Council's Audit Committee, papers for which are available on the Council's website. We will report further on the Council's implementation of these actions as part of our 2025/26 audit, but at this stage, progress remains uncertain and the risks unresolved. If we are not satisfied with the adequacy or pace of progress, we will consider exercising further statutory powers.



VFM commentary: Improving economy, efficiency and effectiveness

Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the improving economy, efficiency and effectiveness sub-criteria set out in AGN03:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the body evaluates the service it provides to assess performance and identify areas for improvement;
- How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess where it is meeting its objectives; and
- Where the body commissions or procures services, how it assesses whether it is realising the expected benefits.

Significant risks identified during planning procedures

Within our Audit Planning Report, we did not identify any risks of significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to improving economy, efficiency and effectiveness are not significantly different in 2024/25.

Overview of our conclusions

We note that the significant weaknesses in arrangements set out within the financial sustainability and governance sections of this report are likely to have knock-on impacts upon the Council's arrangements to improve economy, efficiency and effectiveness which mean its arrangements in this area are likely not operating as effectively as they should be.

Based on the work performed, we have not however identified further significant weaknesses in the Council's arrangements which primarily relate to how it uses information about its costs and performance to improve the way it manages and delivers its services.



Improving economy, efficiency and effectiveness considerations

Development of performance dashboards

A significant weakness in the Council's arrangements was reported as part of the 2023/24 audit in respect of the quality of the Council's information (reported under the governance heading). A review of the Council's performance information by the Council's internal auditor, performed as part of the 2023/24 work plan but reported in June 2024, further supported this conclusion. Whilst the overall assurance offered over the Council's performance information was 'limited', the Council's internal auditor acknowledged that *"This is a known area of improvement and this review was intended to support the new Head of Business Intelligence by identifying the current processes across the organisation and how their future improvement plan aligns to the needs identified by the directorates"*. The Council has sought to improve the quality of its information through two main routes, the implementation of Oracle EPM for financial information (considered earlier in this commentary) and the development of performance dashboards for non-financial indicators.

During 2024/25, the Council introduced a new balanced scorecard for its Corporate Management Team which uses Power-BI to bring together the key non-financial performance measures the Council has identified as necessary to monitor performance against its overall strategic objectives. Beneath the Corporate Management Team balanced scorecard, individual directorates have undertaken reviews of both directorate-level and service-level key performance indicators (KPI) to ensure there is alignment from the corporate KPIs down into the Council's service lines, supported by similar Power-BI based dashboards.

Over time, the Council would like to integrate its non-financial performance dashboards into its financial reporting through its Oracle system as well implement the HR functionality of Oracle to provide integration between its finance and HR systems. The Council has however assessed that it needs to resolve the issues it is currently experiencing with Oracle before seeking to expand its functionality.

External inspections

A number of the Council's activities are regulated, with regulatory inspections providing an opportunity for the Council to both obtain an independent assessment of its performance and help it identify good practice or areas for improvement it may wish to focus on. The Council received two inspections during the period:

- A joint inspection of its Special Educational Needs and Disabilities (SEND) Local Area Partnership with the North West London Integrated Care Board ('the ICB') by Ofsted and the Care Quality Commission, performed between 29 April 2024 and 3 May 2024. The inspection report highlighted a number of areas of good practice by the partnership, including the ambition of its leadership, its positive relationship with the Hillingdon Parent Carers Forum, educational outcomes for SEND students, the support provided to children with more complex needs, and good collaboration between the Council and the ICB in the joint commissioning of the Designated Clinical Officer. The report also highlighted areas for improvement in relation to the timeliness of reviews, the identification of children requiring SEND support, the sharing of information between the Council and the ICB, and how the partnership incorporates the views of SEND children. The inspection does not offer an overall 'score' or 'rating' but concluded that *"The local area partnership's arrangements lead to inconsistent experiences and outcomes for children and young people with special educational needs and/or disabilities (SEND). The local area partnership must work jointly to make improvements"*.
- An overall assessment of the Council's care and support services by the Care Quality Commission, published in December 2024. The assessment scored the Council's provision as 3 (on a scale of 1-4, with 4 being the best) against 8 of the 9 themes assessed, resulting in an overall score of 73 (out of 100) which put the Council comfortably mid-range within the 'Good' category. The one area where the Council was assessed lower, a 2 for 'equity in experience and outcomes' highlighted good practice in the Council's approach and understanding of its communities, but noted a lack of a written strategy and the absence of data to track outcomes and inform evaluation of the effectiveness of interventions.



Improving economy, efficiency and effectiveness considerations

Hillingdon Care Company Limited

One of the demand pressures which the Council has faced in recent years, and which has been a driver of overspends against the Council's budgets, is the rising demand for residential adult social care. On 12 December 2024, the Council approved the establishment of a special purpose vehicle to acquire The Burroughs care home with the intention of then appointing a third party to operate the care home on the Council's behalf. The Council hopes that by acquiring and operating the care home in this manner, it will both obtain a greater level of control over the number of care beds within its local area and reduce the costs it faces compared to procuring capacity directly from a private provider.

Hillingdon Care Company Limited was incorporated on 23 January 2025 as a wholly owned subsidiary of the Council to act as the special purpose vehicle for this acquisition. The activities of Hillingdon Care Company Limited were limited for the period between incorporation and 31 March 2025, as whilst the Council had commenced the process of acquiring the care home only a £575,000 10% deposit had been paid by 31 March 2025 and the purchase completed in August 2025. The Council made a £6 million loan to the Hillingdon Care Company after 31 March 2025 to fund the acquisition and provide the company with initial working capital.



04 Appendices

Page 228

Appendix A – Recommendations from current year

Recommendations from 2024/25

The table below sets out the recommendations arising from the value for money work for the year 2024/25. All recommendations have been agreed by management and were issued as statutory recommendations under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014 on 24 July 2025.

Issue	Recommendation	Management response
Financial sustainability	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.	
Financial sustainability	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.	On 6 November 2025, the Council published a response which accepted the recommendations made and set out the Council's proposed responses in detail.
Financial sustainability	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.	Management have previously provided details of these responses to full Council and the Audit Committee. A copy of the Council's response can be found on the Council's website at Section 24 Notice Council .
Financial sustainability	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.	

Appendix A – Recommendations from current year

Recommendations from 2024/25 (cont.)

Issue	Recommendation	Management response
Financial sustainability	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.	On 6 November 2025, the Council published a response which accepted the recommendations made and set out the Council's proposed responses in detail.
Governance	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.	Management have previously provided details of these responses to full Council and the Audit Committee.
Governance	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.	A copy of the Council's response can be found on the Council's website at Section 24 Notice Council .
Financial sustainability	We recommend that the Council reassesses whether the assumptions and forecasts underpinning its 2025/26 budget were sufficiently robust to support the conclusion that the Council has set a balanced budget for the 2025/26 financial year. If the Council is unable to conclude that it has a balanced budget, it should consider what further actions it may be required to take to comply with its statutory responsibilities.	<i>Unlike other recommendations in this appendix, this recommendation has not previously been made to the Council. Given the nature of this recommendation, it is appropriate to give management additional time to consider their response and a management response will be provided separately.</i>

Appendix B – Recommendations from previous years

Recommendations brought forward from previous years

The table below sets out the recommendations arising from the value for money work in the prior year, 2023/24, and progress made in the current year. All recommendations have been agreed by management.

Issue	Recommendation	Progress made in 2024/25
Financial sustainability	We recommend that the Council builds upon the steps already taken to control its expenditure to identify specific deliverable savings over the short term and medium term (next 12-24 months) to protect its limited remaining reserves in the context of the forecast levels of funding.	Sufficient progress has not yet been made by the Council to allow the recommendation to be closed during 2024/25, for the reasons set out within Section 03, and we have escalated this recommendation to a statutory recommendation under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014 on 24 July 2025 (with some minor rewording but same overall focus). We include this statutory recommendation in Appendix A.
Financial sustainability	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.	Sufficient progress has not yet been made by the Council to allow the recommendation to be closed during 2024/25, for the reasons set out within Section 03, and we have escalated this recommendation to a statutory recommendation under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014 on 24 July 2025. We include this statutory recommendation in Appendix A.
Financial sustainability	We recommend that the Council seeks to 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 2026.	Sufficient progress has not yet been made by the Council to allow the recommendation to be closed during 2024/25, for the reasons set out within Section 03, and we have escalated this recommendation to a statutory recommendation under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014 on 24 July 2025 (with reflection of a change in the date at which the statutory override now ends). We include this statutory recommendation in Appendix A.

Appendix B – Recommendations from previous years

Recommendations brought forward from previous years (cont.)		
Issue	Recommendation	Progress made in 2024/25
Financial sustainability	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.	Sufficient progress has not yet been made by the Council to allow the recommendation to be closed during 2024/25, for the reasons set out within Section 03, and we have escalated this recommendation to a statutory recommendation under Section 24, Schedule 7(2) of the Local Accountability and Audit Act 2014 on 24 July 2025. We include this statutory recommendation in Appendix A.
Governance	We recommend that the Council perform data quality assessments, using the Government Data Quality Framework or another suitable framework, of its key activities to enable it to better understand what its key data sources are, how it uses such data, the maturity of its data quality processes and any limitations in the data it uses.	The Council has focused during 2024/25 on the development of Power BI dashboards to enable it to better understanding the accuracy and limitations of its data and the supporting processes behind it. A data quality audit is planned for 2025/26 as a follow-on from this work and work performed during 2024/25 to develop the Council's methodology for formal data quality assessments.
Governance	We recommend that having completed the data quality assessments, the Council should develop actions plans to address any areas of weakness identified and ensure that implementation of those action plans is monitored and remedial action taken where necessary.	Per the recommendation above, the Council has not yet performed its data quality assessments. It has however taken a number of actions during 2024/25 in-line with its Digital Strategy 2024-2027 aimed at strengthening its data platform and systems landscape, embedding data quality into operational reporting and growing data enablement capabilities across the Council. Supporting a cultural change to a more data-led way of working also forms part of the Council's Digital Strategy.

Appendix B – Recommendations from previous years

Recommendations brought forward from previous years (cont.)		
Issue	Recommendation	Progress made in 2024/25
Governance	We recommend that the Council review the capacity and skill mix within the Council's finance team to ensure that the Council is able to support the production and audit of its financial statements within statutory timeframes, as this is a key enabler for supporting appropriate scrutiny of the Council's financial performance by stakeholders.	The Council has undertaken detailed assessments of its financial governance, including the capacity of its finance team, during 2024/25 and has developed its Financial Modernisation Programme to address the gaps identified. For the reasons set out in Section 03, the objectives of this recommendation have not been achieved during 2024/25 however the further actions required from the Council are captured as part of the recommendation to continue with implementation of its Financial Modernisation programme made in Appendix A.

Appendix C – Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM

Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM

The table below sets out the control recommendations arising from our review of the Council’s implementation of Oracle Fusion and Oracle EPM. They are made as control recommendations which would ordinarily be made within the Audit Results Report, rather than as part of this report, however we include them here as we consider that they warrant the attention of the Audit Committee without delay.

Observation and Impact on the London Borough of Hillingdon	Recommendations	Management response
‘Go-live’ decision making The Council did not have clear criteria to be used to assess if Oracle Fusion or Oracle EPM were ready for ‘go-live’. Furthermore the reporting of open issues to the Programme Review Board to inform this decision was incomplete. There is therefore an increased risk, potentially indicated by some of the Council’s subsequent difficulties with the system, that ‘go-live’ may have occurred when the Council was not ready and with unresolved issues. This increases the risk of system failures, data integrity issues occurring and a loss of user confidence in the new system impacting employee engagement.	Actions to take now • We recommend that the Council performs a retrospective review of all open issues on the RAID Log and ensure that they have subsequently been addressed or mitigated. Actions to take with future system implementations • We recommend that clear assessment criteria for ‘go-live’ are established and approved by the appropriate project governance forum. The criteria should include specific metrics for evaluating system readiness. • We recommend that a formal ‘go/no-go’ decision making process based on through assessment against the ‘go-live’ criteria is implemented. • We recommend that a regular review process is established for the RAID Log to ensure that accurately reported and tracked, and that discrepancies are identified and investigated. • We recommend that a communication plan is developed to ensure all stakeholders are kept informed of the status of open issues and the readiness of the system for ‘go-live’ prior to implementation.	Initial work into addressing Oracle implementation issues began in September 2024. As part of this process, the Council engaged with GT to help deliver the Finance Modernisation Programme, part of which was to address Oracle implementation issues. Progress to date on that workstream is set out in the GRIP which is reported on in Appendices A and B. As part of the ongoing Oracle improvement process, the Council has also put in place updated Governance processes around the delivery of its Oracle solution with a specific Programme Manager in place since October 2025. As part of that updated Governance process a new structure has been put in place to ensure Governance Boards, from Members down to the Operational level are clear of their roles and objectives. This includes our partner organisations. All changes moving forward, including the assessment of existing open issues, will be subject to design document signoff which will set out the objectives of work, design criterion, complete documentation of the change, training requirements and rollout, and the criterion to pass to approve the change to move into the “live “ system. Part of this process included a regular review of the RAID log which is being reviewed and updated from the existing version. Board Meetings are scheduled monthly, with operational meetings on a weekly basis.

Appendix C – Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM

Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM (cont.)		
Observation and Impact on the London Borough of Hillingdon	Recommendations	Management response
User acceptance testing The Council has not been able to evidence the criteria used to inform the scope of user acceptance testing or that the strategy for user acceptance testing was approved by the programme Review Board. We are therefore unable to conclude whether appropriate user acceptance testing was performed prior to system 'go-live'. The Council therefore lacks assurance that the system was adequately tested, which increases the risk of future issues emerging which impact user satisfaction or remaining unidentified and impacting system performance.	<i>Actions to take with future system implementations</i> • We recommend that a comprehensive testing strategy is developed which the scope and testing scenarios to be used. This should be approved by the business to ensure it aligns with user requirements and expectations. • We recommend a formal approval process is implemented for the testing strategy and scope, ensuring that all relevant stakeholders are involved and that their feedback is incorporated. • We recommend that regular reviews of the testing process are performed to ensure that it remains aligned with project goals and that any necessary adjustments are made in a timely manner.	As part of the previous response, the Council set out how changes since September 2024 are being managed. The design document signoff which will set out the objectives of work, design criterion, complete documentation of the change, training requirements and rollout, and the criterion to pass to approve the change to move into the "live " system addresses the issues highlighted in respect of testing.

Appendix C – Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM

Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM (cont.)

Observation and Impact on the London Borough of Hillingdon	Recommendations	Management response
Monitoring of hypercare period Hypercare is a period of heightened customer support and attention immediately after a major system change. During the hypercare period, the Council did not have formal processes in place for the requesting and granting of privileged user access, the monitoring of actions undertaken by privileged users, the requesting and deployment of system changes or the monitoring of changes made to the system. The absence of formal monitoring arrangements increases the risk that inappropriate changes were made to the system or data contained therein.	Actions to take now - We recommend that a thorough review is performed of all changes made during the hypercare period, to both Oracle Fusion and Oracle EPM, to confirm their appropriateness. - We recommend that the Council confirms that all changes made during the hypercare period have been documented, including the nature of the change, the developer and implementer involved and the implementation date.	The Council are reviewing changes made (or scheduled to be made) in hypercare as part of the governance process set out in previous responses to ensure they are fully documented and appropriate. Delivery of outstanding items will then be integrated into an initial set of objectives which will be set for delivery by the 31st March 2026
Resolution of hypercare period issues The most recent version of the hypercare tasks tracker the Council has been able to evidence contained 5 open actions rated with one of the top 2 levels of priority, and a number of further actions not categorised by priority. The most recent review date recorded for all open issues was July 2024. The Council has not been able to demonstrate that an agreed workaround or mitigation plan is in place for each of the open items. Unresolved issues from the hypercare period may impact on the Council's assurance over the integrity of the Oracle Fusion and Oracle EPM systems and the reliability of the data contained within these systems.	Actions to take now - We recommend that the Council reviews and updates the hypercare tasks tracker to accurately identify all open issues. For any unaddressed issues, the Council should assess whether these issues impact the integrity of Oracle Fusion and/or Oracle EPM. - We recommend that the Council perform an impact assessment on the Council's reporting process and control environment for any open items not currently being mitigated. - We recommend that mitigations are developed as a priority for any open items assessed by the above review as higher risk.	An updated task tracker on Hypercare and additional requirements is being developed, and changes will be made based on the delivery of the documentation set out in the Oracle Governance Question. An agreed delivery list will then be fully specified and delivered to the required standards (including documentation, training and signoff) for move into the "live" environment. An initial set of objectives will be set for delivery by the 31st March 2026.

Appendix C – Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM

Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM (cont.)		
Observation and Impact on the London Borough of Hillingdon	Recommendations	Management response
Cut-over plan and communications with users The Council has been unable to demonstrate that it had a comprehensive cut-over plan and strategy that outlined the step-by-step procedures for transitioning from Oracle R12 to Fusion and EPM. Additionally, the Council has not been able to evidence communications informing Oracle R12 users about the switch to Oracle Fusion and introduction of Oracle EPM. The absence of a comprehensive cutover plan and strategy could lead to poor project governance. Process owners may lack the necessary knowledge about the activities and timelines they need to follow, which could compromise the implementation process. Additionally, insufficient communication to users about the transition may result in users continuing to transact in the old system even after the go-live of the new system. This could lead to confusion and operational inefficiencies. This risk is heightened by the fact the Council opted to run both systems in parallel for a period of time.	Actions to take with future system implementations • We recommend that the Council develop a comprehensive cutover plan and strategy that details the step-by-step procedures for migration. This plan should be reviewed and approved by appropriate management before the go-live date. • We recommend that a clear communication plan is developed to inform users about the switch, including key dates and instructions to ensure a smooth transition. • We recommend that feedback mechanisms are established for users to report any issues or concerns during the transition period, allowing for timely support and resolution. • We recommend the Council avoids the dual-running of systems, with a clean and clear cutover date between systems.	The Council will develop a cutover plan over time, building on the documentation and work included in other Audit Recommendations. Any plan will need to be specific to the new systems and design requirements of that new system. As already set out, there is now a detailed governance process to follow for both large and smaller scale changes.

Appendix C – Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM

Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM (cont.)		
Observation and Impact on the London Borough of Hillingdon	Recommendations	Management response
Project budget monitoring The Council has been unable to evidence its assessment of the original forecast costs of the project, monitoring of actual costs against budget as the project progressed or the reporting of financial information to the Programme Review Board. The Council is therefore unable to conclude on whether the project was delivered within budget. The absence of a formal process for monitoring costs may have hindered the Programme Review Board’s ability to determine whether the project was facing cost overruns. This limitation may have prevented them from taking necessary corrective actions, such as implementing measures to mitigate further overruns or making informed decisions about the project’s overall viability. As a result, there was an increased risk that the project would exceed its budget.	<i>Actions to take with future system implementations</i> • We recommend that the initial forecast costs of the project are documented and retained to provide a baseline for comparison and analysis over the project lifecycle. • We recommend that a formal process is established for the monitoring and reporting of costs over the project lifecycle, including comparison to original budget. • We recommend that the above reporting is provided to the project’s main governance forum to maintain transparency and accountability. • We recommend that a project risk management framework is implemented to allow for timely identification and mitigation of potential drivers of increased cost. • We recommend that regular financial reviews are performed to assess the project’s finance health and provide a basis for informed cost-benefit decision making on continuation or any scope modifications.	A review will be taken, of end-to-end costs to date of the implementation. This will be delivered before Q4 2025/26. The updated Governance framework include ensuring costs are correctly measured through the lifecycle of the project and that risk and issue logging are actively managed through the appropriate Governance forums

Appendix C – Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM

Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM (cont.)		
Observation and Impact on the London Borough of Hillingdon	Recommendations	Management response
Benefits realisation The Council did not have a process in place over the project lifecycle to monitor and assess whether the project was on-track to deliver the expected benefits. Whilst the Council has quantified an assessment of the benefits achieved by the project, it has not been able to support this. Failure to identify whether the project is delivering its intended benefits may limit management’s ability to take corrective action and ultimately result in the benefits to the Council not being realised.	Actions to take now - We recommend the Council performs a benefits realisation assessment to evaluate the status of the initially planned benefits and whether any further actions is required to ensure they are realised. This assessment should be reviewed and approved by a senior officer to ensure accountability and action. Actions to take with future system implementations - We recommend that a formal process for assessing benefits realisation is established and monitored throughout the project lifecycle. This will help validate that the project remains on track to deliver the planned benefits. - We recommend that a detailed benefits tracking framework that includes specific metrics and supporting evidence to substantiate the realised benefits is developed, to support transparency and effective monitoring.	The Council will undertake a review of the R12 to Fusion benefits realisation assessment and report it through the new Governance arrangements. This will be delivered by Q4 2025/26. This assessment will the form a template for future benefit tracking.

Appendix C – Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM

Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM (cont.)

Observation and Impact on the London Borough of Hillingdon	Recommendations	Management response
Privileged user access During the initial user setup for both Oracle Fusion and Oracle EPM, there was no approved access management policy and no defined process existed for the granting of privileged user access rights. The Programme Vice Chair was able to assign privileged user access at their discretion with no documentation of rationale or approval. The Council has also advised that privileged user access rights were also granted to the third-party vendor. The Council has not been able to provide a complete list of users with privileged user access rights, therefore we have been unable to confirm that users granted privileged user access rights are authorised and appropriate based on their role. Inappropriate awarding of privileged user access rights increases the risks of inappropriate access to confidential or restricted data or unauthorised changes being made to the system configuration.	Actions to take now • We recommend the Council conducts an immediate review of all users with privileged user access rights to confirm these have been appropriately granted and authorised. • We recommend that periodic reviews are subsequently performed of users with privileged user access rights to ensure that such access remains appropriate, including that such rights are removed where an individual changes role and privileged access rights are no longer required. • We recommend that a formal IT access management policy is developed, including periodic review of the policy itself.	As part of the priority list of work, access and authorisation, including privileged access is being reviewed and updated . This work will be completed by 31st March 2026. The Council has policies around Privileged user access which are published on the intranet. Specifically, the councils <u>Information Security Statement</u> (last reviewed in 2024) which states the following; • Access Control - The privilege to view, or modify information, computer programs, or the systems on which the information resides, must be restricted to only those whose job functions absolutely require it. • All managers are responsible for implementing the Security Policies within their areas, and for adherence thereof by their staff.

Appendix C – Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM

Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM (cont.)

Observation and Impact on the London Borough of Hillingdon	Recommendations	Management response
Enforcement of security settings The Council has developed a security settings policy for Oracle Fusion and oracle EPM, however there are a number of criteria we would expect this to cover which it does not. These include: • Time periods before enforcement of password changes • Re-use of previously used password • Permitted number of unsuccessful login attempts • Duration of any account ‘locks’ applied In addition, whilst the policy sets out a minimum password length of 14 characters the system is configured to accept passwords of 12 characters of more therefore the policy is not being enforced. Weak security settings increase the risk of inappropriate system access occurring, including by outside parties.	Actions to take now • We recommend the Council updates its security settings policy to include consideration of password age, password histories, invalid login attempts and lockout durations. • We recommend the Council performs periodic reviews to ensure that security rules enforced by the system align to the Council’s approved security settings policy.	The Council's <u>Information Security Statement</u> was referred to in the previous observation. All managers are responsible for implementing the Security Policies within their areas, and for adherence thereof by their staff . The councils <u>Information Governance Policy</u> (last reviewed in 2023 and due for review this year) also sets this out in section 3. Oracle Access is being reviewed as part of the initial deliverables by 31st March 2026. For enforcement of security settings, there are two areas where authentication can take place. • Single Sign In with Entra ID which is managed by Technology and adheres to the <u>Password Guidance Policy</u> document on the intranet. This sets out the following: Time periods before enforcement of password changes - every 72 days Re-use of previously used password - not allowed Permitted number of unsuccessful login attempts - 5 Duration of any account ‘locks’ applied - 30 minutes Single sign-on is what the majority of LBH users use to log in.

Appendix C – Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM

Detailed recommendations relating to implementation of Oracle Fusion and Oracle EPM (cont.)

Observation and Impact on the London Borough of Hillingdon	Recommendations	Management response
User rights and segregation of duties The Council did not have a formal process for establishing user access rights and roles in Oracle Fusion or Oracle EPM prior to the go-live date. Management have asserted that a mapping of users to their respective roles and access rights was developed with input from the relevant business function managers, and provided to the external implementation partner for implementation. This mapping however lacked specific details regarding role permissions and did not establish any segregation of duty rulesets. The Council has not been able to evidence that segregation of duty considerations were integrated into the design and allocation of roles, including where individuals were assigned multiple roles. Management assert that access setup was reviewed after implementation by the external partner, however no documentation of this has been provided and we are unable to corroborate this assertion. Inadequate controls around the granting of user access rights may have resulted in individuals being granted inappropriate or insufficient access rights in Oracle Fusion or Oracle EPM, potentially allowing them to perform activities beyond their role or preventing them from executing necessary tasks. The lack of consideration of segregation of duties means that users may also have been granted rights which allow them to both initiate and approve transactions or system changes, increasing the risk of inappropriate transactions being recorded or inappropriate system changes being made.	Actions to take now • We recommend that the Council conducts a review of user access rights for both Oracle Fusion and Oracle EPM to ensure access rights granted to individuals are appropriate. • We recommend that if the above review identified any individuals who have been granted inappropriate access rights, a risk assessment is performed of the potential for inappropriate transactions or system changes to have occurred. • We recommend the Council conduct a retrospective review of all role permissions, including default Oracle roles and custom roles, to ensure that no conflicting permissions exist. • We recommend that the Council develops a segregation of duties matrix and ruleset that details role permissions. This document should be periodically reviewed to ensure any identify any roles that may pose segregation of duty risks. • We recommend the above segregation of duty matrix is consulted when assigning new roles to users to check for conflicts with the established segregation of duty rulesets.	As part of the priority list of work, access and authorisation, including all access rights, including areas where there are potential conflicts of interest are reviewed and updated . This work will be completed by 31st March 2026. Part of this work will include the development of a segregation of duties matrix and its use on ongoing operational access decisions.

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London Borough of Hillingdon

Audit Results Report

Year ended 31 March 2025

3 February 2026



The better the question. The better the answer. The better the world works.



Shape the future
with confidence

Audit Committee
London Borough of Hillingdon
Hillingdon Civic Centre
225-226 High St
Uxbridge UB8 1UW

3 February 2026

Dear Audit Committee members

2024/25 Audit Results Report

We attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 10 February 2026 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2024/25 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the London Borough of Hillingdon's (the Council's) accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit Committee in fulfilling its role in those arrangements as part of our assessment of value for money arrangements; and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We draw Audit Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their financial statements.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 10 February 2026.

Yours faithfully

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

Stephen Reid
Partner, For and on behalf of Ernst & Young LLP
Enc

Contents

01	Executive Summary	02	Areas of Audit Focus	03	Value for Money
04	Audit Report	05	Audit Differences	06	Assessment of Control Environment
07	Other Reporting Issues	08	Independence	09	Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of the London Borough of Hillingdon in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of the London Borough of Hillingdon those matters we are required to state to them in this 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 Audit Committee and management of the London Borough of Hillingdon for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Page 248

Executive Summary – Context for the Audit

Context for the audit - Measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- lack of capacity within the local authority financial accounting profession;
- increased complexity of reporting requirements within the sector;
- a lack of auditors and audit firms with public sector experience; and
- increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

The Ministry for Housing, Communities and Local Government (MHCLG) has worked collaboratively with the Financial Reporting Council (FRC) and other system partners, to develop and implement measures to clear the backlog. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This has now been delivered.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2024/25 financial statements is 27 February 2026. This process of rebuilding assurance will take several years to achieve. The National Audit Office (NAO), supported by the MHCLG and the FRC, are responsible for issuing guidance and have been liaising with audit firms to understand the complexities involved and to seek to ensure a more consistent approach for restoring assurance for disclaimed periods. The NAO has now published its Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 setting out considerations for rebuilding assurance following the issue of disclaimed audit opinions under the backstop arrangements. The guidance predominantly focuses on the rebuilding of assurance over reserves, where it is more difficult to obtain assurance because of the way in which they accumulate over successive years. It also continues to recognise that the approach needed to rebuild assurance will differ authority to authority and will need to be considered in the context of both inherent risk factors which all authorities subject to recently disclaimed opinions will share, and factors specific to each individual authority's system of internal control and financial reporting. We will continue to consider the impact of this on our audit approach. In 2024/25 we have continued to focus our audit on the closing balance sheet and in-year transactions, which allows the build back of assurances over a large number of balances within the financial statements where audit procedures can be completed for successive years.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 18 March 2025 Audit Results Report, we issued a disclaimer of opinion on the Council's 2023/24 financial statements under these arrangements to reset and recover local government audit. The audit opinion on the Council's 2022/23 financial statements was also disclaimed. In 2024/25, we have continued to focus our audit on the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have been unable to complete all of our planned audit procedures over the balance sheet as at 31 March 2025 or the income and expenditure during 2024/25. We have not therefore obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we also do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. Taken together with the requirement to conclude our work by the 2024/25 backstop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.

Appendix A sets out the current position of the London Borough of Hillingdon in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01. This is informed by the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

Executive Summary

Scope update

In our Provisional Audit Planning Report presented at the 28 August 2025 Audit Committee meeting, we provided an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Commencement of our year-end audit fieldwork was delayed as a result of the Council not publishing its draft Statement of Accounts until 22 September 2025, nearly three months after the statutory deadline for commencement of the public inspection period of 1 July 2025. Due to the impact of this on the available time to complete our audit procedures ahead of the backstop date, and capacity considerations within both the Council's finance team and the audit team up to this date, there was an increased risk at the point we commenced our audit fieldwork that not all planned procedures would be completed and that this could impact the assurance over balances at 31 March 2025 which is able to be obtained and carried forward for the 2025/26 audit. Following discussions with management, we agreed a management-imposed limitation of scope to our audit to exclude the valuations of the Council's land and building assets from our work over the closing balance sheet for 2024/25. This was agreed as the valuation of land and buildings is a complex area which requires significant effort from both the Council and audit to test, but is an area where there are steps the Council can take in 2025/26 to mitigate the impact on the timeline for rebuilding of assurance in future years. This allowed the audit and finance team's effort to be focused for 2024/25 on those areas where it is more difficult to rebuild assurance, and hence those areas which will ultimately be of most benefit in supporting future audit opinions.
- In our Provisional Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £12.6 million. We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £14.4 million (Provisional Audit Planning Report – £12.6 million). This results in updated performance materiality, at 50% of overall materiality, of £7.2 million, and an updated threshold for reporting misstatements of £720,000.
- In our Provisional Audit Planning Report, we communicated that we had completed our initial value for money (VFM) risk assessment for planning purposes and had identified three risks of significant weakness regarding the Council's 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources:
 - financial sustainability;
 - quality of Council Information (inc. impact on ability to support the external audit); and
 - capacity of the Finance Team

We also reported that our VFM risk assessment is an iterative process and would be updated throughout the audit. Our Provisional Audit Planning Report noted "At this time, we do not consider it necessary to identify a separate risk of significant weakness in relation to the Oracle system upgrade as it is considered as part of the risks over the quality of Council information and capacity of the Finance Team, however we are alert to the potential for value for money observations (as well as financial statement impacts) to arise from the arrangements around the implementation of this new system itself and will keep this under review as we execute our audit procedures over the systems upgrade". We have subsequently identified the implementation of Oracle Fusion and Oracle as an additional, discreet, risk of significant weakness. Further details in relation to these risks, including our response to the identified risks and our conclusions on whether the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources are set out in Section 3.

In addition, we have encountered difficulty in performing our audit procedures due to delays in the provision of working papers and supporting information by the Council, including where such information is held outside of the Council's finance team, and capacity limitations within the Council's finance team. Due to the implementation of the backstop date of 27 February 2026 for the completion of the audit, during the execution of our audit we have worked with management where progress was not satisfactory to prioritise the Council's and audit resources on those account areas which contribute the most towards the rebuilding of assurance following previous disclaimed audit reports and/or there was the highest probability of being able to complete our planned audit procedures by the backstop date. Consequently, we have not been able to complete all of our planned procedures and have not obtained sufficient assurance to enable conclusion, notwithstanding the lack of assurance over the brought forward balances from 2023/24, to enable conclusion on whether the Council's 2024/25 financial statements are free from material misstatement. A summary of the assurances we have gained from our 2024/25 audit procedures, along with those areas where we have not been able to gain the planned assurance, is set out at Appendix B. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.

Executive Summary

Status of the audit

As set out on the previous page, we have not been able to complete all of our planned procedures and have prioritised completion of audit procedures over those account areas which contribute the most towards the rebuilding of assurance following prior year disclaimed audit report and/or there was the highest probability of being able to complete our planned audit procedures by the backstop date. Our audit work in respect of prioritised areas is substantially complete. Further details on those account areas where we have been able to complete our audit procedures, including internal review procedures, and those account areas where we have not been able to complete our audit procedures are set out in Appendix B.

In addition, the following items relating to the completion of our audit are outstanding at the date of this report:

- Receipt of the final Statement of Accounts, including updated Annual Governance Statement, and performance of final audit checks thereon. Our expectation is that both the Annual Governance Statement and going concern narrative is updated to reflect the outcome of MHCLG's consideration of the Council's request for exceptional financial support, confirmation of which the Council is still awaiting from MHCLG.
- Finalisation of the wording of our audit report, including the basis for disclaiming our audit opinion on the 2024/25 financial statements and the reporting of the significant weaknesses in the Council's arrangements set out in Section 3.
- Receipt of the signed management Letter of Representation.
- Subsequent events procedures up to the date of signing.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Statement of Accounts which could influence our final audit opinion.

Value for money (VFM)

In our Provisional Audit Planning Report dated 24 July 2025, we reported that we had completed our VFM risk assessment and we had identified three risks of significant weakness in respect of financial sustainability, the quality of Council information and the capacity of the finance team. During the course of our audit we identified an additional risk of significant weakness in relation to the implementation of Oracle Fusion and Oracle EPM.

Having updated and completed the planned procedures in these areas we have identified a significant weakness in the Council's arrangements in relation to each of these risks. On 27 November 2025, we issued our Auditor's Annual Report which set out further details of the observations leading us to our conclusion that a significant weakness existed in the Council's arrangements in relation to each of these risks. We note that our Auditor's Annual Report is included on the agenda for the same Audit Committee meeting as this report. Given the significance and pervasive nature of the matters reported in our Auditor's Annual Report, we would have expected the Audit Committee to have had opportunity to consider this report before now. We do not repeat the detail contained within our Auditor's Annual Report within this report, however a summary of our work in this area is provided in Section 3.

Audit differences

Due to the fact we have not been able to complete all of our planned audit procedures, we are unlikely to have a complete picture of misstatements which exist, or may exist, within the Council's financial statements and we are not able to conclude that the financial statements are free from material misstatement. Where the procedures we have been able to perform have confirmed the existence of a misstatement, we provide details in Section 5.

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have asked management to update the Annual Governance Statement commentary to reflect our value for money findings, as set out in Section 3, and the Council's application to MHCLG for exceptional financial support, but otherwise have no additional material matters to report as a result of this work.

Areas of audit focus

In our Provisional Audit Planning Report we identified a number of key areas of focus for our audit of the financial statements of the Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within Section 2 of this report and summarised below.

Risk	Status of our work
Misstatements due to fraud or error	We have completed some of our specific procedures to address this risk however we have not completed all of our audit procedures and are therefore unable to conclude on whether the financial statements are materially misstated as a result of fraud or error. We have no observations to report from the procedures we have been able to complete.
Inappropriate capitalisation of revenue expenditure or use of capital reserves	We have completed some of our specific procedures to address this risk however we have not completed all of our audit procedures and are therefore unable to conclude on whether the financial statements are materially misstated as a result of inappropriate capitalisation of revenue expenditure or use of capital reserves. We have no observations to report from the procedures we have been able to complete.
Valuation of land and buildings, including surplus assets	As explained on page 6, we agreed a management-imposed limitation of scope to our audit to exclude the valuations of the Council's land and building assets from our work over the closing balance sheet for 2024/25. We have therefore not completed our specific procedures to address this risk and are unable to conclude on whether the financial statements are materially misstated as a result of inappropriate valuations of land and buildings.
Implementation of the new finance system (Oracle Fusion)	We have completed our specific procedures to address risks of misstatement arising from the transfer of financial records from the previous Oracle R12 system to the Oracle Fusion system, including procedures performed by our IT audit specialists, and are able to conclude that the financial statements are not materially misstated as a result of errors arising from the initial system implementation. As we have not completed all of wider planned audit procedures, we are unable to conclude on whether the financial statements may be materially misstated as a result of issues with Oracle Fusion following the initial implementation. We also note that our observations in performing our audit procedures to address this risk led to the recognition of a specific risk of significant weakness in the Council's arrangements to secure value for money with regards to the implementation of Oracle Fusion and Oracle EPM, further details of which are provided in Section 3.

Executive Summary

Risk	Status of our work
Valuation of council dwellings	As explained on page 6, we agreed a management-imposed limitation of scope to our audit to exclude the valuations of the Council's land and building assets from our work over the closing balance sheet for 2024/25. We have therefore not completed our specific procedures to address this risk and are unable to conclude on whether the financial statements are materially misstated as a result of inappropriate valuations of council dwellings.
Net pension valuation	We have completed our specific procedures to address risks of misstatement arising from the valuation of pension assets and liabilities as at 31 March 2025 and are able to conclude that these balances are not materially misstated. As we were not able to obtain assurances over balances as at 31 March 2024 as part of the prior year's audit, we are unable to conclude on whether in-year movements in these balances are materially misstated.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues.
- You concur with the resolution of the issue.
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Control observations

During the audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls, which are set out within Section 6 of this report. We have made recommendations in relation to:

- performance of reconciliations; and
- resolution of reconciling differences within reconciliations.

In addition, we made 10 recommendations to address specific observations and control weaknesses identified in relation to the implementation of Oracle Fusion and Oracle EPM within our Auditor's Annual Report issued on 27 November 2025. Further details are provided within that report.

Independence

Please refer to Section 8 for our update on independence.

Executive Summary

Non-compliance with laws and regulations

During the course of our audit, we became aware of the following instances of potential non-compliance with laws and regulations which have required us to perform additional considerations of the implications for our audit:

- The emergence of significant overspends against the Council's 2025/26 budget, set during 2024/25, as early as period 2 of the 2025/26 financial year, coupled with much lower actual reserves as at 31 March 2025 than the Council had assumed in setting its 2025/26 budget together raise questions over the reliability of the Council's 2025/26 budget. These concerns were highlighted by the Council's Section 151 Officer themselves in their Section 25 report on the 2025/26 budget, and leave us unable to conclude that the Council is compliant with its statutory duty to set a balanced budget in respect of the 2025/26 financial year, as required under the Local Government Finance Act 1988. A recommendation that the Council reassesses whether the assumptions and forecasts underpinning its 2025/26 budget were sufficiently robust to support the conclusion that the Council has set a balanced budget for the 2025/26 financial year was included within our Draft Auditor's Annual Report issued on 27 November 2025.
- As detailed on pages 6 and 40, the Council did not comply with the statutory deadline by which local authorities were required to publish draft financial statements for public inspection under the Accounts and Audit Regulations 2015 and its notice published in lieu of doing so did not contain the required explanation of reasons why the Council had not complied with this requirement.
- We received correspondence during the course of our audit which raised concerns that the Council may not be complying with the requirements for Disclosure and Barring Service (DBS) checks for individuals working in the Council's maintained schools. Following consideration, we concluded that these concerns arose from a misunderstanding of the Council's reporting of actions required to achieve compliance with a newly introduced internal Council policy which contained tighter restrictions than those placed on the Council by external requirements, and that no non-compliance with laws and regulations had occurred.

Executive Summary

Factors impacting the execution of the audit

Management, and the Audit Committee as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table below sets out our views on the effectiveness of the Council's arrangements to support the external financial audit across a range of relevant measures. Where we have been unable to undertake all planned procedures this is likely to extend the timetable to recover assurance on the Council's financial statements. See Appendices A and B for further details.

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Ineffective			The financial statements were published on 22 September 2025, nearly three months after the statutory deadline for commencement of the public inspection period of 1 July 2025.	We consider this further in our VFM reporting, see Section 3.
Quality and completeness of the draft financial statements	Requires improvement			Ensuring the quality of the draft financial statements was one of management's reasons for the delayed publication of the draft financial statements. Compared to 2023/24, the draft financial statements were of a noticeably better quality with significantly fewer internal inconsistencies or typographical and arithmetic errors, although our checks did identify a small number of such points. We did however note a number of incorrect restatements of the prior period comparatives within the draft financial statements which management has agreed to revert in the final statements.	We consider this further in our VFM reporting, see Section 3.
Delivery of working papers in accordance with agreed client assistance schedule	Ineffective			The original timetable agreed with management for the delivery of supporting working papers was predicated on the Council having draft financial statements prepared by 30 June 2025. The delays in finalising the draft financial statements also resulted in delays providing the supporting working papers for audit. Against revised timelines agreed with management, the delivery of working papers was better than in 2023/24 however we continued to encounter delays in relation to certain account areas. There were a small number of areas, in particular in relation to information held by schools, where appropriate supporting working papers were not able to be provided resulting in associated account areas being deprioritised by management.	We consider this further in our VFM reporting, see Section 3.

Executive Summary

Page 256

Area	Status			Explanation	Further detail
	R	A	G		
Quality of working papers and supporting evidence	Requires improvement			As with the timeliness of working papers, we noticed improvements compared to our experience during the 2023/24 audit however the quality of supporting working papers remains mixed. In particular, the Council can struggle to provide data in formats or to the level of granularity required to support the execution of audit procedures (for example individual transaction or balance breakdowns rather than summarised totals).	We consider this further in our VFM reporting, see Section 3.
Timeliness and quality of evidence supporting key accounting estimates	Ineffective			Supporting models for the Council's bad debt provisions were provided in a timely manner, however they are large complex documents which we found difficult to follow or reconcile to the financial statements or understand how previous audit recommendations to review supporting assumptions had been addressed. We were unable to arrange time with the relevant officers to obtain an understanding of these models, and therefore have been unable to form a view on whether the Council's bad debt provisions are reasonable. Evidence supporting the Council's defined benefit pension balances was provided in a timely manner and was of good quality. A management-imposed limitation of scope over the valuations of the Council's land and buildings was agreed with management prior to the execution of audit procedures, therefore we did not obtain detailed evidence supporting these estimates.	N/A
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement			We encountered difficulty obtaining access to individuals responsible for a small number of areas, including the Oracle implementation and bad debt provisions. Outside of these areas, officers have engaged proactively with the audit process and offered good availability. Due to the significance of some of the matters considered as part of the audit, in particular those summarised within Section 3 of this report and set out in more detail within our Auditor's Annual Report, we have had more cause to interact with senior officers, including the Council's statutory officers, than we would normally expect. Senior officers have also engaged positively with the audit team.	N/A

Executive Summary

Page 257

Area	Status			Explanation	Further detail
	R	A	G		
Volume and value of identified misstatements	Ineffective			Through our audit procedures we identified one material misstatement of the Statement of Cash Flows and two further misstatements, relating to cut-off of income and classification of liabilities, which are individually larger than our performance materiality. A number of smaller misstatements have also been identified, further details of which can be found in Section 5. Management have agreed to amend the final statements to correct known misstatements. We note the effect of corrected audit differences was to reduce the Council's reserves by £3.3 million and remaining uncorrected audit differences would further decrease reserves by £0.1 million. These amounts, whilst not material, are significant in the context of the Council's limited reserves balance at 31 March 2025. As noted on page 11, we also noted a number of incorrect restatements of the prior period comparatives within the draft financial statements which management have agreed to revert in the final statements. As we have not been able to complete our audit procedures for all account areas (see Appendix B), there may be further misstatements of which we have not become aware.	We consider this further in our VFM reporting, see Section 3.
Volume of misstatements in disclosure	Effective (see commentary)			We have only identified a small number of misstatements within disclosures. We do however note that due to the focus of our audit effort being on on those account areas which contribute the most towards the rebuilding of assurance following previous disclaimed audit reports, our audit effort was primarily directed towards financial statement balances rather than disclosures and we have only been able to complete our audit procedures over a relatively small number of disclosures. Further details are provided in Appendix B.	N/A



02 Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error

▲ Fraud risk

▲ Significant Risk

What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What are our conclusions?

We have not been able to complete our specific procedures to address this risk nor have we completed all of our audit procedures over the financial statements and are therefore unable to conclude on whether the financial statements are materially misstated as a result of fraud or error.

We have no observations to report from the procedures we have been able to complete.

Our response to the key areas of challenge and professional judgement

We have responded to the risk of misstatements due to fraud or error by:

- Identifying fraud risks during the planning stages;
- Inquiring of management about risks of fraud and the controls put in place to address those risks;
- Understanding the oversight given by those charged with governance of management's processes over fraud;
- Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions);
- Considering whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud;
- Considering the effectiveness of management's controls designed to address the risk of fraud; and
- Determining an appropriate strategy to address those identified risks of fraud.

Through these procedures we concluded that there was a specific fraud risk around inappropriate capitalisation of revenue expenditure or use of capital reserves. Further details of our response to these identified risks are provided on the next page.

In addition, we planned the following procedures to respond to this risk:

- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements;
- Undertaking procedures to identify significant unusual transactions; and
- Considering whether management bias was present in the key accounting estimates and judgments in the financial statements.

We have only partially been able to complete our testing of journal entries, including risk assessment to identify unusual journal entries for further investigation, and other adjustments made in the preparation of the financial statements.

We have also only been able to consider whether accounting estimates are free from material bias in relation to those accounting estimates where we have been able to complete our audit procedures. Similarly, we have only been able to perform a review for unusual transactions where we have been able to complete our audit procedures over the underlying transactions. See Appendix B for a summary of the assurances we have gained from our audit procedures.

We have no material observations to report from the procedures we have been able to complete.

Areas of Audit Focus

Inappropriate capitalisation of revenue expenditure or use of capital reserves

△ Fraud risk

△ Significant Risk

What is the risk, and the key judgements and estimates?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure or inappropriate adjustments between usable reserves and unusable capital reserves.

What are our conclusions?

We have completed some of our planned procedures and have not identified any material inappropriate capitalisation of revenue expenditure or use of capital reserves. We have however not been able to complete all of our planned procedures, therefore we are not able to conclude whether material incorrect capitalisation of revenue expenditure or use of capital reserves has occurred.

We have no observations to report from these procedures.

Our response to the key areas of challenge and professional judgement

We have responded to the risk of misstatements due to inappropriate capitalisation of revenue expenditure or use of capital reserves by:

- Testing Revenue Expenditure Funded by Capital Under Statute (REFCUS) to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources; and
- Testing adjustments made between usable reserves and unusable capital reserves for appropriateness and to ensure they are made at the correct amount.

We have been able to confirm that adjustments made between usable and unusable capital reserves are consistent with other balances presented within the financial statements, for example capital additions and capital grant income. As we have not however been able to conclude all of our audit procedures over these underlying balances, we are unable to conclude on whether these adjustments are appropriate. We were also not able to complete our planned procedures over the calculation of the Council's Minimum Revenue Provision (MRP).

We have no other observations to report from these procedures.

In addition, we planned the following procedures to respond to this risk:

- Testing of Property, Plant and Equipment (PPE) to ensure that the expenditure incurred and capitalised is clearly capital in nature;
- Assessing whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred;
- Considering whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use; and
- Seeking to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes or from unusable capital reserves to usable reserves on the general ledger at the end of the year.

We have not been able to complete these planned procedures.

Areas of Audit Focus

Valuation of land and buildings, including surplus assets

 significant risk

What is the risk, and the key judgements and estimates?

We have disaggregated land and building assets to identify those where we think the significant risk lies. We have associated the risk to land and building assets that are valued using the Depreciated Replacement Cost (DRC) and Existing Use Value (EUV) valuation methods, as well as surplus assets which are valued at fair value.

The DRC, EUV and fair value valuation methods involve higher risk estimates due to the significant assumptions and judgements involved, and for which the Council uses external specialists.

These estimates heighten the risk of material error.

What are our conclusions?

We have not been able to complete our planned procedures nor do we have opening balances assurance in relation to assets not revalued in the current period, therefore we are not able to conclude whether land and buildings as a whole are free of material misstatement.

Our response to the key areas of challenge and professional judgement

We planned the following procedures to respond to this risk:

- Understanding the Council's approach to valuation of land and buildings, including surplus assets;
- Determining the impact of revaluations on the financial statements;
- Considering the use of management's specialists – the external valuers - including the scope of work and the professional competencies of the specialist;
- Challenging the assumptions made by management and their specialists, with input from EY real estates (EY specialists) where appropriate;
- Sample testing key asset information used by management's specialists. We will consider if there are any specific changes to assets and whether they have been appropriately communicated;
- Considering the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the CIPFA Code (or annually for surplus assets);
- Reviewing assets not subject to valuation in 2024/25 to assess that the remaining asset base is not materially misstated;
- Considering changes to useful economic lives as a result of the most recent valuation; and
- Testing that accounting entries have been correctly processed in the financial statements.

As set out on page 6, due to the impact of delays in publication of the Council's draft financial statements and the commencement of the audit on the available time to complete our audit procedures ahead of the backstop date, and capacity considerations within both the Council's finance team and the audit team up to this date, there was an increased risk at the point we commenced our audit fieldwork that not all planned procedures would be completed and that this could impact the assurance over balances at 31 March 2025 which is able to be obtained and carried forward for the 2025/26 audit. Following discussions with management, we agreed a management-imposed limitation of scope to our audit to exclude the valuations of the Council's land and building assets from our work over the closing balance sheet for 2024/25. This was agreed as the valuation of land and buildings is a complex area which requires significant effort from both the Council and audit to test, but is an area where there are steps the Council can take in 2025/26 to mitigate the impact on the timeline for rebuilding of assurance in future years. This allowed the audit and finance team's effort to be focused for 2024/25 on those areas where it is more difficult to rebuild assurance, and hence those areas which will ultimately be of most benefit in supporting future audit opinions.

Consequently, we have not performed the planned procedures to respond to this risk.

Areas of Audit Focus

Implementation of the new finance system (Oracle Fusion)



significant risk

What is the risk, and the key judgements and estimates?

The Council upgraded its finance system in May 2024. Major changes to the finance system give rise to a risk that financial data is lost or changed during migration. The Council also continued to use the old system for finalisation of its 2023/24 financial statements after the main data migration occurred and therefore had to manually replicate all transactions recorded after this date in the new system which increases the risk of error / omission.

The implementation of the new system has not gone smoothly, therefore there is also an increased risk of misstatements arising from subsequent use of the new system because of challenges encountered in the implementation of the new system.

Given the pervasive nature of these risks, we consider that they pose a risk of material misstatement.

What are our conclusions?

We were able to conclude that opening balances migrated from Oracle R12 to Oracle Fusion are materially correct at the financial statement level.

We are however unable to conclude that detailed accounting records were correctly migrated at the transaction level. In addition, we have identified a number of ongoing internal control weaknesses which increase the risk that inappropriate accounting entries may have been recorded in Oracle Fusion post-migration or could be recorded in future periods.

We are therefore unable to conclude on whether the financial statements may be materially misstated for reasons linked to the implementation of the new finance system. Within Section 3 we also report a significant weakness in the Council's arrangements to secure value for money in relation to the implementation of Oracle Fusion.

Our response to the key areas of challenge and professional judgement

We have responded to the risk of misstatements arising from the implementation of the new finance system, Oracle Fusion, by:

- understanding the governance processes around the new system implementation and the assurances obtained by the Council's own processes, including with regards to completeness of data migration and any subsequent issues with using the new system; and
- with support from our own IT audit specialists, designing and executing procedures which respond to the specific risks identified in the Council's implementation of the new system.

Our inspection of the Council's Data Migration Strategy identified unresolved comments which mean we have been unable to conclude on whether the strategy was finalised prior to being implemented.

Reconciliation of the Council's financial information from the previous system, Oracle R12, to the new system, Oracle Fusion, was complicated by the fact the Council had previously maintained combined accounting records for 4 separate entities (the Council, Hillingdon Pension Fund, Hillingdon First Limited and the Mayor of Hillingdon's Charitable Trust) within the same general ledger. These have been more appropriately separated within Oracle Fusion, however it made like-for-like comparison of financial records more challenging.

Management completed reconciliations of Oracle Fusion to Oracle R12 post-migration, however supporting data reports were not retained therefore we have been unable to verify the completeness or accuracy of information used to perform these checks and, therefore, whether these reconciliations were properly performed. We also noted that these reconciliations were not reviewed by the Corporate Director of Finance, as we would have expected.

Using our IT audit specialists, we performed our own reconciliations of Oracle R12 to Oracle Fusion. We identified a number of differences at the account code level which we have not been able to resolve, however we have been able to demonstrate that opening balances within Oracle Fusion are materially consistent with the closing balances within the published 2023/24 financial statements.

We are therefore able to conclude that opening balances within Oracle Fusion are materially correct at the financial statement level, however we are unable to conclude on whether more granular data has been properly migrated. Errors in the migration of detailed financial records may result in misstatements over time, for example where opening balances are correct in aggregate but incorrectly attributed to individual balances impacting subsequent movements in these balances.

Our procedures over the implementation of Oracle Fusion, as well as the Oracle EPM reporting suite implemented as part of the same project, also identified significant governance failings and ongoing weaknesses in internal controls which increase the risk of incorrect accounting entries arising post-migration or in the future. Further details are provided in Section 3.

Areas of Audit Focus

Valuation of council dwellings

What is the risk, and the key judgements and estimates?

The carrying amount of Council dwellings represents a significant balance in the Council's financial statements and is subject to revaluation changes on an annual basis. Management is required to make material judgmental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet.

Our response to the key areas of challenge and professional judgement

We planned the following procedures to respond to this risk:

- Considering the use of management's specialists – the external valuers - including the scope of work and the professional competencies of the specialists;
- Sample testing key asset information used by the specialists in performing their valuations (e.g. nature and number of beacons, valuations of units within beacons);
- Considering if there are any specific changes to assets/beacons that have occurred and that these have been communicated to the valuer;
- Considering the appropriateness of management's consideration of estimation uncertainty;
- Testing that accounting entries have been correctly processed in the financial statements; and
- Checking whether in-year additions have been valued using the social housing discount factor.

As set out on page 6, due to the impact of delays in publication of the Council's draft financial statements and the commencement of the audit on the available time to complete our audit procedures ahead of the backstop date, and capacity considerations within both the Council's finance team and the audit team up to this date, there was an increased risk at the point we commenced our audit fieldwork that not all planned procedures would be completed and that this could impact the assurance over balances at 31 March 2025 which is able to be obtained and carried forward for the 2025/26 audit. Following discussions with management, we agreed a management-imposed limitation of scope to our audit to exclude the valuations of the Council's land and building assets from our work over the closing balance sheet for 2024/25. This was agreed as the valuation of land and buildings is a complex area which requires significant effort from both the Council and audit to test but is an area where there are steps the Council can take in 2025/26 to mitigate the impact on the timeline for rebuilding of assurance in future years. This allowed the audit and finance team's effort to be focused for 2024/25 on those areas where it is more difficult to rebuild assurance, and hence those areas which will ultimately be of most benefit in supporting future audit opinions.

Consequently, we have not performed the planned procedures to respond to this risk.

What are our conclusions?

We have not been able to complete our planned procedures therefore we are not able to conclude whether council dwellings are free of material misstatement.

Areas of Audit Focus

Net pension valuation

What is the risk, and the key judgements and estimates?

The Local Authority Accounting Code of Practice and IAS 19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the CIPFA Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2024, this totalled £183 million.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The information disclosed is based on the IAS 19 report issued to the Council by its actuary.

What are our conclusions?

We have been able to conclude that pension assets and liabilities at 31 March 2025 are materially correct.

As we were however unable to conclude on pension balances at 31 March 2024 as part of the prior year's audit, we do not have assurance over opening balances and hence we are unable to conclude on whether in-year movements in pension balances are materially correct.

Our response to the key areas of challenge and professional judgement

We have responded to the risk of misstatements of the net pension valuation by:

- Liaising with the auditor of Hillingdon Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- Assessing the work of the Pension Fund actuary including the assumptions they used by relying on the work of PWC as Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by our own EY Pensions specialists;
- Evaluating the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19.

Our review of the valuation of pension assets and liabilities at 31 March 2025, including the application of the asset ceiling to the net pension balance, found balances to be materially correct. However, as we were unable to conclude on pension balances at 31 March 2024 as part of the prior year's audit, we do not have assurance over opening balances and hence we are unable to conclude on whether in-year movements in pension balances are materially correct.

An immaterial understatement of pension assets of £2.5 million was identified as the Council's share of misstatements in the valuation of total Pension Fund assets reported to the scheme actuary by the Hillingdon Pension Fund.

Following audit challenge, management agreed to include a disclosure which highlights the ongoing uncertainty as to whether the principles, and resulting financial implications, established by the 'Virgin Media v NTL Pension Trustees' legal case are applicable to the Local Government Pension Scheme.

We have no other material observations to report from our procedures.

Areas of Audit Focus

Going concern

The provisions of the CIPFA Code of Practice on Local Authority Accounting in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that local authorities cannot be created or dissolved without statutory prescription and that they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community, are themselves revenue-raising bodies and the financial reporting framework presumes the continuation of service provision. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. Under the auditing standard in relation to going concern (ISA570), the Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

As summarised within Section 3 and reported on in more detail within our Auditor's Annual Report issued on 27 November 2025, the Council's financial position deteriorated significantly during 2024/25 and has continued to deteriorate during 2025/26. The Council forecast as early as July 2025, based on its assessment of its financial position as at 31 May 2025, that the Council would not have sufficient reserves to support itself through to the end of the 2025/26 financial year and sought exceptional financial support from MHCLG. The Council is still waiting to learn of the MHCLG response to its request for exceptional financial support.

Due to the statutory standing of the Council and the presumptions within the CIPFA Code of Practice on Local Authority Accounting that local authorities will be a going concern, the Council's challenging financial position does not prevent management from concluding that the Council is a going concern. The going concern disclosures should however reflect the severity of the Council's financial position and the outcome of MHCLG's response to the Council's request for exceptional financial support. We expect these disclosures to be updated by management once the Council learns the outcome of its application for exceptional financial support from MHCLG and will need to review the updated disclosures before we can conclude our audit.

As we anticipate issuing a disclaimed audit opinion on the Council's 2024/25 financial statements, we are not required to perform procedures to enable an audit conclusion on the appropriateness of management's going concern assessment or the overall conclusions reached. Our audit report will not refer to the going concern status of the Council, as it would if a clean audit opinion were to be issued.



03 Value for Money

Value for Money

The Council's responsibility for Value for Money (VFM)

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 its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

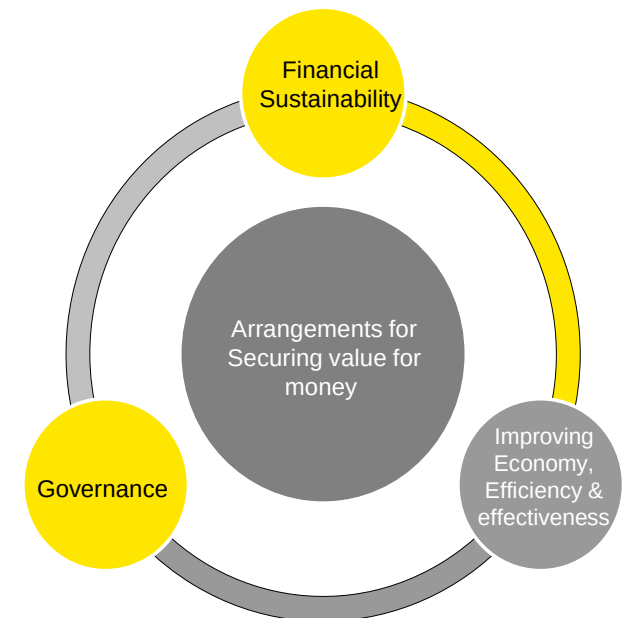
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council arrangements against three reporting criteria:

- 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; and
- 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.

We have completed our detailed VFM work and identified four risks of significant weaknesses in arrangements as set out on the following page.



Value for Money

Risks of significant weaknesses in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
Financial sustainability The Council has seen a reduction in its available reserves, and growth of its Dedicated Schools Grant (DSG) deficit, over recent years and was only able to report a balanced outturn for 2023/24 due to the application of two significant one-off accounting adjustments. A significant weakness in arrangements was reported in 2023/24 as we concluded that the Council did not have proper arrangements in place to manage risks to its financial resilience. There is a risk this significant weakness remains during 2024/25.	Financial sustainability <i>How the Council plans and manages its resources to ensure it can continue to deliver its services</i>	Our approach focused on: ▪ Enquiring of management as to the actions taken during 2024/25 to improve financial management; ▪ Reviewing the results of the financial management review the Council commissioned from CIPFA; ▪ Assessing the financial resilience of the Council against external benchmarks; ▪ Reviewing the Council's financial outturn and management against budget for 2024/25; and ▪ Reviewing the Council's financial projections and plans for the period 2025/26 to 2029/30.
Quality of Council Information (inc. impact on ability to support the external audit) We encountered difficulty in performing our audit procedures as part of the 2023/24 audit due to a combination of poor-quality working papers and supporting information being provided by the Council and capacity limitations within the Council's finance team. The Council's internal auditor also raised concerns over the quality of the Council's information and the impact of this upon the Council. A significant weakness in arrangements was reported in 2023/24 as we concluded that the Council did not have proper arrangements in place due to the impact of poor-quality data on the Council. In addition, the Council implemented Oracle EPM as its primary budgeting and financial monitoring system in May 2024 and has experienced significant challenges with the implementation of this system which impacted on the ability of the Council to effectively monitor its financial position. There is therefore a risk this significant weakness remains during 2024/25.	Governance <i>How the Council ensures that it makes informed decisions and properly manages its risks</i>	Our approach focused on: ▪ Enquiring of management as to the actions taken during 2024/25 to address issues noted during 2023/24; ▪ Enquiring of management as to the nature and impact of challenges encountered with the implementation of Oracle EPM, and review any associated reporting on these challenges the Council has produced; ▪ Review the reports of internal audit to assess whether the quality of Council data continues to be noted as an area of concern; ▪ Considering our experience in executing audit procedures as part of our 2024/25 audit and whether similar difficulties as in 2023/24 are encountered.

Value for Money

Risks of significant weaknesses in VFM arrangements		
What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
Capacity of the finance team We encountered difficulty in performing our audit procedures as part of the 2023/24 audit due to a combination of poor-quality working papers and supporting information being provided by the Council and capacity limitations within the Council's finance team. A significant weakness in arrangements was reported in 2023/24 as we concluded that the Council did not have proper arrangements in place due to the impact of poor-quality data on the Council, however we also highlighted capacity constraints within the Council's Finance Team as a contributory factor towards the weakness. During 2024/25, the Council has experienced significant turnover in senior finance positions, including in the Section 151 Officer post. The challenges experienced with the implementation of Oracle EPM have also necessitated greater levels of finance support to budget holders, increasing workload on the Council's Finance Team. For 2024/25, we recognise the capacity of the Council's Finance Team as a separate risk to the quality of the Council's data as the actions taken by the Council to address the prior year's observations differ from those taken to address the observations over the quality of the Council's data.	Governance <i>How the Council ensures that it makes informed decisions and properly manages its risks</i>	Our approach focused on: ▪ Enquiring of management as to the actions taken during 2024/25 to address issues noted during 2023/24; ▪ Review the reports of internal audit to assess whether any reviews were performed which provide insight into the timeliness of actions by the Council's Finance Team, or the operation of financial controls; ▪ Considering our experience in executing audit procedures as part of our 2024/25 audit and whether similar difficulties as in 2023/24 are encountered.

Value for Money

Risks of significant weaknesses in VFM arrangements

What is the risk of significant weakness?

Implementation of Oracle Fusion and Oracle EPM

The Council implemented a systems upgrade to its main finance system in May 2024, upgrading its previous server-based Oracle R12 system to the cloud-based Oracle Fusion system. As part of the same project, the Council also implemented the Oracle EPM reporting suite to enhance the financial reporting capabilities of the Council.

Implementation of a major new finance system comes with risks around the migration of data from the old system to the new which the Council must manage, as well as a need to ensure continuity of key business processes during the transition.

Internal control and operational processes are also likely to require updating, both to ensure continued effectiveness with a different financial system and to ensure the Council is able to realise the benefits of any additional or improved functionality offered by the new system.

The Council's own reporting has identified difficulties with the implementation of these systems, in particular Oracle EPM, as having significant impact upon the Council.

In our Audit Planning Report we did not identify the implementation of Oracle Fusion and Oracle EPM as a risk of significant weakness but noted *"At this time, we do not consider it necessary to identify a separate risk of significant weakness in relation to the Oracle system upgrade as it is considered as part of the risks over the quality of Council information and capacity of the Finance Team, however we are alert to the potential for value for money observations (as well as financial statement impacts) to arise from the arrangements around the implementation of this new system itself and will keep this under review as we execute our audit procedures over the systems upgrade"*.

Based on our observations responding to the significant risk over the implementation of the new finance system, as set out on page 18, we have subsequently identified this as a discreet risk of significant weakness.

What arrangements did this impact?

Governance

How the Council ensures that it makes informed decisions and properly manages its risks

What did we do?

Our approach focused on:

- Understanding the governance processes around the new system implementation, including reporting to and decision making by the Programme Review Board;
- With support from our own IT audit specialists, reviewing documentation and making enquiries of management to understand how management:
 - o Monitored the costs and timelines of the implementation project and evaluated whether it was being delivered to plan;
 - o Monitored and evaluated the benefits of the system implementation to assess whether the expected benefits were being realised;
 - o Ensured key system processes were working as intended, both before and after implementation;
 - o Ensured that interfaces between the new finance system and other IT systems were operating effectively; and
 - o Ensured that information obtained from the new systems, in particular where used to support business decision making, was complete and accurate.

Value for Money

Findings

We have concluded that:

In relation to financial sustainability

- The Council did not have proper arrangements in place to identify and manage risks to its financial sustainability.

We have reached this conclusion based on a number of factors, including:

- o The findings of external reviews of the Council's financial management commissioned from Grant Thornton and CIPFA, which both raised significant observations and highlighted the need for urgent action to improve financial management at the Council.
- o The Council reported a significant overspend of £31.5 million (11.1% of its net budget) for 2024/25. This consisted 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.
- o The closing reserves of the Council at 31 March 2025 were just £6.7 million*, which represents only 20.9% of the minimum level of reserves determined as necessary by the Council's Section 151 Officer.
- o The Council's Dedicated Schools Grant (DSG) deficit increased by £18.1 million during 2024/25, to a cumulative deficit of £65.6 million. 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.
- o The emergence of significant overspends against the Council's 2025/26 budget, set during 2024/25, as early as period 2 of the 2025/26 financial year, coupled with much lower actual reserves as at 31 March 2025 than the Council had assumed in setting its 2025/26 budget, which together raise questions over the reliability of the Council's 2025/26 budget. These concerns were highlighted by the Council's Section 151 Officer themselves in their Section 25 report upon the 2025/26 budget, and leave us unable to conclude that the Council is compliant with its statutory duty to set a balanced budget in respect of the 2025/26 financial year, as required under the Local Government Finance Act 1988.

* For the purposes of reporting its reserves balances in the context of its budgetary reporting the Council reports on its 'available reserves', which consist of its General Fund balance and those Earmarked Reserves which have not already been committed. For this reason, the reserves total as stated in the Council's budgetary reporting is not directly stated within the Council's financial statements.

Value for Money

Findings

We have concluded that:

In relation to governance

- The Council did not have proper arrangements in place to ensure the quality of Council information;
- The Council did not have proper arrangements in place to ensure the capacity of its finance team is sufficient to support the level of activity required of it; and
- The Council did not have proper arrangements in place to oversee and manage the implementation of Oracle Fusion and Oracle EPM.

We note that there is heavy inter-dependency between these significant weaknesses in the Council's arrangements, with the absence of proper arrangements in respect of each of the above risks having knock-on effects to the effectiveness of arrangements in other regards.

We have reached these conclusions based on a number of factors, including:

- o The Council being unable to demonstrate that full information on the unresolved risks, actions, issues and decisions (RAID) log were reported to the Programme Review Board at the point the decision to 'go-live' with implementation of Oracle Fusion was made, or that those risks, actions, issues and decisions had been appropriately mitigated whether or not those mitigations were reported to the Programme Review Board.
- o The Council being unable to demonstrate approval for 'go-live' of Oracle EPM by the Programme Review Board, or the criteria against which the 'go-live' decision was made.
- o The Council being unable to provide evidence of an agreed budget for the Oracle implementation, nor evidence that the actual costs incurred were being reported to the Programme Review Board or being tracked against the budget to assess whether the project was on-track financially.
- o The findings of a review by internal audit into budget monitoring following the implementation of Oracle EPM, which found a number of significant issues arising from the use of Oracle EPM which were having a significant impact on the Council's financial management including inaccurate user lists within EPM, 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.
- o Explanations by officers that due to issues with the completeness and accuracy of information obtained through Oracle EPM, high levels of manual intervention by finance staff was required placing significant pressure on the Council's finance team and leading to a pervasive lack of confidence across the organisation amongst budget holders in their ability to manage budgets without direct support.
- o An overwhelming focus amongst the Council's senior management on managing the financial position, in the context of significant month-on-month volatility and a lack of confidence in financial information, highlighted by internal audit as resulting in *"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"*.
- o The Annual Report of the Head of Internal Audit, which was able to offer no assurance *"over the internal control, risk management and governance arrangements in place during 2024/25"* whilst also noting *"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"*.

In relation to improving economy, efficiency and effectiveness

We did not identify any additional risks of significant weakness in relation to this sub-criteria, however we note the significant weaknesses reported in respect of the other value for money sub-criteria above and on the previous page have implications for the effectiveness of arrangements under this criteria.

Value for Money

Issuance of statutory recommendations

As part of our 2023/24 audit, we reported that we had identified two significant weaknesses in the Council's arrangements to secure value for money in its use of resources in relation to financial sustainability and the quality of Council information and issued seven value for money recommendations to the Council, four in relation to financial sustainability and three in relation to the quality of Council information.

On 24 July 2025, we escalated the four value for money recommendations made in relation to financial sustainability to statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 as we were not satisfied that the pace of improvement was sufficient to address the systemic weaknesses which existed within the Council's financial management and governance. We also made 3 further recommendations to the Council, also as statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014.

Further details of our observations leading to the issuance of statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 are set out in our report 'Value for Money Update and Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014' issued on 24 July 2025.

Other observations to bring to the attention of the Audit Committee

As highlighted in our value for money commentary included within our Auditor's Annual Report issued on 27 November 2025, the Council has experienced significant turnover in senior financial positions during 2024/25. The Council's permanent Section 151 Officer at the commencement of 2024/25 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. The Council has subsequently appointed a permanent Section 151 Officer, meaning the Council has had four Section 151 Officers within a period of little more than 12 months. This turnover has occurred against a backdrop of a deteriorating financial position and significant organisational focus on improving financial governance.

Both the former permanent Section 151 Officer and Interim Section 151 Officer left the Council without working a notice period, and received contractual payments equivalent to three months' salary as payment in lieu of notice. In addition, the former permanent Section 151 Officer received an additional negotiated ex-gratia payment equivalent to a further three months' salary as part of a negotiated exit from the Council which was subject to approval by the Council's Chief Executive and the Council Leader.



04 Audit Report

Page 274

Audit Report

Expected modification to the audit report

Disclaimer of opinion

As reported in our March 2025 Audit Results Report for the 2023/24 audit, we issued a disclaimed audit report on the Authority's 2023/24 financial statements under the Government's legislative arrangements to reset and recover local government audit (Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" and Local Authority Reset and Recovery Implementation Guidance). The reasons for the 2023/24 disclaimed audit report were set out in the aforementioned 2023/24 Audit Results Report.

As a result of the 2023/24 disclaimed audit report we do not have assurance over the brought forward balances from 2023/24 (the opening balances). This means we also do not have assurance over a number of 2024/25 in-year movements that depend on those opening balances, and therefore some closing balances (particularly reserves). We also do not have assurance over the 2023/24 comparative amounts disclosed within the 2024/25 financial statements. We did not plan to rebuild this assurance as part of our 2024/25 audit.

As set out within Section 1 of this report, we have not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over all closing balances. As we have explained, the Council was significantly delayed in publishing its draft financial statements and we have encountered difficulty in performing our audit procedures due to delays in the provision of working papers and supporting information by the Council.

There is now insufficient time available to complete the outstanding procedures on your audit before the 2024/25 backstop date. Insufficient support to the audit meaning that it takes significantly longer than should be necessary is one example of the factors that led to the audit backlog in the first place, and why the legislative backstop was introduced.

Taken together, and alongside the requirement to conclude the 2024/25 audit by the legislative backstop date of the 27 February 2026, the lack of evidence over these movements and balances mean we are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement of the financial statements.

The number of account areas where we have not been able to complete our audit procedures is sufficient that the overall impact on our opinion, notwithstanding the impact on opening balance assurances of the disclaimed 2023/24 audit opinion, is pervasive. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.

Appendix B of this report sets out the level of assurance we have been able to gain from the procedures that we have completed.

Appendix A sets out the current position of the Council in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01.

Value for money

Our audit report will include the reporting by exception of the four significant weaknesses in the Council's arrangements to secure value for money its use of resources reported in Section 3 of this report. It will also refer to the issuance of statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 on 25 July 2025 in relation to the significant weakness in arrangements to secure financial sustainability.

Exceptional financial support

As noted on page 21 of this report, the Council expects to learn of the MHCLG response to its request for exceptional financial support prior to issuance of its 2024/25 financial statements. We expect the going concern disclosures to be updated by management once the Council learns the outcome of its application for exceptional financial support from MHCLG.

We are still considering whether it is necessary and appropriate to highlight these disclosures within our audit report to draw them to the attention of readers of the financial statements, given their significance to the readers' ability to understand the overall financial position of the Council.



05 Audit Differences

Page 278

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £720,000 which management have advised will be corrected in the final financial statements that were identified during the course of our audit. The impact of these adjustments on the Statement of Comprehensive Income and Expenditure, whilst not material, are significant in the context of the Council's limited reserves balance at 31 March 2025.

31 March 2025		Statement of Financial Position				
All amounts in £'000	Statement of Comprehensive Income and Expenditure Debit/(Credit)	Assets – Non-current Debit/(Credit)	Assets - Current Debit/(Credit)	Liabilities - Current Debit/(Credit)	Liabilities - Non-current Debit/(Credit)	Reserves Debit/(Credit)
► Misclassification of borrowings between current and non-current	-	-	-	(11,657)	11,657	-
► Incorrect revaluation of council dwellings to £nil prior to disposal * Includes £4,592,000 to deficit on provision of services and £998,000 to Revaluation Reserve	Revaluation Loss*: 5,590 Loss on Disposal: (5,590)	-	-	-	-	-
► Incorrect recognition of dividend from Hillingdon First Limited	2,000	-	(2,000)	-	-	-
► Non-recording of payments and receipts from school bank accounts close to year-end	-	-	(1,488)	1,488	-	-
► Incorrect posting of non-HRA rent rebates expenditure as income	Expenditure: 1,322 Income: (1,322)	-	-	-	-	-
► Omission of Housing Benefit expenditure above amount recoverable from DWP	1,278	-	-	(1,278)	-	-
► Unrecorded cash payments at year-end	-	-	(786)	786	-	-
Totals	3,278	-	(4,274)	(10,661)	11,657	-

Audit Differences

Summary of adjusted differences (continued)

In addition, we highlight the following misstatements of the Statement of Cash Flows and disclosures which management has advised will be corrected in the final financial statements that were identified during the course of our audit:

- The Statement of Cash Flows included incorrect adjustments to move £17.4 million of Revenue Expenditure Funded by Capital Under Statute (REFCUS) from operating cashflows to investing cashflows. REFCUS is a reserves adjustment only, and should not impact the Statement of Cash Flows.
- The Statement of Cash Flows presented net increases in investments of £0.6 million as investing activities. Purchases and disposals of investments should not be presented net, with the correct disclosure being £1.0 million of purchases of new investments and £0.4 million of sales of existing investments.
- Within the disclosure of senior officer remuneration, contracted salary paid to Andy Evans was disclosed as £135,657. There were a number of errors in how this amount, which related only to the period 1 April 2024 to 31 July 2024, had been calculated and the correct disclosure is £63,741. The salary amount paid to Richard Ennis, which relates to the period 1 August 2024 to 31 March 2025, was also incorrectly stated as £235,456 due to the inclusion of agency fees not payable to the individual. The correct disclosure is £209,875.

Summary of unadjusted differences

We highlight the following misstatements greater than £720,000 which were identified during the course of the audit and that management has, at the time of drafting this report, chosen not to adjust in the financial statements:

31 March 2025		Statement of Financial Position				
	Statement of Comprehensive Income and Expenditure Debit/(Credit)	Assets – Non-current Debit/(Credit)	Assets - Current Debit/(Credit)	Liabilities - Current Debit/(Credit)	Liabilities - Non-current Debit/(Credit)	Reserves Debit/(Credit)
All amounts in £'000						
Factual differences						
► Impact on Council pension balances of misstatements in pension asset valuations reported to the scheme actuary	(2,546)	-	-	-	2,546	-
► Incorrect recognition of Northgate income for the period 1 April 2025 to 6 April 2025	873	-	(873)	-	-	-
Judgemental differences						
► Extrapolated impact of unsupported accrual balances	(731)	-	-	731	-	-
Totals (before turnaround effect)	(2,404)	-	(873)	731	2,546	-

Audit Differences

Turnaround effect

When concluding on the overall presentation of the financial statements we consider the impact on amounts for the current period of audit differences reported in the prior period and audit differences identified during the current period which relate to the prior period. Amounts below were reported as part of the prior year's audit unless stated otherwise.

The aggregate impact on the current year of audit differences relating to the prior year would be to increase total comprehensive expenditure for the period by £4.2 million.

31 March 2024	
All amounts in £'000	Statement of Comprehensive Income and Expenditure Debit/(Credit)
Known differences	
▶ Incorrect deferral of Public Sector Decarbonisation Grant income from 2023/24 into 2024/25 (identified during current year's audit, not previously reported)	7,480
▶ Recording of 2023/24 payments in 2024/25	(2,140)
Judgemental differences	
▶ Incorrect deferral of grant income at 31 March 2024	2,911
▶ Incorrect recording of year-end debtors at 31 March 2024	(2,159)
▶ Non-allowance for impact of Goodwin legal case in defined benefit pension liability valuations# (impacts other comprehensive income only)	(1,872)
Total (turnaround effect)	4,220
Total (before turnaround effect – from previous page)	(2,404)
Total (after turnaround effect)	1,816

Audit Differences

Other observations

As set out in Section 1, we have not been able to complete all of our planned audit procedures. As a result, we have not obtained the assurances required to enable us to conclude that the financial statements are free of material misstatement and there is an increased risk that additional misstatements to those reported on the previous pages may exist within the financial statement.

In the performance of our audit procedures we have identified the following matters which indicate that a misstatement is likely to exist but we have not been able to complete the procedures necessary to confirm the existence of misstatement and/or determine the size of the misstatement:

- The financial statements include £9.0 million of debtor balances relating to overpaid Housing Benefits. Our initial testing of three items from this population found two were incorrectly recognised as debtors, and management were not able to provide support to enable conclusion on whether the third sample item was correctly recognised. Given the small initial sample size, we would ordinarily perform additional testing of the population to provide more information on the most likely level of error within the population however for the reasons set out in Section 1 we have not been able to complete these procedures.
- The financial statements include £13.9 million of income, excluding the main government grants, relating to the Council's schools. Our testing of four items from this population found one item had been incorrectly recorded, however as this was the largest item tested the extrapolation of this finding estimates an overstatement of schools income of £8.5 million. We would ordinarily perform additional testing of the population to provide more information on the most likely level of error within the population, however for the reasons set out in Section 1 we have not been able to complete these procedures.



Assessment of Control Environment

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

The table below provides an overview of the 'high', 'moderate' and 'low' rated observations we have from the 2025 audit (including IT controls).

	High	Moderate	Low	Total
Open at 31 March 2024	2	5	-	7
Closed during 2024/25	(1)	(2)	-	(3)
New recommendation for 2024/25	1	-	-	1
Total open points as at 31 March 2025	2	3	-	5

Key:

-  Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
-  Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
-  A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6–12 months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

As we have not been able to complete all of our planned audit procedures, we have not been able to assess whether all of the previously reported recommendations have been addressed by management. Where we have not been able to assess whether a control recommendation previously reported has been appropriately implemented, we have kept the recommendation open and state this in the update on the following pages.

Assessment of Control Environment

Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
Performance of Reconciliations During the course of our audit, we identified a number of instances where reconciliations performed to ensure the accuracy of financial records were not performed as expected, including: - Monthly bank reconciliations for the Council's main bank account were not performed between August 2024 and March 2025, although management performed retrospective reconciliations for each month as part of the year-end accounts preparation. - Monthly reconciliations of the borrowings and investment sub-ledgers to the main General ledger were not performed during 2024/25. - Monthly reconciliations of the capital expenditure module to the general ledger were performed, however there are unreconciled differences which have persisted for a number of months and remained unresolved as at 31 March 2025. It is our understanding that the difficulties experienced with the implementation of Oracle Fusion are a factor in why reconciliations were not performed as expected.	X			We recommend that management review processes around key account reconciliations to ensure that reconciliations are performed on a timely basis and reconciling items investigated and resolved promptly.	Resource was commissioned from GT to review existing reconciliation processes at month 6 of 2025/26 and identify gaps in order for the Council to move to quarterly balance sheet monitoring. Part of this includes rectification of Oracle system issues blocking the automation of the bank reconciliation process – which requires a system fix. This will lead to a package of reconciliations, which will be signed off on a monthly/quarterly basis by the Deputy 151 Officer from the 2026/27 financial year. Work is now starting on the implementation of these processes for Quarter 3 of the 2025/26 financial year to ensure the Council can work through the reconciliations of as many accounts as possible before year end in order to speed up the 2025/26 closure process and delivery of the draft 2025/26 Accounts by the 30th June.

Assessment of Control Environment

Status of previous year's recommendations				
Recommendation	Grading			Update
	H	M	L	
Exercise of the public inspection period We recommend that the Council ensures that it fully understands the requirements for the public inspection period as set out within the Accounts and Audit Regulations 2015 and ensures that it has processes to meet these requirements.	X			As reported in Section 1, the Council did not comply with the statutory deadline for commencement of the public inspection period of its 2024/25 financial statements as it published its draft Statement of Account nearly three months after this date. Where a local authority is unable to comply with this deadline, it is required to publish a notice stating that it has not been able to commence the period for the exercise of public rights and explain the reason(s) why. The Council did publish this notice, however it only stated that the public inspection period would be delayed and did not contain an explanation of the reasons why the Council had not commenced the public inspection period as required by the Accounts and Audit Regulations 2015. <i>Status: Open</i>
Implementation of IFRS 16 We recommend that the Council reassesses its implementation plan for IFRS 16 to ensure that all appropriate leases will have been identified, assessed and recorded in accordance with the new standard in time for inclusion within the Council's draft 2024/25 financial statements.	X			The Council has implemented IFRS 16 within its 2024/25 financial statements, reporting that balances recognised under this new accounting standard are immaterial. We note that this is consistent with previous reporting by the Council in previous years of the value of leases held by the Council as lessee, however as we have not completed all of our planned audit procedures we are unable to conclude on whether the Council has identified and appropriately accounted for all leases which should be accounted for under IFRS 16. On the basis that the Council has now implemented IFRS 16 and reported associated balances as immaterial, we close this control recommendation however we note the completeness of balances will need to be confirmed as part of subsequent audits. <i>Status: Closed</i>

Assessment of Control Environment

Status of previous year's recommendations (continued)

Recommendation	Grading			Update
	H	M	L	
Provisions for impairment of non-domestic rates debtors We recommend that the Council reviews its calculation of the non-domestic rates impairment to ensure that it can fully support the impairment rates applied and is applying those rates to an appropriate gross balance.			X	The Council has reassessed its Collection Fund bad debt provisions, including provisions in respect of non-domestic rates balances, for 2024/25 resulting in a significant increase in the amounts provided for. We have been unable to complete our audit procedures over the Council's bad debt provisions as we were unable to arrange time with the relevant officers to obtain an understanding of these models. We have therefore been unable to form a view on whether the Council's revised bad debt provisions are reasonable. <i>Status: Open</i>
Access to information held by schools We recommend that the Council reviews the processes through which it collates information from maintained schools to ensure that information necessary to support financial statements disclosures is available to the Council and can be provided for audit.			X	We have continued, as part of the 2024/25 audit, to encounter difficulty obtaining the necessary supporting workings and detailed accounting records to support the execution of audit procedures over schools-related balances and disclosures. Due to this, we have not been able to complete our audit procedures over the majority of schools-related income, expenditure, balance sheet balances or disclosures. <i>Status: Open</i>
Assessment of funding grant terms We recommend that management review the process by which grants received are assessed for performance related conditions and ensures that amounts are released to revenue at the correct point in time.			X	As set out in Section 5, we identified £7.5 million of grant income recognised in 2024/25 which had been incorrectly deferred at 31 March 2024 and should have been recognised in income in the prior year. We note however that the decision to defer this income occurred in 2023/24. We have been able to complete our planned audit procedures over both grant income and deferred grants as at 31 March 2025 and have not identified further material incorrect recognition of grant income in the current period or incorrect deferral at 31 March 2025, therefore we are content to close this recommendation. <i>Status: Closed</i>

Assessment of Control Environment

Status of previous year’s recommendations (continued)				
Recommendation	Grading			Update
	H	M	L	
Accruals for temporary accommodation costs We recommend that the Council review the processes for recording temporary accommodation expenditure to ensure that the Council only recognises accruals in relation to amounts for which there may be a future outflow.		X		We have been able to complete our planned audit procedures over accrual balances at 31 March 2025 and have not identified any incorrectly recognised accruals in relation to temporary accommodation costs. <i>Status: Closed</i>
Review of externally provided asset valuations We recommend that the Council review its processes to ensure that relevant changes in assets are communicated to its external valuer, and that the valuations provided by the external valuer are subject to appropriate review by the Council, including for consistency with the Council's knowledge of its assets, prior to inclusion within the financial statements.		X		As explained in Section 1, we agreed a management-imposed limitation of scope to our audit to exclude the valuations of the Council's land and building assets from our work over the closing balance sheet for 2024/25. We have not therefore performed audit procedures over the Council's asset valuations which would inform our update our on this recommendation, and therefore we are not able to provide an update against this recommendation. <i>Status: Open</i>



07

Other Reporting Issues

Page 287

Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We would ordinarily be required to give an opinion on the consistency of the financial and non-financial information in the Council's Hillingdon Statement of Accounts 2024/25 with the audited financial statements.

We would also ordinarily be required to review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

As explained within Section 1, we anticipate issuing a disclaimed 2024/25 audit opinion. A disclaimed opinion does not include reporting on the consistency of the other information with the audited financial statements. However we have reviewed the consistency of the other information contained within the draft Statement of Accounts for consistency with the draft financial statements as part of our checks on the overall quality of the draft Statement of Accounts. We have no observations to report from these procedures.

We have reviewed the draft Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. The Annual Governance Statement is however to be updated to reflect the outcome of MHCLG's consideration of the Council's request for exceptional financial support, as well as our own conclusions on value for money reported within Section 3. We have not yet received this updated Annual Governance Statement from management.

Whole of government accounts (WGA)

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

We have performed the procedures required by the NAO on the Whole of Government Accounts submission. We have no issues to draw to your attention. We cannot issue our Audit Certificate until the NAO has confirmed no further procedures are required.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State.

On 24 July 2025, we issued seven statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 to the Council as we were not satisfied that the pace of improvement was sufficient to address the systemic weaknesses which existed within the Council's financial management and governance. Further details of our observations leading to the issuance of statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 are set out in our report 'Value for Money Update and Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014' issued on 24 July 2025.

An additional recommendation, not issued as a recommendation under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014, was issued to the Council on 27 November 2025 as part of our Draft Auditor's Annual Report. Details of this recommendation are provided on page 10.



08 Independence

Page 289

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Relationships

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Confirmations

We are not aware of any inconsistencies between the Council's policy for the supply of non-audit services and the FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers, managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

We confirm that the independence threats created by the level of the audit fees are at an acceptable level.

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2025 and can be found here: [EY UK 2025 transparency report](#)

Independence

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

As set out in our Provisional Audit Planning Report the agreed fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statements opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- The Council has an effective control environment; and
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular, the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year	Prior Year
	£	£
Scale fee – Council	433,673	403,723
Scale fee – Pension Fund	92,572	81,688
Scale fee variation – Council (1) (2)	TBC	TBC
Scale fee variation – Pension Fund (3) (4)	TBC	TBC
Total audit fees	TBC	TBC
Non-audit work – Housing Benefit certification (5)	N/A	TBC
Total non-audit services fees	-	TBC
Total fees	TBC	TBC

See notes overleaf

Independence

Notes

- (1) As highlighted within this report, we have encountered difficulty in performing our audit procedures due to delays in the provision of working papers and supporting information by the Council and capacity limitations within the Council's finance team. During the execution of our audit, we have deployed the level of resource with which we would have expected to be able to complete your audit and for which the scale fee is reflective. In addition, we have incurred additional costs in two areas:
- We have engaged our IT audit specialists to review the Council's implementation of Oracle Fusion and perform procedures to provide assurance over the migration of financial information from the old Oracle R12 system into Oracle Fusion. A cost for this work of £68,392 was agreed with management prior to commencement of this work, however delays in receipt of information and the need to respond to findings from this work increased the required effort over that envisaged. The final fee impact of this work agreed with management is £78,079.
 - During the course of our audit we have identified, responded to and performed additional auditor reporting around four separate significant weaknesses in the Council's arrangements to secure value for money in its use of resources, including the issuance of statutory recommendations under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014. In addition, we have performed additional procedures to respond to governance concerns raised to us in correspondence by several parties which either linked to our reported significant weaknesses in the Council's arrangements or did not ultimately give rise to matters we considered it necessary to report upon. This work, due its complexity and nature, had to be performed by the most senior members of the audit team. This work will remain ongoing up to the completion of our audit, including as it impacts upon the final form of our audit report. We anticipate the fee impact of this work to be in the range £120,000 to £140,000, however we will provide management with our full assessment once the audit is concluded and make submission to PSAA for a variation to the scale fee.
- Total additional audit fees are therefore expected to be in the range £198,079 to £218,079. Notwithstanding any agreement with management, the final additional audit fees are determined by PSAA.
- (2) As reported within our Audit Results Report on the 2023/24 audit, the audit resources expended in seeking to maximise the assurance obtained in light of difficulty performing our audit procedures due to a combination of poor-quality working papers and supporting information being provided by the Council and capacity limitations within the Council's finance team exceeded those with which we would have expected to be able to complete your audit. A proposed fee variation of £104,319 has been submitted to PSAA in relation to this additional effort.
- (3) Additional fees of £6,674 have been agreed with management for incremental work by our IT audit specialists to provide assurance over the migration of financial records of the Hillingdon Pension Fund from Oracle R12 to Oracle Fusion alongside the work performed as part of the Council's audit for 2024/25. This amount is subject to final determination by PSAA.
- (4) As reported within our Audit Results Report on the 2023/24 audit, our 2023/24 audit of the Pension Fund identified a number of in-year risks which required additional audit effort. A proposed fee variation of £9,048 has been submitted to PSAA in relation to this additional effort.
- (5) Our work in relation to the Council's 2023/24 Housing Benefit return is in progress. As a result of findings in prior periods, the Department for Work and Pensions (DWP) guidance requires us to perform more extensive testing than would otherwise be the case. The minimum fees expected for this work are £88,200, however this may increase if additional findings arise as part of the 2023/24 work and require further procedures to be performed. We have agreed with management that we will not be performing the assurance work in relation to the Council's 2024/25 Housing Benefit return.



09 Appendices

Appendix A – Progress to Full Assurance

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.

EXPECTED STATUS 2023/24

2023/24



Disclaimer opinion

- Pervasive gaps over opening balances, comparators, and in-year movements.
- Lack of assurance over PPE valued on a cyclical basis, from the 22/23 audit.
- Lack of assurance over reserves (cumulative nature).

CURRENT AUDIT STATUS OF THE COUNCIL

- The Council's progress was behind the expected timescales set out in LARRIG 01.
- This is because we were unable to complete planned audit procedures as the Council did not provide good quality working papers or sufficient and appropriate evidence to support financial transactions in accordance with agreed timescales.

Current audit year
2024/25



Disclaimer or qualified opinion

- Continuing impact from 2023/24:
- Lack of assurance over all the comparator I&E transactions, PPE (cyclical valuations) and reserves.
 - Due to gaps in PPE assurance, there is a likely lack of assurance over related in-year transactions.
 - Potential for qualified except for, but more likely to be disclaimed

CURRENT AUDIT STATUS OF THE COUNCIL

- The Council's progress is behind the expected timescales set out in LARRIG 01, and the opinion for 2024/25 will be disclaimed.
- This is because we were unable to complete planned audit procedures due to the delayed publication of the Council's financial statements and the fact we have encountered difficulty in performing our audit procedures due to delays in the provision of working papers and supporting information by the Council and capacity limitations within the Council's finance team.

2025/26



Qualified (except for) opinion

- Assurance in place over opening and closing balances, and assurance gained over each in-year movement.
- A possible gap over specific comparator balances may remain on PPE where items have not been valued since 2022/23. The impact of this on the CIES & reserves would need to be assessed.
- However, with the anticipation of incorporating build-back guidance focusing on reserves, there is increasing probability that gaps in assurance can be specifically identified, leading to higher likelihood of a qualified report (not disclaimed).

LIKELY AUDIT STATUS OF THE COUNCIL

- The Council is currently 2 years behind the illustrative timescale for the process of re-building assurance, as a result of the fact not all audit procedures were able to be completed during either 2023/24 or 2024/25.
- The audit report on the Council's 2025/26 financial statements will therefore also need to be disclaimed due to the pervasive gaps in assurance over opening balances, comparators and in-year movements (akin to the 2023/24 year in the above indicative timetable).

2026/27



Unqualified opinion

- Expectation that all items resolved.
- Auditor will need to reassess the PPE cyclical valuation impact - but may be able to work with the authority to ensure that items previously valued in 2022/23 were revalued by this time or would be immaterial.

LIKELY AUDIT STATUS OF THE COUNCIL

- The ability to issue a qualified opinion on the Council's 2026/27 financial statements will depend on the ability to complete audit procedures during the 2025/26 and 2026/27 audits, as well as the Council taking steps to support the rebuilding of assurance over PPE and reserves.
- In-line with the indicative timetable for 2024/25 and 2025/26 and the fact the Council is already 2 years behind this timetable, it is highly likely that the 2026/27 opinion will also need to be disclaimed if audit procedures are not supported.

Appendix B – Updated Summary of Assurances

Summary of assurances

The table below summarises the audit work we have completed on the 2023/24 and 2024/25 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Property, plant and equipment – additions (1)			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over these movements for the year ended 31 March 2025.
Property, plant and equipment – disposals (1)			We have completed our planned audit procedures in this area and have obtained assurance over the derecognition of assets for the year ended 31 March 2025. However, as we do not have assurance over the opening balances of PPE we are not able to obtain full assurance over the accuracy of those movements and the associated gains or losses.
Property, plant and equipment – land and buildings			As noted on page 6, we agreed a management-imposed limitation of scope to our audit to exclude the valuations of the Council's land and building assets from our work over the closing balance sheet for 2024/25. Consequently, we do not have assurance over these balances as at 31 March 2025.
Property, plant and equipment – council dwellings			As noted on page 6, we agreed a management-imposed limitation of scope to our audit to exclude the valuations of the Council's land and building assets from our work over the closing balance sheet for 2024/25. Consequently, we do not have assurance over these balances as at 31 March 2025.
Property, plant and equipment – other balances			We have completed our audit procedures over the existence and classification of assets under construction at 31 March 2025, transfers of completed assets from assets under construction to other categories during the period and depreciation charges for the period. However, as we do not have assurance over the opening balances of PPE nor the in-year additions (see above) we are not able to obtain full assurance over balances as at 31 March 2025.
Infrastructure assets			We have completed our audit procedures over the depreciation of infrastructure assets for the period and to ensure that infrastructure assets are being accounted for and presented in accordance with the temporary relief provided by the Update to the CIPFA Code and Specifications for Future Codes for Infrastructure Assets (November 2022). However, as we do not have assurance over the opening balance infrastructure assets nor the in-year additions (see above) we are not able to obtain full assurance over balances as at 31 March 2025.
Investments			We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Debtors – Housing Benefit overpayments (gross) (2)			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the closing balance at 31 March 2025.

(1) These account areas were presented in aggregate in the prior year.

Appendix B – Updated Summary of Assurances

Page 296

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Debtors – Other than Housing Benefit overpayments (gross) (2)			We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Debtors – bad debt provisions (2)			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the closing balance at 31 March 2025.
Cash and cash equivalents			We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Creditors – capital grants received in advance			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the closing balance at 31 March 2025.
Creditors – accumulated absences (3)			We have completed our planned audit procedures in this area in relation to non-school employees and have obtained assurance over the closing balance at 31 March 2025. However, we were unable to complete our planned audit procedures in relation to school employees and have not therefore obtained assurance over the full closing balance at 31 March 2025.
Creditors – other (3)			We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. This excludes the completeness of balances (see row below).
Creditors – unrecorded liabilities (completeness)			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the completeness of closing balances at 31 March 2025.
Borrowings			We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Defined-benefit pensions			We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. However, as we do not have assurance over the opening balances we are not able to obtain full assurance over the accuracy of the associated in-year movements.
Revenue Expenditure Funded from Capital Under Statute (REFCUS)			We have completed our planned audit procedures in this area and have obtained assurance over the transactions occurring during 2024/25.

(2) These account areas were presented in aggregate in the prior year.

(3) These account areas were presented in aggregate in the prior year.

Appendix B – Updated Summary of Assurances

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Reserves			We have completed our planned audit procedures to agree adjustments to reserve balances during 2024/25 to other movements presented within the financial statements. However, as we have not completed all of our planned audit procedures over other account areas we are unable to conclude on whether all of these adjustments are materially correct. In addition, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2025/26 Audit Planning Report.
Taxation and non-specific grant income			We have completed our planned audit procedures in this area and have obtained assurance over the transactions occurring during 2024/25.
Grant income			We have completed our planned audit procedures in this area and have obtained assurance over the transactions occurring during 2024/25.
Other income			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the transactions occurring during 2024/25.
Schools income and expenditure			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the transactions occurring during 2024/25.
Housing Benefits income and expenditure			We have completed our planned audit procedures in this area and have obtained assurance over the transactions occurring during 2024/25.
Financing and investment income and expenditure			We have completed our planned audit procedures in this area and have obtained assurance over the transactions occurring during 2024/25.
Employee costs			We have completed our planned audit procedures in this area and have obtained assurance over the transactions occurring during 2024/25 in relation to non-school employees. However, we were unable to complete our planned procedures in relation to school employees and have not therefore obtained assurance over all employee costs.
Other expenditure			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the transactions occurring during 2024/25.
Statement of Cash Flows			We have completed our planned audit procedures to agree movements in the Statement of Cash Flows for 2024/25 to other movements presented within the financial statements. However, as we have not completed all of our planned audit procedures over other account areas we are unable to conclude on whether all of these movements are materially correct.

Appendix B – Updated Summary of Assurances

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Housing Revenue Account - Income			We have completed our planned audit procedures in this area and have obtained assurance over the transactions occurring during 2024/25.
Housing Revenue Account - Expenditure			We have completed our planned audit procedures in this area and have obtained assurance over the transactions occurring during 2024/25.
Collection Fund – Income			We have completed our planned audit procedures in this area and have obtained assurance over the transactions occurring during 2024/25.
Collection Fund - Expenditure			We have completed our planned audit procedures in this area and have obtained assurance over the transactions occurring during 2024/25.
Journal entry testing			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the transactions occurring during 2024/25.
Remuneration disclosures – Senior officer remuneration			We have completed our planned audit procedures in this area and have obtained assurance over the disclosures presented for 2024/25.
Remuneration disclosures – Individuals earning >£50k			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the disclosures presented for 2024/25.
Remuneration disclosures – exit packages			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the disclosures presented for 2024/25.
Remuneration disclosures – members allowances			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the disclosures presented for 2024/25.
Segmental reporting – the Expenditure and Funding Analysis			We have completed our planned audit procedures to confirm that segmental reporting disclosures are consistent with the underlying accounting records. However, as we have not completed all of our planned audit procedures over income and expenditure we are unable to conclude on whether these amounts are materially correct.
IFRS 16: Leases	N/A	N/A	Management have assessed the impact of adopting the new accounting standard for leases, IFRS 16, on the financial statements as immaterial. As there are no material lease balances within the financial statements, we designated this account as insignificant and did not plan detailed audit procedures over those leases identified and accounted for by management. As we have not been able to complete our planned audit procedures over other account areas, we are unable to conclude on whether management have correctly identified all leases which require accounting for under IFRS 16 and hence whether the immaterial lease balances are materially complete.

Appendix B – Updated Summary of Assurances

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Accounting policies			We have reviewed the disclosed accounting policies and confirmed they are consistent with the external reporting framework. As we have not completed all of our procedures over financial statement balances we are however unable to conclude on whether the accounting policies accurately describe the underlying accounting treatments adopted by the Council.
Going concern			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over these disclosures. We would also highlight observations on the Council's financial standing within our value for money commentary which should be highlighted within the going concern disclosures.
Group boundary assessment			We have completed our planned audit procedures in this area and have obtained assurance over these disclosures.
Related parties			We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the disclosures presented for 2024/25.
All other disclosures not separately identified			We have been able to complete our planned audit procedures in respect of investment property and heritage assets. However, as we have not been able to complete our planned audit procedures over other disclosures we have therefore not obtained assurance over all other disclosures presented for 2024/25.

Appendix C – Required Communications With Those Charged With Governance

Required communications with those charged with governance		
There are certain communications that we must provide to those charged with governance. We have detailed these here together with a reference of when and where they were covered:		
		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The Statement of Responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Planning Report (July 2025)
Planning and audit approach	Communication of: - The planned scope and timing of the audit - Any limitations on the planned work to be undertaken - The planned use of internal audit - The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Provisional Audit Planning Report (July 2025)
Significant findings from the audit	- Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures - Significant difficulties, if any, encountered during the audit - Significant matters, if any, arising from the audit that were discussed with management - Written representations that we are seeking - Expected modifications to the audit report - Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report (this report)
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: - Whether the events or conditions constitute a material uncertainty related to going concern - Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements - The appropriateness of related disclosures in the financial statements	Audit Results Report (this report)

Appendix C – Required Communications With Those Charged With Governance

		Our Reporting to you
Required communications	What is reported?	When and where
Misstatements	- Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation - The effect of uncorrected misstatements related to prior periods - A request that any uncorrected misstatement be corrected - Material misstatements corrected by management	Audit Results Report (this report)
Fraud	- Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity - Any fraud that we have identified or information we have obtained that indicates that a fraud may exist - Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: - Management; - Employees who have significant roles in internal control; or - Others where the fraud results in a material misstatement in the financial statements. - The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected - Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud - Any other matters related to fraud, relevant to Audit Committee responsibility.	Audit Results Report (this report)
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: - Non-disclosure by management - Inappropriate authorisation and approval of transactions - Disagreement over disclosures - Non-compliance with laws and regulations - Difficulty in identifying the party that ultimately controls the entity	Audit Results Report (this report)

Appendix C – Required Communications With Those Charged With Governance

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Provisional Audit Planning Report (July 2025) Audit Results Report (this report)
External confirmations	▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report (this report)
Consideration of laws and regulations	▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit Results Report (this report)
Significant deficiencies in internal controls identified during the audit	▪ Significant deficiencies in internal controls identified during the audit.	Audit Results Report (this report)
Written representations we are requesting from management and/or those charged with governance	▪ Written representations we are requesting from management and/or those charged with governance	Audit Results Report (this report)

Appendix C – Required Communications With Those Charged With Governance

		Our Reporting to you
Required communications	What is reported?	When and where
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report (this report)
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report (this report)
Auditors report	Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report (this report)

Appendix D – Regulatory Update

The English Devolution and Community Empowerment Bill – Audit Measures

Background

On 16 December 2024, the Government published the English Devolution White Paper. The White Paper outlines how England is one of the most centralised countries in the world and contends that over-centralisation is holding back the prosperity of the regions. As a result, there is an intention from Government to widen and deepen devolution to local areas across England. The English Devolution and Community Empowerment Bill (the Bill) is intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

- Part 1 introduces the new devolution architecture for England, centred around the new category of “strategic authorities” (SAs). These are organisations designated by Government to have responsibility for strategy development and programme delivery over larger functional economic areas.
- Part 2 outlines the powers and duties which existing and future SAs will have, and the new process by which new powers and duties can be conferred on SAs by Government in the future.
- Part 3 is focused on measures designed to strengthen local government and communities.
- Part 4 is intended to strengthen the accountability of the local government sector by reforming the local audit system, including the establishment of the Local Audit Office (LAO) as the body responsible for overseeing local audit.
- Part 5 concerns the banning of upwards only rent review clauses for commercial leases to prevent vacant shops and regenerate high streets in communities across England.
- Part 6 contains the technical sections related to the Bill, including on regulations, commencement and extent.

The draft legislation can be found in full at [English Devolution and Community Empowerment Bill](#).

Part 4 of the Bill - Reforming local audit

The Bill is intended to overhaul the local audit system as is part of the wider measures to address the backlog in local government audit previously considered by this report. Specifically:

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate ‘lead individuals’ and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Audit Committees will be developed by LAO in conjunction with the Local Government Association, CIPFA and other relevant bodies.

We will continue to keep you updated as these arrangements develop.

Appendix E – Management Representation Letter

Management representation letter

A copy of our proposed management letter is provided alongside this report.

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ED None

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Notes to the Pension Fund Account

PENSION FUND ACCOUNT

	Note	31 March 2025 £'000	31 March 2024 £'000
Contributions	4	60,666	58,148
Transfers In from other pension funds	5	6,189	51,642
		66,855	109,790
Less: Benefits	6	(65,199)	(60,556)
Less: Payments to and on account of leavers	7	(11,110)	(8,907)
		(76,309)	(69,463)
Net additions/(withdrawals) from dealings with members		(9,454)	40,327
Less: Management expenses	8	(13,100)	(13,441)
Net additions/(withdrawals) including fund management expenses		(22,554)	26,886
Return on investments			
Investment income	9	17,573	19,609
Profit and losses on disposal of investments and changes in market value of investments	10A	52,595	129,976
Taxes On Income		(31)	(29)
Net return on investments		70,137	149,556
Net Increase/(Decrease) in the fund during the year		47,583	176,442
Net Assets at start of year		1,361,954	1,185,512
Net Assets at end of year		1,409,537	1,361,954

	Note	31 March 2025 £'000	31 March 2024 £'000
Investment Assets	10	1,406,412	1,361,382
Investment Liabilities	10	-	-
Total net investments		1,406,412	1,361,382
Current Assets	11	3,364	994
Current Liabilities	12	(239)	(422)
Net assets of the fund available to fund benefits at the end of the reporting period		1,409,537	1,361,954

The Pension Fund Accounts summarise the transactions of the scheme and show the net assets at the disposal of members. They do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 18.



Steve Muldoon
Corporate Director of Finance (S151 Officer)
22 September 2025

Notes to the Pension Fund Account

1. DESCRIPTION OF THE FUND

a. General

The London Borough of Hillingdon Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Hillingdon ("the administering body"). The Council is the reporting entity for this pension fund. The Fund is a contributory defined benefits scheme established in accordance with statute to provide benefits to members and retired members of the London Borough of Hillingdon and Admitted and Scheduled bodies in the Fund. Benefits in respect of service from 1 April 2014 are based on career average revalued earnings (CARE) scheme. Benefits in respect of past service up to 31 March 2014 are based on final salary. Pensions move in line with the Consumer Price Index (CPI) annually. Benefits paid out include a pension payable to former members and their dependants, lump sum retirement benefits, payment of death benefits where death occurs in service or retirement, and yearly payment of benefits on medical grounds.

The Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

b. Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme. Due to government legislation, since 1 February 2013 all new employees who are not in the scheme are automatically enrolled. Members have the option to opt out of the scheme. Employees who have opted out are then re-enrolled every 3 years, when they can again opt out.

Organisations participating in the London Borough of Hillingdon Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable, and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Employers who contribute to the Fund in addition to London Borough of Hillingdon are:

Admitted Bodies:

Culinera– Uxbridge High school

CCS Homecare Service

Cucina – Bishopshalt

Cucina - Ryefield

East & North Herts NHS Trust

Energy Kidz Ltd

Greenwich Leisure

Kindred Cleaning - Harlington School Cleaners

Hayward Services

- Guru Nanak School
- Ryefield School
- Field End Primary
- Hermitage Primary

Notes to the Pension Fund Account

Heathrow Travel Care

Herts Catering Limited

Hillingdon & Ealing Citizens Advice

Hillingdon Care Contract

HPS Services FM Limited

Pabulum - West Drayton Academy

Service Master – Belmore Academy

KGB Cleaning – Highfield School

Glen Group Ltd – Meadow High School

The Pantry (UK) Limited (Frays Academy – St Matthews)

Scheduled Bodies:

Barnhill Academy

Belmore Academy

Bishop Ramsey Academy

Bishopshalt Academy

Charville Academy

Douay Martyrs Academy

Eden Academy Trust

- Moorcroft School
- Pentland Field School
- Grangewood School
- Sunshine House School

Elliot Foundation Trust

- Hillingdon Primary School
- John Locke Academy
- Pinkwell School

Guru Nanak Academy Trust

- Nanak Sar Primary School
- Guru Nanak Sikh Academy

Global Academy

Harefield Academy

Richmond, Harrow & Uxbridge College

Haydon Academy

Notes to the Pension Fund Account

UTC Heathrow

LBDS Frays Academy Trust

- Cowley St. Lawrence Academy
- Laurel Lane Academy
- St. Matthews Primary School
- St. Martins Primary School

London Housing Consortium

Park Federation Trust

- Park Academy West London
- Cranford Park Academy
- Lake Farm Park Federation
- Wood End Academy

QED Academy Trust

- West Drayton Academy
- Coteford Junior Academy
- Queensmead Academy
- Northwood Academy

Rosedale Hewens Academy Trust

Swakeleys Academy

VLT

- Field End Junior School
- Hermitage Primary School
- Ruislip Academy
- Ryefield Academy
- Vyners Academy

Uxbridge Academy

William Byrd School

Willows Academy

Notes to the Pension Fund Account

London Borough of Hillingdon Pension Fund	31 March 2025	31 March 2024
Number of employers with active members	66	66
Number of employees in scheme		
London Borough of Hillingdon	5,445	5,639
Other employers	3,554	3,543
Total	8,999	9,182
Number of Pensioners		
London Borough of Hillingdon	7,445	7,048
Other employers	1,212	1,341
Total	8,657	8,389
Deferred Pensioners		
London Borough of Hillingdon	9,962	9,746
Other employers	4,562	4,625
Total	14,524	14,371

c. Funding

The Fund is financed by contributions from the employers, Pension Fund members and by income from the Fund's investments. The Pension Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. The contributions from the London Borough of Hillingdon and other participating employers are set through the triennial actuarial valuation at a rate sufficient to meet the long-term liabilities of the Fund.

Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as of 31 March 2022 - this covers the three financial years following 2022/23 (2023/24, 2024/2025 & 2025/26). Currently employer contribution rates range from 18.9% to 42.3% of pensionable pay, as per the 2022 valuation.

d. Investments

The Pension Fund investments are managed externally by fund managers: Adams Street Partners, AEW UK, Legal & General Investment Management, LGT Capital Partners, London CIV, Macquarie Investments, Permira LLP, UBS Global Asset Management and Blackstone Investments. In addition, there is one direct investment into pooled funds with M&G Investments.

e. Governance

The Fund is overseen by the Pensions Committee (comprised of Councillors) and the Pensions Board (comprised of an even number of employer and member representatives). The performance of the fund managers is monitored by the Pensions Committee (Four meetings in 2024-25) and governance is overseen by the Pensions Board (Three meetings in 2024-25). Pensions Committee and Pensions Board consisted of the following members in 2024/25:

Pensions Committee

Cllr Reeta Chamdal (Chairman)
Cllr Kaushik Banerjee (Vice-Chairman)
Cllr John Riley – until 28 November 2024

Cllr Stuart Mathers
Cllr Tony Burles
Cllr Douglas Mills – From 29 November 2024

Pensions Board

Roger Hackett (Scheme Member Representative) Shane Woodhatch (Employer Representative)
Tony Noakes (Scheme Member Representative) Vicky Trott (Employer Representative)
Jack Francis-Kent (Scheme Membership Representative) Anna Beattie (Employer Representative)

Notes to the Pension Fund Account

2. BASIS OF PREPARATION

The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 which is based on International Financial Reporting Standards (IFRS) as amended for the public sector and underpinned by the Local Government Pension Scheme Regulations. The accounts have been prepared on an accrual basis, except for transfer values, which are accounted for on a cash basis, and summarise the Fund transactions and report on the net assets available to pay pension benefits as of 31 March 2025.

The accounts do not take into account obligations to pay benefits and pensions that fall due after the reporting date (31 March 2025). The Pension Fund Accounts have been prepared on a going concern basis.

3. ACCOUNTING POLICIES

a. Valuation of assets

- Market quoted investments: Equities are valued at bid market prices available on the final day of the accounting period.

- Fixed income securities including short-term instruments are priced based on evaluated prices provided by independent pricing services.

- For pooled funds, if bid prices are provided by the Fund administrators, then these are used, otherwise the Net Asset Value (NAV) is used. The NAV for pooled funds is derived by subtracting the fund's liabilities from assets and divide the result by total units/shares within the pooled fund.

- Private Equity is valued using the latest audited valuation from the Limited Partner/General Partner. This is adjusted for any capital calls/distributions that have taken place since the date of the statement. Unquoted investments for Private Placements and Infrastructure are priced using discounted cash flow methodology.

b. Foreign currency translation of assets and liabilities and forward foreign exchange contracts are converted into sterling at the closing middle rates of exchange in the Net Assets Statement. Overseas income is converted at rates of exchange ruling when remitted.

c. Acquisition costs of investments occur as brokerage commission when investments are purchased. They are recorded in the cost figure on an accrual basis.

d. Investment management expenses are recorded at cost when the fund managers/custodian invoice the fund on a quarterly basis or provide a fee schedule deducted at source. Expenses are recorded on an accrual basis. Where an investment manager's complete fee schedule has not been received by year end, an estimate based on the previous quarter's amount is included in the accounts. In 2024/25, no such fees are based on estimates. The fund also agreed with the following fund managers that their fees include elements of performance, Adams Street Partners, AEW UK, Macquarie Infrastructure Partners, Permira LLP, London CIV and Blackstone Investments.

e. Administration expenses are paid when invoiced by third party providers through the administering authority's payment system and recharged to the Pension Fund.

f. Interest on property developments - property is held in unit trusts for the Pension Fund, the return received is calculated in accordance with the unit price at the Net Assets Statement date.

g. Contribution Income

Normal contributions are accounted for on accrual basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes, that rise according to pensionable pay.
- Employer contributions are set at a percentage rate recommended by the fund actuary for the period which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant body.

Additional employers' contributions in respect of ill-health are accounted for as part of the tri-ennial valuation exercise and employers' contribution rates adjusted accordingly for relevant employers. Early retirement strain costs are accounted for on accrual basis.

Notes to the Pension Fund Account

- h. Benefits are accounted for in the period in which they fall due. All benefits are calculated in accordance with the statutory regulations in force at the relevant benefit date.
- i. Transfers are accounted for on a cash basis, as the amount payable or receivable by the scheme is not determined until payment is made and accepted by the recipient. Group transfers are accounted for under the agreement upon which they are made.
- j. Cash and cash equivalents are held in the custody accounts by fund managers as agreed in the individual Investment Management Agreements (IMA). Cash held is at the discretion of the manager but must not exceed the stipulated permitted range in the IMA.
- k. Investment Income - dividends from quoted securities are accrued when the securities are quoted ex-dividend. Interest on cash deposits is accrued on daily basis.

Critical Judgements and Uncertainties

- l. Unquoted Alternative Investments - Fair values of alternative investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted alternative investments are valued by investment managers using methods such as IFRS fair value principles, discounted cash flow method and guidelines set out by the International Private Equity and Venture Capital Association (IPEV), of which the British Venture Capital Association is a founding member. The value of alternative investments as of 31 March 2025 was £268,326k (£244,700k on 31 March 2024).
- m. Assumptions made about the future and other major sources of estimation uncertainty - The Pension Fund accounts contain estimated figures that are based on assumptions made by the Fund about the future or events that are otherwise uncertain. Estimates are made considering historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Notes to the Pension Fund Account

Items where there is a significant risk of material movements in value in the financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines or commensurate overseas equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The fair value principles employed to value the underlying investments and the valuation policy remains unchanged. Both managers continue to use the latest valuation available from underlying investment managers, adjusting for any known cash flows and take into account any known and measurable impact. It is important to note that given the evolving situation and the quarterly cycle of private equity valuations, additional data needs to be accessible before a more accurate estimate can be made with regard to potential effects of market events on net asset values.	The total private equity investments in the financial statements are £2,993k. There is a risk that this investment may be under or overstated in the accounts.
Item	Uncertainties	Effect if actual results differ from assumptions
Infrastructure - Macquarie Infrastructure Real Assets and LCV Stepstone	Infrastructure Valuation represents the fair value of investments held at 31 March 2024. The valuations have been completed by MIRA (Macquarie Infrastructure Real Assets) in accordance with ASC 820-10 (Fair Value Measurements), under which the fair value is determined to be the price that would be received upon sale of the investments in an orderly transaction between market participants. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure alternative investments in the financial statements are £69,222k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Item	Uncertainties	Effect if actual results differ from assumptions
Private Finance - M&G and Blackstone	Private Finance investments are valued at par as they are mostly floating rate notes tied to LIBOR. Final valuation is undertaken by the analysts employed by the fund manager as they are not traded on the open market.	The total private finance investments in the financial statements are £20,876k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.

Notes to the Pension Fund Account

Item	Uncertainties	Effect if actual results differ from assumptions
Direct Lending - Permira Credit Solutions & LCIV Private Debt	Private Debt Investments are valued on a quarterly basis and in accordance with International Private Equity and Venture Capital valuation guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Private Debt investments in the financial statements are £70,838k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Item	Uncertainties	Effect if actual results differ from assumptions
Pooled Property - AEW UK & UBS Property	Pooled property assets are valued independently for the respective managers with a lot of subjective and unobservable inputs that may be affected by prevalent socio-economic issues. The underlying assets do not have the luxury of an open market transactional data like Equities and does result in valuation varying by wide degrees.	The total Pooled property investments in the financial statement is £106,070k. There is a risk the investments may be over or understated in the accounts. These asset class of investments are not openly traded and a lot of unobservable inputs are utilised in the valuation of the assets. These unobservable valuation assumptions may have a profound effect on the actual pricing at year end thus skew shown valuation the fund accounts.
Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rates at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of actuaries, Hymans Robertson, are engaged to provide the fund with expert advice about the assumptions to be applied. The IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2024 to comply with the accounting standard.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in pension liability. An increase in assumed earnings would increase the value of liabilities and an increase in assumed life expectancy would increase the liability. This would not effect the Fund Account or Net Asset Statement, but would impact the Council Accounts. Below are the details of the sensitivity analysis to the method of assumptions used for year ended 31 March 2025 by the fund's actuaries.

Notes to the Pension Fund Account

Sensitivity to Unquoted Alternative Assets valuation and Pricing: Information on sensitivities of the valuation and pricing methodologies of these asset classes are disclosed in notes 14 and 16.

Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2025	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a increase in the Discount Rate	2%	17
1 year increase in member life expectancy	4%	43
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	17

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1-year increase in life expectancy would approximately increase the liabilities of the Pension Fund by around 3-5%.

4. CONTRIBUTIONS

By category	31 March 2025 £'000	31 March 2024 £'000
Employees	13,412	12,506
Employers Contributions:		
Normal	40,045	38,867
Deficit Funding	7,209	6,775
	60,666	58,148

Deficit Funding: At the actuarial valuation on 31 March 2022 the Fund was 88% funded, with the remaining 12% deficit to be recovered over a period of 20 years.

By authority	31 March 2025 £'000	31 March 2024 £'000
LB Hillingdon	41,503	39,847
Scheduled Bodies	18,667	17,874
Admitted Bodies	496	427
	60,666	58,148

Notes to the Pension Fund Account

5. TRANSFERS IN

	31 March 2025 £'000	31 March 2024 £'000
Individual transfers in from other schemes	6,189	6,401
Bulk Transfers In*	-	45,241
	6,189	51,642

6. BENEFITS

	31 March 2025 £'000	31 March 2024 £'000
By category		
Pensions	(53,735)	(49,125)
Commutations and Lump Sum Retirement Benefits	(9,885)	(10,191)
Lump Sum Death Benefits	(1,579)	(1,240)
	(65,199)	(60,556)

	31 March 2025 £'000	31 March 2024 £'000
By authority		
LB Hillingdon	(56,183)	(54,265)
Scheduled Bodies	(8,462)	(5,499)
Admitted Bodies	(554)	(792)
	(65,199)	(60,556)

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2025 £'000	31 March 2024 £'000
Refunds to members leaving service	(157)	(172)
Individual transfers out to other schemes	(9,230)	(8,735)
Bulk Transfers Out	(1,723)	-

Notes to the Pension Fund Account

8. MANAGEMENT EXPENSES

The administering authority incurred costs in managing the Fund for the period ending 31 March 2024 as follows:

	31 March 2025 £'000	31 March 2024 £'000
Administrative Costs	(1,212)	(1,166)
Investment Management Expenses	(11,592)	(11,796)
Oversight and Governance	(296)	(479)
	(13,100)	(13,441)

8A. INVESTMENT MANAGEMENT EXPENSES BREAKDOWN

2024/2025	£'000	£'000	£'000	£'000
	Total	Management Expenses	Performance Fees	Transaction Costs
Equities	-	-	-	-
Pooled Investments	(6,854)	(3,635)	(1,660)	(1,559)
Pooled Property Investments	(4,632)	(3,100)	(42)	(1,490)
Private Equity	(49)	(82)	34	(1)
	(11,535)	(6,817)	(1,668)	(3,050)
Custody Fees/Investment Advice	(56)			
Total	(11,591)			

2023/2024	£'000	£'000	£'000	£'000
	Total	Management Expenses	Performance Fees	Transaction Costs
Equities	-	-	-	-
Pooled Investments	(6,670)	(3,610)	(2,363)	(697)
Pooled Property Investments	(4,977)	(3,714)	-	(1,263)
Private Equity	(149)	(96)	(22)	(31)
	(11,796)	(7,420)	(2,385)	(1,991)
Custody Fees/Investment Advice	(46)			
Total	(11,842)			

8B. EXTERNAL AUDIT COSTS

	31 March 2025 £'000	31 March 2024 £'000
Payable in Respect of External Audit	(93)	(93)
	(93)	(93)

External Audit costs are included in Oversight and Governance within Management Expenses

Any Increase in external audit costs will be attributable to fee adjustment to reflect procurement outcome by PSAA/MHCLG

Notes to the Pension Fund Account

9. INVESTMENT INCOME

	31 March 2025 £'000	31 March 2024 £'000
Income from Equities	-	-
Pooled Property Investments	4,359	6,152
Pooled Investments- Unit trusts and other managed funds	12,413	12,606
Interest on cash deposits	801	851
	17,573	19,609

10. INVESTMENTS

	31 March 2025 £'000	31 March 2024 £'000
Investment Assets		
Equities	27	29
Pooled investments	1,195,087	1,156,809
Pooled property investments	194,432	190,438
Private equity	2,993	5,521
Other Investment balances		
Cash deposits	13,793	8,316
Investment income due	80	269
Total investment assets	1,406,412	1,361,382
Net investment assets	1,406,412	1,361,382

Notes to the Pension Fund Account

10A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2024/25	Value 1 April 2024 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2025 £'000
Equities	29	-	(1)	(1)	27
Pooled Investments	1,156,787	315,432	(312,520)	35,388	1,195,087
Pooled Property Investments	190,460	220	(3,930)	7,682	194,432
Private Equity	5,521	14	(1,730)	(812)	2,993
	1,352,797	315,666	(318,181)	42,257	1,392,539
Other investment balances	1,352,797	315,666	(318,181)	42,257	1,392,539
Cash Deposits	8,316				13,793
Investment Income Due	269			10,338	80
Total Investment Assets	1,361,382			52,595	1,406,412
2023/24	Value 1 April 2023 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2024 £'000
Equities	29	-	-	-	29
Pooled Investments	965,621	88,693	(21,164)	123,659	1,156,809
Pooled Property Investments	194,436	1,592	(1,133)	(4,457)	190,438
Private Equity	6,346	46	(1,108)	238	5,521
	1,166,432	90,330	(23,405)	119,440	1,352,797
Other investment balances	1,166,432	90,330	(23,405)	119,440	1,352,797
Cash Deposits	16,510				8,316
Investment Income Due	140				269
Adjustments to Market Value Changes	-			10,536	-
Total Investment Assets	1,183,082			129,976	1,361,382

Notes to the Pension Fund Account

10B. ANALYSIS OF INVESTMENTS

	31 March 2025 £'000	31 March 2024 £'000
Equities		
UK		
Quoted	27	29
	27	29
Pooled funds - additional analysis		
Fixed income unit trust	231,038	229,796
Diversified Growth Funds	60,056	63,800
Infrastructure Funds	69,221	66,313
Global Equity	763,763	725,899
Limited liability partnerships	71,009	71,001
	1,195,087	1,156,809
Other Investments		
Pooled property Investments	194,432	190,438
Private equity	2,993	5,521
	197,425	195,959
Cash deposits	13,793	8,316
Investment income due	80	269
	13,873	8,585
Total investment assets	1,406,412	1,361,382
Net investment assets	1,406,412	1,361,382

10C. INVESTMENTS ANALYSED BY FUND MANAGER

Investment Assets and Liabilities by Fund Manager

Fund Manager	Market Value 31 March 2025 £'000	%	Market Value 31 March 2024 £'000	%
Investments Managed by London CIV Pool				
Legal & General Investment Management	779,602	55	816,668	60
London CIV Asset Pool	423,872	30	337,193	25
	1,203,474	86	1,153,861	85
Investments Managed Outside of London CIV				
Adams Street Partners	1,600	-	3,713	-
AEW UK	74,652	5	72,517	5
Blackstone Investments	20,705	1	19,241	1
LGT Capital Partners	1,393	-	1,809	-
M&G Investments	171	-	460	-
Macquarie Infrastructure	8,362	1	15,124	1
Permira Credit Solutions	11,214	1	14,739	1
UBS Global Asset Management (Equities)	50	-	56	-
UBS Global Asset Management (Property)	72,827	5	74,891	6
Other*	11,964	1	4,971	-
	202,938	14	207,521	14
Total	1,406,412	100	1,361,382	100

* Other includes pending trades, accrued income and cash held in custody accounts, independent of fund managers not mandated to hold cash. * No single holding within an investment represents more than 5% of total assets

Notes to the Pension Fund Account

10D. STOCK LENDING

The Fund's investment strategy sets the parameters for the Fund's stock-lending programme. At the year-end, the value of quoted equities on loan was £27k (31 March 2024: £29k). These equities continue to be recognised in the Fund's financial statements.

Counterparty risk is managed through holding collateral at the Fund's custodian bank. At the year-end the Fund held collateral (via the custodian) at fair value of £29k (31 March 2024: £31k) representing 106% of stock lent. Collateral consists of acceptable securities and government debt.

Stock-lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower. There are no liabilities associated with the loaned assets.

11. CURRENT ASSETS

	31 March 2025 £'000	31 March 2024 £'000
Debtors		
Employers' contributions due	39	50
Employees' contributions due	137	157
Other	1,619	99
Cash balances	1,569	688
	3,364	994

12. CURRENT LIABILITIES

	31 March 2025 £'000	31 March 2024 £'000
Creditors		
Other local authorities (LB Hillingdon)	-	(72)
Other entities	(239)	(350)
	(239)	(422)

Note: Other entities liabilities are due from the Pension Fund to bodies external to the government e.g., fund managers.

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Additional Voluntary Contributions paid by scheme members are not included in the accounts. The additional voluntary contributions are paid by scheme members directly to Prudential Assurance Company, who manage these monies independently of the fund and, as determined by the fund actuary, do not form part of the Fund valuation.

According to information provided by Prudential, £99k was received in additional voluntary contributions by members, in 2024/25 (£92k 2023/24) and AVC Fund value was £3,374k (£3,591k 2023/24). Any transfer of additional contributions into the Fund during the year are included in the employee contributions value as detailed in note 4.

	Market Value 31 March 2025 £'000	Market Value 31 March 2024 £'000
Prudential Assurance Company	3,374	3,591
	3,374	3,591

Notes to the Pension Fund Account

14. FAIR VALUE - BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period.	Not required	Not required
Pooled investments - overseas unit trusts	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not required
Pooled Investments - Property Funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not Required
Pooled Investments Property Funds	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Alternative Assets (Private Equity, Private Credit and Infrastructure)	Level 3	Comparable valuation of similar companies e.g. in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018)	EBITDA multiple revenue multiple discount for lack of marketability control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Having analysed historical data and current market trends, and consulted with fund managers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held on 31 March 2025.

It is worth noting the sensitivity analysis below is just one of the possible changes to assets value due to the impact of factors affecting valuation methodology employed by the fund managers. Sensitivity being measured in this note differs from those in note 16 (other price risks).

Notes to the Pension Fund Account

Sensitivity of assets valued at level 3

	Valuation range (+/-)	Market Value 31 March 2025 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled investments - Limited Liability Partnerships (Infrastructure) a	10%	69,221	76,143	62,299
Pooled investments - Limited Liability Partnerships (Private Credit) b	10%	71,009	78,110	63,908
Pooled Property - UBS Property & AEW UREF	10%	106,070	116,677	95,463
Pooled Dislocation Fund - Balckstone	5%	20,705	21,740	19,670
Private Equity - d	5%	2,993	3,143	2,843
Total		269,998	295,813	244,183

a) The potential movement of 10% represents a combination of the following factors, which could all move independently in different directions: i) material changes in economic and financial assumptions. ii) discounted equity cash flow rate.

b) The assumed movement is based on pricing of loans in the secondary leveraged loan market, with widening/narrowing spreads resulting in price changes either way.

c) The assumed movement is based fluctuations in market prices for comparable assets, real estate market illiquidity and counterparty default.

d) Movement in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 5% is caused by unexpected changes to cash flow forecast and discounts for lack of potential bids.

14A. FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Notes to the Pension Fund Account

Values as at 31 March 2025	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial Assets at Fair Value through Profit and Loss				
Equities	27	0	0	27
Pooled Investments	0	1,034,152	160,935	1,195,087
Pooled Property Investments	0	88,377	106,055	194,432
Private Equity	0	0	2,993	2,993
	27	1,122,529	269,983	1,392,539
Financial Liabilities at Fair Value through Profit and Loss				
Total	27	1,122,529	269,983	1,392,539

Values as at 31 March 2024	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial Assets at Fair Value through Profit and Loss				
Equities	29	0	0	29
Pooled Investments	0	1,000,277	156,532	1,156,809
Pooled Property Investments	0	84,441	105,997	190,438
Private Equity	0	0	5,521	5,521
	29	1,084,718	268,050	1,352,797
Financial Liabilities at Fair Value through Profit				
Total	29	1,084,718	268,050	1,352,797

Notes to the Pension Fund Account

14B. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Level 3 Assets Reconciliation

Fund Managers & Asset Categories	Value 1 April 2024	Purchases at cost	Sales proceeds	Unrealised gains/(losses)	Realised gains/(losses)	Value 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity - Adams Street Partners, LGT Capital Partners & UBS	5,521	14	(1,730)	(1,451)	639	2,993
Private Finance - M&G	460	-	(214)	(105)	30	171
Infrastructure - Maquarie & LCIV	66,313	51,624	(58,710)	7,469	2,525	69,221
Property - UBS Property, & AEW UREF	105,997	220	(869)	509	213	106,070
DGF/Dislocation - Blackstone	19,240	9,670	(5,937)	(2,131)	(137)	20,705
Direct Lending - Permira & LCIV Private Debt	70,519	888	(5,061)	5,380	(888)	70,838
Total Level 3 Assets	268,050	62,416	(72,521)	9,671	2,382	269,998

There were no transfers into Level 3 in 2024/25

Notes to the Pension Fund Account

14C. LEVEL 3 PRICING HIERARCHY DISCLOSURES

Quantitative Information on Significant unobservable inputs

Private Equity: Adams Street & LGT capital

The significant unobservable inputs used in the fair value measurement of privately held securities are Revenue multiples, EBITDA multiple, net income multiple and discount for lack of marketability and potential bids.

Private Finance: M&G

The assets are mostly floating rate notes and held at par value.

Infrastructure: Macquarie

The following quantitative information are considered for significant unobservable inputs, in valuation of infrastructure assets:

- The acquisition financial model is used as a base case.
- Update for any material changes in economic, operational, and financial assumptions.
- Discount equity cash flows at the sum of the risk-free rate and the appropriate risk premium (as determined by the implied risk premium at acquisition unless there is an inherent change in the riskiness of the underlying investments which may necessitate a change in the risk premium).

Direct Lending: Permira

The following key terms are confirmed as inputs for each yield analysis calculation:

- Cash / PIK (Payment in Kind) margin
- Frequency of interest payments
- Commitment and settlement date
- Contracted and expected maturity date

Pooled Property: AEW, UBS Property & LGIM LPI

Fair value is primarily derived using recent market transactions on arm's length terms, where available and discounted cashflow of future earnings are taken into consideration, alongside observable and unobservable inputs.

Description of Valuation Process

Private Equity

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Private equity investments for which market quotations are not readily available are valued at their fair values by the Board of Directors. Private equity valuations are usually generated by the managers of the underlying portfolio of investments on a quarterly basis and are actually received with a delay of at least one-to-two months after the quarter end date. As a result, the year-end net asset value predominantly consists of portfolio valuations provided by the investment managers of the underlying funds at a specific date, adjusted for subsequent capital calls and distributions. If the Board of Directors comes to the conclusion upon recommendation of the Investment Manager (after applying the above-mentioned valuation methods), that the most recent valuation reported by the manager/administrator of a Fund investment is materially misstated, it will make the necessary adjustments using the results of its own review and analysis. The valuation adjustments relate to events subsequent to the last capital account valuation statement received but based upon information provided by the investment manager and all other available unobservable inputs. In estimating the fair value of fund investments, the Investment Manager in its valuation recommendation to the Board of Directors considers all appropriate and applicable factors.

Private Finance: M&G

These assets are floating rate and are held to maturity, they are valued at par unless suffering from impairment. Impairments may be applied if an asset's credit rating deteriorates.

Direct Lending: Permira

- In each case, valuations are prepared in accordance with International Private Equity & Venture Capital Valuation ("IPEV") Guidelines
- All direct lending investments are valued on a mark-to-market basis at the date of valuation
- Where an investment is considered illiquid (level 3), a yield analysis is performed to infer a fair market value for that investment.
- Each valuation is reviewed to ensure:

Notes to the Pension Fund Account

- Third party evidence to support pricing (such as Market data, broker quotes or Bloomberg pricing, as well as latest financials and capital structure; and any other adjustments to value) was evidenced.
- That the valuations are prepared in a consistent manner with previous valuations and that any changes in methodology or valuation are clearly explained; and valuations are derived using methodology consistent with the IPEV guidelines.

Infrastructure: Macquarie

Valuations are calculated by the individual asset teams on a quarterly basis. The valuation process follows the British Venture Capital Association (BVCA) guidelines and is compliant with International Financial Reporting Standards (IFRS). The most generally accepted methodology of valuing infrastructure assets is by way of a discounted cash flow (DCF) analysis.

DCF-Based Market Valuation Process Financial Model

The acquisition financial models of all the Fund's underlying investments will be externally audited prior to financial close. They will be used as the initial base financial models for the DCF analysis.

Update for Economic, Operational and Financial Assumptions

The economic assumptions in the financial models are adjusted every three months to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

The initial operational assumptions in each of the financial models are the acquisition forecasts. Any historical information (e.g., distributions received in an intervening period and year-to-date performance) will be updated within the model. In relation to forward-looking assumptions, the acquisition assumptions will continue to be used unless there is a material inconsistency between these assumptions and:

- The actual operational results to date
- The revised forecasts provided by management or approved by the board.

The financial assumptions in the model (e.g., cost of debt and capital structure) are also updated to reflect the actual debt put into place, current base rates and any material change in outlook with regards to future leverage.

Discount Rate

Equity cash flows are discounted at the acquisition internal rate of return, which is adjusted for changes in the relevant risk-free rate. The acquisition internal rate of return is the return, which is forecast under the acquisition case and price, reflecting the risks inherent in each of the investments. The difference between the acquisition internal rate of return and the risk-free rate at the date of acquisition equates to the risk premium, which is the risk compensation to equity holders.

Most of the Fund's assets are likely to see some decrease in the risk premium as assets are de-risked following acquisition. Such projects may have a changing risk "life cycle", whereby the risk changes as the asset matures. In addition, if there is a change in the inherent risk of an investment, then the risk premium may need to be reconsidered.

Pooled Property: AEW, UBS Property & LGIM LPI

Pooled properties have been valued in accordance with RICS valuation – Professional Standards VPS4 (7.1) fair value and VPGA 1 valuations for inclusion in financial statements, which adopts the definition of fair value used by the International Accounting Standards Board:

"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date."

The properties are valued individually, and the details of tenure, tenancies and floor area are considered for valuation purposes.

Notes to the Pension Fund Account

Dislocation Fund: Blackstone

Fair value guidance defines fair value, establishes a framework for measuring fair value, and establishes requirements for disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

Investments in Investee Funds.

The fair value of investments in limited Consolidated Partnerships and investment funds and affiliated limited Consolidated Partnerships and investment funds ("Investee Funds") is generally determined using the reported net asset value per share of the Investee Fund, or its equivalent ("NAV"), as a practical expedient for fair value if the reported NAV of the Investee Fund is calculated in a manner consistent with the measurement principles applied to investment companies. In order to use the practical expedient, the AIFM has internal processes to independently evaluate the fair value measurement process utilized by the underlying Investee Fund to calculate the Investee Fund's NAV. Such internal processes include the evaluation of the Investee Fund's policies and related internal controls in place to estimate the fair value of its underlying investments that are included in the NAV calculation, performing ongoing operational due diligence, review of the Investee Fund's audited financial statements and ongoing monitoring of other relevant qualitative and quantitative factors.

Narrative and Quantitative description of sensitivity to changes in valuation methods and market conditions:

Private Equity

Market valuation method applied to investments is sensitive to four main components:

- i) changes in actual market prices.
- ii) interest rate risk.
- iii) foreign currency movements; and
- iv) other price risks

Private Finance (M&G)

The only possible sensitivity associated with private finance valuations and methodology is credit rating. This may result in an analyst impairing an asset if there is a change in the asset's credit rating.

Infrastructure: Macquarie

The economic assumptions in the financial models are adjusted every three months in order to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

Infrastructure: LCIV

See Direct Lending, LCIV Private Debt below

Direct Lending: Permira

The yield analysis methodology used to value the level 3 assets are sensitive to the following inputs:

- EURIBOR swap rates (up to 7 years)
- LIBOR swap rates (up to 7 years)
- ELLI (3 year discounted spread data)

These inputs are sourced directly from Bloomberg feeds or independently from Duff & Phelps (ELLI data) relevant to each period end date.

These inputs impact on: (1) the implied IRR calculations at the period end valuation date; (2) the forecast cash and/or PIK yields that track LIBOR or EURIBOR; and (3) ultimately the implied asset price calculated from these inputs as the period end to determine the valuation price.

Direct Lending: LCIV Private Debt

Investments are initially recognized at cost and subsequently measured at fair value. Investments are valued on a basis that the Manager considers fair and reasonable having considered the latest available valuation provided by the investment entity. The level of estimation uncertainty is significant, and actual values may differ significantly from estimates.

Purchases and sales are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver, an asset or liability arises. All realised and unrealised gains and losses on investments are recognized as net capital gains/(losses) in the Statement of Total Return. Unrealised gains and losses comprise changes in the fair value of investments for the period.

Pooled Property – AEW, UBS Property & LGIM LPI

Notes to the Pension Fund Account

Prevalent economic conditions may affect occupancy rate or possible default in rent payments and conversely affecting transaction values. Local authority intentions, planning proposals and onerous restrictions are some of the other factors to which Pooled Property assets transactions may be sensitive towards. These are:

- i) Market price risk: Future values of investments in direct property and related property investments will fluctuate due to changes in market prices.
- ii) Real Estate valuation changes: Property investments are illiquid assets and valuing is difficult.
- iii) Credit risk: counterparty (to a financial instrument) or tenant (of a property) will cause a financial loss to the Fund by failing to meet a commitment it has entered with the Fund.

15. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

	Designated as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortised Cost	Total	Designated as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortised Cost	Total
	31 March 2025 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2024 £'000
Financial Assets								
Equities	27	-	-	27	29	-	-	29
Pooled Investments	1,195,087	-	-	1,195,087	1,156,809	-	-	1,156,809
Pooled property investments	194,432	-	-	194,432	190,438	-	-	190,438
Private Equity	2,993	-	-	2,993	5,521	-	-	5,521
Cash	-	13,793	-	13,793	-	8,316	-	8,316
Other Investment balances	-	80	-	80	-	269	-	269
	1,392,539	13,873	-	1,406,412	1,352,797	8,585	-	1,361,382
Total	1,392,539	13,873	-	1,406,412	1,352,797	8,585	-	1,361,382

15A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	31 March 2025 £000's	31 March 2024 £000's
Financial Assets		
Designated at Fair Value through profit and (loss)	52,595	129,976
	52,595	129,976

16. NATURE & EXTENT OF EXPOSURE TO RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency, and interest rate risks) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

The risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. To mitigate against market risk the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories. The management

Notes to the Pension Fund Account

of the assets are placed with a few fund managers with different performance targets and investment strategies. Each fund manager is expected to maintain a diversified portfolio in each asset class. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to Pensions Committee where they are monitored and reviewed.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instruments or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The potential losses from shares sold short are unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy Statement.

Other price risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, the Fund has determined that the following potential change in market price risk are reasonably possible for the relevant reporting periods.

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on Fund asset allocations. The potential volatilities are consistent with one standard deviation movement of the change in value of assets over the last three years. This can then be applied to period end asset mix.

Had the market price of the Fund investments increased or decreased in line with the percentage change below, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset Type	Value as at 31 March 2025 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	763,763	12.00%	855,415	672,111
UK Equity	27	12.00%	30	24
Bonds	231,038	8.50%	250,676	211,400
Alternatives	203,279	5.40%	214,256	192,302
Property	194,432	6.20%	206,487	182,377
Total	1,392,539		1,526,864	1,258,214

Note: Bonds valuation in the table above includes pooled fund held bonds.

Asset Type	Value as at 31 March 2024 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	770,458	12.10%	863,683	677,233
UK Equity	29	12.10%	33	25
Bonds	229,796	9.10%	250,707	208,885
Alternatives	162,054	3.60%	167,888	156,220
Property	190,460	6.80%	203,411	177,509
Total	1,352,797		1,485,723	1,219,871

Note: Bonds valuation in the table above includes pooled fund held bonds.

Notes to the Pension Fund Account

Interest Rate Risk - The risk to which the Pension Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. Based on interest received on fixed interest securities, cash, and cash equivalents.

The Fund's direct exposure to interest rate movements as of 31 March 2024 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest Rate Risk Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 100 basis points (1%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

	Value as at 31 March 2025	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Assets exposed to interest rate risks				
Cash balances	15,362	154	15,516	15,208
Bonds - pooled funds	231,038	2,310	233,348	228,728
Total change in assets available	246,400	2,464	248,864	243,936

	Value as at 31 March 2024	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Assets exposed to interest rate risks				
Cash balances	8,984	90	9,074	8,894
Bonds - pooled funds	229,796	2,298	232,094	227,498
Total change in assets available	238,780	2,388	241,168	236,392

Currency Risk - The risk to which the pension fund is exposed to fluctuations in foreign currency exchange rates.

The Pension Fund can set up a passive currency hedge where these risks are perceived to be adverse. As of 31 March 2024, the Fund had no currency hedge in place for those managers who do not hedge their own portfolios. The following table summarises the fund's currency exposure as of 31 March 2024 and as at the previous period ending 31 March 2023.

Currency exposure by asset type

Currency risk sensitivity analysis

Following analysis of historical data in consultation with PIRC Ltd, the Funds data provider, the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.1%, based on the data provided by PIRC. A 6.1% fluctuation in the currency is considered reasonable based on PIRC's analysis of historical movements in month end exchange rates over a rolling twelve-month period. This analysis assumes that all variables, in particular interest rates, remain constant. Managers that hedge against currency risk are not included in this sensitivity analysis. A 6.1% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Notes to the Pension Fund Account

Assets exposed to currency risk

	Asset Value 31 March 2025	Potential market movement	Value on increase	Value on decrease
		6.10%		
	£'000	£'000	£'000	£'000
Pooled Funds	633,163	38,623	671,786	594,540
Private Equity/Infrastructure	72,214	4,405	76,619	67,809
	705,377	43,028	748,405	662,349

Assets exposed to currency risk

	Asset Value 31 March 2024	Potential market movement	Value on increase	Value on decrease
		6.10%		
	£'000	£'000	£'000	£'000
Pooled Funds	663,973	40,502	704,475	623,471
Private Equity/Infrastructure	71,834	4,382	76,216	67,452
	735,807	44,884	780,691	690,923

Credit Risk - Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Pension Fund's entire investment portfolio is exposed to some form of credit risk, except for the derivative position, where the risk equates to the net market value of a positive derivative position. Credit risk can be minimised through careful selection of high-quality counterparties, brokers, and financial institutions. The Pension Fund is also exposed to credit risk through Securities Lending, Forward Currency Contracts, and its daily treasury activities. The Securities Lending programme is run by the Fund's custodian Northern Trust which assigns four different risk management oversight committees to control counterparty risk, collateral risk, and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the pension fund is ring fenced from Northern Trust. Securities lending is capped by investment regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time.

The prime objective of the Pension Fund treasury management activity is the security of principal sums invested. As such it will take a prudent approach to organisations employed as the banker and deposit taker. The Pension Fund will ensure it has adequate but not excessive cash resources in order to meet its objectives. The bank accounts are held with NatWest Bank, which holds an S&P long-term credit rating of A. Deposits are placed in the AAAM rated Northern Trust Money Market Fund which is ring fenced from the administering company. Credit ratings, market indicators and media coverage are monitored to ensure credit worthiness is maintained. The Fund's cash holding under its treasury management arrangements on 31 March 2025 was £15,308k (31 March 2024: £8,984k) and this was held with the following institutions:

Summary	Rating S&P	Balances as at 31 March 2025 £'000	Rating S&P	Balances as at 31 March 2024 £'000
Money market funds				
Northern Trust	AAAM	13,793	AAAM	8,316
Bank current accounts				
NatWest	A+	1,569	A+	668
Total		15,362		8,984

Liquidity Risk - The risk the Pension Fund will have difficulties in paying its financial obligations when they fall due.

The Pension Fund holds a working cash balance in its own bank accounts with NatWest as well as Money Market Funds to which it has instant access to cover the payment of benefits and other lump sum payments (£1,569k). At an investment

Notes to the Pension Fund Account

level the fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As of 31 March 2025, these assets totalled £1,034,192k, with a further £13,739k held in cash in the Custody accounts at Northern Trust.

Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a revaluation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as of 31 March 2022 setting rates for the period April 2023 to March 2026. The next triennial valuation will take place as of 31 March 2025.

In line with the triennial valuation the Fund updates its Funding Strategy Statement every three years. The key elements of the funding strategy are:

1. to ensure the long-term solvency of the fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment.
2. to ensure that employer contribution rates are as stable as possible.
3. to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
4. to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so.
5. to use reasonable measures to reduce the risk to other employers and ultimately to the Council taxpayer from an employer defaulting on its pension obligations.

The funding level is the ratio of assets to liabilities at the valuation date. A funding level of less/more than 100% implies that there is a deficit/surplus in the Fund at the valuation date against the funding target. Funding plans are set to eliminate any deficit (or surplus) over the set time horizon and therefore get back to a funding level of 100%. To do so, additional contributions may be required to be paid into the Fund; these contributions are known as the "secondary rate".

At the 2022 actuarial valuation, the Fund was assessed as 88% funded (87% at the March 2019 valuation). This corresponded to a deficit of £167m (2019 valuation: £161m) at that time. The slight improvement in funding position between 2019 and 2022 is mainly due to investment performance over the inter-valuation period. The liabilities have also increased due to a reduction in the future expected investment return, although this has partially been offset by lower-than-expected pay and benefit growth (both over the inter-valuation period and forecast to continue into the long term).

Significant events

The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as of 31 March 2022. Details can be found at <http://www.lgpsregs.org/>.

Contribution rates

The table below summarises the whole Fund Primary and Secondary Contribution rates at this triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary, and the total of employer secondary rates expressed as a monetary amount, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (%) 1 April 2023 - 31 March 2026	Secondary		
	2023/24	2024/25	2025/26
19.60%	£6,682,000	£6,897,000	£7,120,000

Notes to the Pension Fund Account

The Primary rate above includes an allowance for administration expenses of 0.8% of pay. The employee average contribution rate is 6.7% of pay.

At the previous formal valuation on 31 March 2019, a different regulatory regime was in force. Therefore, a contribution rate that is directly comparable to the rates above is not provided.

The valuation of the Fund has been undertaken using a risk-based approach, this approach recognises the uncertainties, and risks posed to funding and follows the process outlined below:

Step 1: The Fund sets a funding target (or funding basis) which defines the target amount of assets to be held to meet the future cash flows. The assumptions underlying the funding target are discussed further in the next section. A measurement is made at the valuation date to compare the assets held with the funding target.

Step 2: The Fund sets the time horizon over which the funding target is to be reached.

Step 3: The Fund sets contributions that give a sufficiently high likelihood of meeting the funding target over the set time horizon.

Assumptions

Due to the long-term nature of the Fund, assumptions about the future are required to place a value of the benefits earned to date (past service) and the cost of benefits that will be earned in the future (future service). Assumptions fall into three categories when projecting and placing a value on the future benefit payments and accrual – financial, demographic and Commutation.

Financial Assumptions

A summary of the financial assumptions underpinning the target funding basis and adopted during the assessment of the liabilities of the Fund as of 31 March 2022 (alongside those adopted at the previous valuation for comparison) are shown below.

Description	31 March 2022	31 March 2019
Funding Basis Discount Rate	4.1%	4.0%
Benefit Increases (CPI)	2.7%	2.3%
Salaries Increases	3.2%	2.6%

Demographic Assumptions

The main demographic assumption to which the valuation results are most sensitive is that relating to the longevity of the Fund's members. The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.7 years	24.4 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.4 years	25.6 years

All other demographic assumptions are unchanged from last year and are as per the latest funding valuation of the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 85% of the maximum tax-free cash for post-April 2008 service.

Notes to the Pension Fund Account

18. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The IAS19 balance sheet is based on financial market values and future market expectation indicators as of 31 March 2022 to comply with the accounting standard.

Description	31 March 2025 % per annum	31 March 2024 % per annum
Inflation /Pensions Increase Rate	2.8%	2.8%
Salary Increase Rate	3.3%	3.3%
Discount Rate	5.8%	4.8%

An IAS 26 valuation was carried out for the Fund as of 31 March 2025 by Hymans Robertson with the following results:

Description	31 March 2025 £m	31 March 2024 £m
Present Value of Promised Retirement Benefits	1,283	1,482
Active Members	419	468
Deferred Members	304	368
Pensioners	560	646

**Incorporates an allowance for the potential increase in liabilities arising from the McCloud judgement and GMP indexation*

These figures are presented as required by IAS 26. They are not relevant for the calculations undertaken for funding purposes or other statutory purposes under UK pension legislation. This item is not recognised in the Net Asset Statement, hence is considered not to be in opposition to the assertion included in the Net Asset Statement surrounding future liabilities of the Fund.

The promised retirement benefits on 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as of 31 March 2022. The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

Note that the above figures on 31 March 2025 (and 31 March 2024) include an allowance for the "McCloud ruling", i.e., an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

Net Liability

The table below shows the total net liability of the Fund as of 31 March 2025. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

Description	31 March 2025 £m	31 March 2024 £m
Present Value of Promised Retirement Benefits	(1,283)	(1,482)
Fair Value of Scheme Assets (bid value)	1,409	1,361
Net Liability	126	(121)

Notes to the Pension Fund Account

19. Going Concern

The Pension Fund accounts, and Notes have been prepared on a going concern basis. The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority Accounting in the United Kingdom 2024/25) in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

The Fund's triennial valuation on 31 March 2022 reported a funding level of 88%. Currently, contributions and investment income are sufficient to fund benefits as they fall due without the need to liquidate investments. The Fund is currently operating with a cash flow surplus. If a need to obtain liquidity arises, approximately 71% of the Fund's assets are held in liquid investments.

A cash flow forecast covering the period 01 April 2025 to 31 March 2026 has been produced to confirm the solvent position and outlook of the Pension Fund over the period stated above.

20. RELATED PARTY TRANSACTIONS

It is required under IAS 24 "Related Party Disclosures" that material transactions with related parties which are not disclosed elsewhere should be included in a note to the financial statements. The London Borough of Hillingdon is a related party to the Pension Fund, represented by the Pensions Committee members. The committee is responsible for management of fund assets, including investment directions and administration of the fund. List of committee members may be found in Note 1C. The revenue contributions the Council has made into the Pension Fund are set out in note 4 to the Pension Fund accounts. No senior officer or Pension Committee member had any interest with any related parties to the Pension Fund.

Key Management Personnel

Two employees of the London Borough of Hillingdon held key positions in the financial management of the London Borough of Hillingdon Pension Fund. These employees are the Section 151 officer, and the Director of Pensions, Treasury & Statutory Accounts. Total remuneration payable to key management personnel is set out below:

	31 March 2025 £'000	31 March 2024 £'000
Short term benefits	125	111
Post employment benefits	136	112
	261	223

The Pensions Committee of the London Borough of Hillingdon Pension Fund ("the Fund") has prepared an Investment Strategy Statement (ISS) in accordance with the MHCLG Guidance on Preparing and Maintaining an Investment Strategy Statement.

As set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Pensions Committee will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change, changes will be reflected within three months of the change occurring. The current version of the ISS is available on the pension fund pages of the Council's website: www.hillingdon.gov.uk and included in the Annual Report.

21. BULK TRANSFER

There was a bulk transfer out of £1,722,606 in the 2024–25 financial year. This transfer was made on behalf of Orchard Hill College Academy Trust (OHCAT).

The amount relates to two employers within OHCAT:

- Pride Academy
- The Skills Hub

Notes to the Pension Fund Account

22. CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) as of 31 March 2025 totalled £78,201k (£84,523k on 31 March 2024).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the Private Equity, Infrastructure, Property and Private Credit parts of the portfolio. The amounts called by these funds vary both in size and timing over a period of up to six years from the date of each original commitment.

23. CONTINGENT ASSETS

Four admitted body employers in the London Borough of Hillingdon Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. Total value of bonds held come to £153,000.00.

24. POST BALANCE SHEET EVENTS

Events taking place after the 31st of March 2025 are not reflected in the financial statements or notes, unless they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. Where events taking place before this date provided information about conditions existing on 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events to report after the Balance Sheet date that deem adjustment or disclosure in the accounts.

Hillingdon Pension Fund

Draft Audit Results Report
Year ended 31 March 2025
3rd February 2025



The better the question. The better the answer. The better the world works.



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Private and Confidential
Audit Committee
London Borough of Hillingdon
Uxbridge
UB8 1UW

3 February 2025

Dear Audit Committee Members

2024/25 Draft Audit Results Report

We are pleased to attach our draft Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 10 February 2026 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2024/25 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Hillingdon Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 10 February 2026.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

1 Executive Summary

2 Areas of Audit Focus

3 Audit Report

4 Audit Differences

5 Other Reporting Issues

6 Assessment of Control Environment

7 Independence

8 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (Statement of responsibilities of auditors and audited bodies (from 2023/24 audits) - Page 4 of 7 - PSAA). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance from July 2021" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Hillingdon Pension Fund those matters we are required to state to them in this 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 Audit Committee and management for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Page 342

Executive Summary

Scope update

In our Audit Planning Report presented to the 14 May 2025 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality: We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of 1% of Net Assets, we have updated our overall materiality assessment to £14.1 million (Audit Planning Report – £13.6 million). This results in updated performance materiality, at 75% of overall materiality, of £10.6 million, and an updated threshold for reporting misstatements of £704k.

Status of the audit

Our audit work in respect of the Pension Fund opinion is substantially complete, subject to final Executive review in some areas. Therefore, further issues may arise once this review is complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Conclusion procedures including; final review of Annual Report and Accounts to confirm changes made to the most recent version are materially complete and accurate; update of our subsequent events procedures to the date of our opinion; and receipt and checking of signed accounts and letter of representation

Audit differences

- We have not identified any audit differences, adjusted or unadjusted that we need to bring to your attention.
- We identified some other disclosure misstatements which have been corrected by management.

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of Hillingdon Pension Fund. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Fraud risk - Misstatements due to fraud or error

We carried out procedures to address this risk as set out in our Audit Plan, including identifying risks, considering controls and their effectiveness, testing journal entries and testing estimates for evidence of management bias.

Subject to the finalisation of our review procedures, no significant matters have been identified in the completion of our work to date.

Significant risk - Valuation of Level 3 complex investments

We undertook additional procedures, as described more fully in Section 02 of this report, to gain assurance over the material accuracy of the year-end valuation of the Pension Fund's Level 3 complex investments, which are inherently more difficult to value.

Work in this area has now been completed. Based upon the audit procedures undertaken, we have concluded that the valuation of these investments is materially accurate. We have noted a judgemental difference of £3.2 million (potential understatement of investments) due to timing differences between the current carried valuation and our estimate of the 31st March valuation for unquoted (level 3) investments. As this is not material, we have sufficient assurance over the material accuracy of this estimate

Executive Summary (cont'd)

Areas of audit focus

Significant risk –fair value classification of Level 2 and Level 3 investments

We carried out procedures as set out in our Audit Plan to ensure that the assessment of investments as Level 2 or Level 3 are in line with the Fair Value hierarchy.

No significant matters have been identified in the completion of our work to date.

Significant risk - Implementation of the new finance system (Oracle Fusion)

Based on the procedures to address risks of misstatement arising from the transfer of financial records from the previous Oracle R12 system to the Oracle Fusion system, including procedures performed by our IT audit specialists, we are able to conclude that the financial statements are not materially misstated as a result of errors arising from the initial system implementation. We were also able to conclude that opening balances migrated from Oracle R12 to Oracle Fusion are materially correct at the financial statement level.

The Council's auditors have reported a significant weakness in the Council's arrangements to secure value for money in relation to the implementation of Oracle Fusion. These weaknesses have therefore been reported to those charged with governance and are not repeated in our reporting on the Pension Fund.

Estimates involved in the disclosures of IAS26- inherent risk

We carried out procedures to address this risk as set out in our Audit Plan and assessed the information disclosed in the statement of account.

Subject to the finalisation of our review procedures, no significant matters have been identified in the completion of our work to date.

Risk of material misstatement– Completeness of investment income

Subject to the finalisation of our review procedures, no significant matters have been identified in the completion of our work to date.

We noted a misstatement in disclosure where in relation to recognition of investment income from AEW UK Urban Real Estate, which was recognised as capital distribution.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee

Control observations

During the course of the audit, we have identified control observations which we wish to bring to your attention. Further detail on control observations is included in Section 06

Independence

Please refer to Section 7 for our update on Independence. We have no issues to report.



02 Areas of Audit Focus

Areas of Audit Focus

Significant risk – misstatements due to fraud or error*

 Key Audit Matter

 Significant Risk

What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What are our conclusions?

We have completed the audit procedures outlined above. Subject to the finalisation of our review procedures, no significant matters have been identified in the completion of our work to date.

Our response to the key areas of challenge and professional judgement

We undertook our standard procedures to address fraud risk, which included:

We enquired of management about risks of fraud and the controls put in place to address those risks.

We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.

We considered the effectiveness of management's controls designed to address the risk of fraud.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.

We reviewed accounting estimates for evidence of management bias.

We evaluated the business rationale for any significant unusual transactions.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

We have also:

Undertaken a review of reconciliations of the financial statements to the fund manager and custodian reports and investigated any reconciling differences;

For investment income, we agreed the reconciliation between fund managers and custodians back to the source reports, which included evidencing the investment income achieved;

Re-performed the detailed investment note using the reports we have acquired directly from the custodian or fund managers; and

- ▶ Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports.

Areas of Audit Focus

Significant risk – valuation of Level 3 complex investments

 Key Audit Matter

 Significant Risk

What is the risk, and the key judgements and estimates?

The Fund's investments include Level 3 investments.

Judgements are made by the fund managers to value these investments, whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.

Misstatements that occur in relation to complex investments valued at Level 3 fair value hierarchy such as private equities, private credit, pooled property and infrastructure investments.

If the valuation of these investments was misstated, it would impact on Investment Assets and Net Assets in the Net Asset Statement and Return on Investments section of the Fund Account.

What are our conclusions?

We have completed the audit procedures outlined above. Based upon the audit procedures undertaken, we have noted a judgemental difference of £3.2 million (potential understatement of investments) due to timing differences between the current carried valuation and our estimate of the 31st March valuation for unquoted (level 3) investments. As this is not material, we have sufficient assurance over the material accuracy of this estimate

No further matters have been identified in the completion of our work to date.

Our response to the key areas of challenge and professional judgement

For a sample of Level 3 investments we:

- Analysed the schedule of investments to ensure correct classification, presentation and disclosure of items in the financial statements and corresponding notes.
- Understood and evaluated of the work of the fund managers.
- Evaluated the ISAE 3402 report for the custodian and fund managers, where applicable.
- Reviewed the latest audited accounts for the relevant fund managers to ensure there are no matters arising that highlight weaknesses in the funds' valuation.
- Where the latest audited accounts are not as at 31 March 2025, made inquiries to establish what procedures management have performed to take account of this risk. We also performed analytical procedures and check the valuation output for reasonableness against our own expectations.
- Reviewed the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used.
- Reviewed investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 Investments have been appropriately made in the financial statements.
- Performed triangulation work to agree amount per the financial statements to fund managers and the custodian.
- Checked accounting entries have been correctly processed in the financial statements.
- Assessed any topside adjustments and journal entries for evidence of management bias and evaluating the business rationale.

Areas of Audit Focus

Significant risk – fair value classification of Level 2 and Level 3 investments

 Key Audit Matter

 Significant Risk

What is the risk, and the key judgements and estimates?

The classification of investments using the fair value hierarchy requires the accurate identification of observable and unobservable inputs and requires a high level of professional judgement.

The assessment of Fair Value hierarchies can be subjective and includes an element of judgement. There have been reclassifications in the fair value hierarchies of the pension fund assets as a result of the audit in the last two years.

What are our conclusions?

We have completed the audit procedures outlined above. Subject to the finalisation of our review procedures, no significant matters have been identified in the completion of our work to date.

Our response to the key areas of challenge and professional judgement

We :

Gained an understanding of the Pension Fund's approach to classification and the nature of its investments and worked with the Pension Fund to agree the proposed classifications early in the audit process;

Assessed the significance of market inputs used in the hierarchy valuation as well as the sources of the inputs;

Confirmed the basis of the valuation of each class of investment asset and assessed whether it is appropriate;

Obtained quoted prices directly from independent sources and compared these with the Pension Fund's assessment of observable market inputs (bid market price, current yields, and closing bid price) to confirm correct classification;

Tested that accounting entries related to valuation have been correctly processed in the financial statements.

Areas of Audit Focus

Significant risk - implementation of the new finance system (Oracle Fusion)



Significant Risk

What is the risk, and the key judgements and estimates?

The Council upgraded its finance system in May 2024. Major changes to the finance system give rise to a risk that financial data is lost or changed during migration. The Council also continued to use the old system for finalisation of its 2023/24 financial statements after the main data migration occurred and therefore had to manually replicate all transactions recorded after this date in the new system which increases the risk of error / omission.

The implementation of the new system has not gone smoothly, therefore there is also an increased risk of misstatements arising from subsequent use of the new system because of challenges encountered in the implementation of the new system.

Given the pervasive nature of these risks, we consider that they pose a risk of material misstatement.

What are our conclusions?

We were able to conclude that opening balances migrated from Oracle R12 to Oracle Fusion are materially correct at the financial statement level.

We are also able to conclude that we have sufficient assurance over the material accuracy of in year transactions and year end balances based on our substantive testing.

Our response to the key areas of challenge and professional judgement

We have responded to the risk of misstatements arising from the implementation of the new finance system, Oracle Fusion, by:

- understanding the governance processes around the new system implementation and the assurances obtained by the Council's own processes, including with regards to completeness of data migration and any subsequent issues with using the new system; and
- with support from our own IT audit specialists, designing and executing procedures which respond to the specific risks identified in the Council's implementation of the new system.

Reconciliation of the Council's financial information from the previous system, Oracle R12, to the new system, Oracle Fusion, was complicated by the fact the Council had previously maintained combined accounting records for 4 separate entities (the Council, Hillingdon Pension Fund, Hillingdon First Limited and the Mayor of Hillingdon's Charitable Trust) within the same general ledger. These have been more appropriately separated within Oracle Fusion. However, this made like-for-like comparison of financial records more challenging.

Using our IT audit specialists, we performed our own reconciliations of Oracle R12 to Oracle Fusion. We identified a number of differences at the account code level which we have not been able to resolve, however we have been able to demonstrate that opening balances within Oracle Fusion are materially consistent with the closing balances within the published 2023/24 financial statements.

Our substantive testing of the Pension Fund financial statements included reconciliation of balances and transactions to the general ledger and did not identify any material issues.

We note however that the Council's auditor has reported a significant weakness in the Council's arrangements to secure value for money in relation to the implementation of Oracle Fusion. These weaknesses have therefore been reported to those charged with governance and are not repeated in our reporting on the Pension Fund.

Areas of Audit Focus

Risk of material misstatement - IAS26 disclosure – actuarial present value of promised retirement benefits

What is the risk, and the key judgements and estimates?

IAS26 requires post employment benefits plans to disclose annually the basis used to determine the actuarial present value of promised retirement benefits, including demographic and financial key assumptions.

The estimate is based on a roll-forward of data from the last triennial valuation in 2022, updated where necessary, and takes into account assumptions.

The information disclosed is based on the IAS 26 report issued to the Fund by the Fund Actuary.

Accounting for the pension scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What are our conclusions?

Subject to the finalisation of our review procedures, no significant matters have been identified in the completion of our work to date.

We identified some discrepancies between the disclosures and the Actuary's report. These have been corrected by Management.

Our response to the key areas of challenge and professional judgement

We have:

- ▶ Evaluated whether the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.
- ▶ Engaged EY Pensions to review the roll forward procedures associated with the IAS 19 reports for London Borough of Hillingdon which makes up 84% of the total pension fund asset and support our IAS26 disclosures work.
- ▶ Evaluated and placed reliance on EY Pension's and PwC's review of the underlying pension IAS19 assumptions used by the actuary, which also support the IAS26 figures.
- ▶ Assessed the competence of management experts, Hymans Robertson as the Pension Fund's actuary.

Areas of Audit Focus

Risk of material misstatement – completeness of Investment Income

What is the risk, and the key judgements and estimates?

In both the 2023/24 and 2022/23 audits we have identified the same error in relation to income from the LCIV Mac fund. Distributions from this fund are reinvested at year end and, in both years, this was not communicated by the fund manager nor identified by the custodian.

As a result, income was understated and profit/loss on disposal of investments and change in market value was overstated. The amounts involved were £3.4 million in 2023/24 and £4.2 million in 2022/23.

We identified this as a control deficiency in addition to an error in the prior year to reflect that fact that management should have identified this error given that it had also happened in the prior year.

Our response to the key areas of challenge and professional judgement

We have:

- ▶ Agreed the investment income back to the fund manager report for the LCIV Mac investment to ensure that the custodian has correctly treated any distributions reinvested in the fund.
- ▶ We have also evaluated the ISAE 3402 report for custodian and fund managers.

What are our conclusions?

Subject to the finalisation of our review procedures, no significant matters have been identified in the completion of our work to date.

We noted a misstatement in disclosure where in relation to recognition of investment income from AEW UK Urban Real Estate, which was recognised as capital distribution.



03 Audit Report

Page 352

Draft Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2025 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2025 and the amount and disposition at that date of its assets and liabilities as at 31 March 2025; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2024/25, other than the financial statements and our auditor's report thereon. The Corporate Director of Finance is responsible for the other information contained within the Statement of Accounts 2024/25.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

Draft Audit Report

Draft audit report

Our opinion on the financial statements

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

Responsibility of the Corporate Director of Finance

As explained more fully in the Statement of the Corporate Director of Finance's Responsibilities set out on pages [...], the Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and for being satisfied that they give a true and fair view. The Corporate Director of Finance is also responsible for such internal control as the Corporate Director of Finance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Finance is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Corporate Director of Finance.

Draft Audit Report

Draft audit report

Our opinion on the financial statements

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Board minutes and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.

- To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of London Borough of Hillingdon, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Hillingdon and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date



04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

We have not identified any audit differences, adjusted or unadjusted that we need to bring to your attention

We have identified a number of disclosure errors which management have agreed to amend.

Until all our review procedures are complete further differences may be identified.



05 Other Reporting Issues

Other Reporting Issues

Consistency of information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Hillingdon Pension Fund Annual Report with the audited Pension Fund financial statements. We have reviewed the Pension Fund Annual Report and are satisfied that it is consistent with the financial statements.

We also are required to give an opinion on the consistency of the pension fund financial statements included in the Annual Report with the audited pension fund financial statements included in the full annual statement of accounts of the London Borough of Hillingdon. We have prepared and will issue a consistency statement to management alongside our audit report once the Council's financial statements have been finalised.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We had no reason to exercise these duties.

Other reporting issues

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process. We had no matters to report.



06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

During the course of the audit, we have identified one new area of weakness in relation to the Pension Fund’s control environment. We have summarised these weakness and associated recommendations (along with the risk rating) below:

1) We noted inconsistencies in the treatment of distributions by the custodian compared to the fund manager. Specifically, income distributions were incorrectly classified as capital distributions, and vice versa. These misclassifications led to discrepancies in the recognition of investment income by the pension fund, which relies on the custodian’s reporting as its primary source.

Recommendation

► Management should strengthen diligence when reviewing the treatment of distributions by the custodian to ensure that classification is correct.

Prior year weaknesses open at 1 April 2025:

1) Weakness in the identification and documentation of observable and unobservable inputs used in valuations of Level 2 and Level 3 investments. This was also reported in the prior year. (Moderate)

We have not identified any similar issues in the 2024/25 audit and therefore this issue is now closed

2) Weaknesses in the procedures in place for the Pension Fund to identify the income reinvested by fund managers not identified by the custodian. (Moderate)

Our review of work in this areas is ongoing and we will provide an update in our final Audit Results Report

The table below provides an overview of the ‘high’ ‘moderate’ and ‘low’ rated observations we have from the 2023/24 audit.

	High	Moderate	Low	Total
Open at 1 April 2025	0	2	0	2
Closed during FY25	0	1	0	1
New points raised in FY25	0	1	0	1
Total open points as at 31 March 2025	0	2	0	2

Key:

- A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
- Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
- Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.



07

Independence

Page 362

Independence

Confirmation

We are not aware of any inconsistencies between the Pension Fund's policy for the supply of non-audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers, managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

Relationships

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Pension Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Pension Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2024 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2025

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2025

[EY UK 2025 Transparency Report | EY - UK](#)

Services provided by EY

There are no services provided by EY from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

The table on the subsequent page includes a summary of the fees that you have paid to us in the year ended 31 March 2025 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included below. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in February 2025.

Independence

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our financial statements opinion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Pension Fund; and
- ▶ The Pension Fund has an effective control environment
- ▶ The Pension Fund complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Pension Fund should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Pension Fund are set out in the fee analysis on this page.

	Current Year	Prior Year
	£m	£m
Scale Fee - Code Work	92,572	81,688
Proposed scale fee variation	TBD Note 2	9,048 Note 1
Total fees	0	0

All fees exclude VAT

(1) As set in our 2023/24 Audit Results Report a scale fee variation was submitted to PSAA covering the following areas:

- ISA 315; additional procedures to address the enhanced requirements of revised standard undertaken
- Quality and preparation issues leading to extra work in relation to an investment originally classified as level 2 rather than level 3 and the understatement of investment income.

As at the date of this report that scale fee variation has been determined at a total value of £9,048

(2) We propose to submit a scale fee variation to PSAA for additional 2024/25 work covering the incremental work by our IT audit specialists to provide assurance over the migration of financial records of the Hillingdon Pension Fund from Oracle R12 to Oracle Fusion alongside the work performed as part of the Council's audit for 2024/25. The fee for this has been agreed with management but is subject to final determination by PSAA.



08 Appendices

Appendix A – Required communications with the Audit Committee

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Planning and audit approach	Communication of: ▪ The planned scope and timing of the audit ▪ Any limitations on the planned work to be undertaken ▪ The planned use of internal audit ▪ The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report - April 2025
Significant findings from the audit	▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▪ Significant difficulties, if any, encountered during the audit ▪ Significant matters, if any, arising from the audit that were discussed with management ▪ Written representations that we are seeking ▪ Expected modifications to the audit report ▪ Other matters if any, significant to the oversight of the financial reporting process ▪ Findings and issues regarding the opening balance on initial audits	This Audit Results report, Feb 2026 meeting of the Audit Committee.

Appendix A – Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▪ Whether the events or conditions constitute a material uncertainty related to going concern ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The appropriateness of related disclosures in the financial statements	This Audit Results report, Feb 2026 meeting of the Audit Committee.
Misstatements	▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods ▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management	This Audit Results report, Feb 2026 meeting of the Audit Committee.
Fraud	▪ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: ▪ Management; ▪ Employees who have significant roles in internal control; or ▪ Others where the fraud results in a material misstatement in the financial statements. ▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▪ Any other matters related to fraud, relevant to Audit Committee responsibility.	This Audit Results report, Feb 2026 meeting of the Audit Committee.

Appendix A – Required communications with the Audit Committee (cont'd)

Page 368

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▪ Non-disclosure by management ▪ Inappropriate authorisation and approval of transactions ▪ Disagreement over disclosures ▪ Non-compliance with laws and regulations ▪ Difficulty in identifying the party that ultimately controls the entity	This Audit Results report, Feb 2026 meeting of the Audit Committee.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Audit Planning Report - April 2025 This Audit Results report, Feb 2026 meeting of the Audit Committee.

Appendix A – Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	- Management’s refusal for us to request confirmations - Inability to obtain relevant and reliable audit evidence from other procedures.	This Audit Results report, Feb 2026 meeting of the Audit Committee.
Consideration of laws and regulations	- Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur - Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	This Audit Results report, Feb 2026 meeting of the Audit Committee.
Significant deficiencies in internal controls identified during the audit	Significant deficiencies in internal controls identified during the audit.	This Audit Results report, Feb 2026 meeting of the Audit Committee.

Appendix A – Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	Written representations we are requesting from management and/or those charged with governance	This Audit Results report, Feb 2026 meeting of the Audit Committee.
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Audit Results report, Feb 2026 meeting of the Audit Committee.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Audit Results report, Feb 2026 meeting of the Audit Committee.
Auditors report	Any circumstances identified that affect the form and content of our auditor’s report	This Audit Results report, Feb 2026 meeting of the Audit Committee.
Use of statutory powers	- Identification of issues that are likely to lead to a form of public reporting, including: - Statutory recommendations - Public interest reporting - Referral of matters to the Secretary of State and NHS England	This Audit Results report, Feb 2026 meeting of the Audit Committee.

Appendix B – Outstanding matters

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Annual Report and Accounts	Review of the Annual Report	EY and management
	Incorporation of EY review comments on disclosure notes	
	Check of the most recent version of the accounts to ensure amendments and complete and accurate	
	Receipt and check of final signed version of the accounts	
Management representation letter	Receipt of signed management representation letter	Management and audit committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

Until all our final review procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in Section 03.

Appendix C – Management representation letter

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

Ernst & Young
[Address]

This letter of representations is provided in connection with your audit of the financial statements of Hillingdon Pension Fund ("the Fund") for the year ended 31 March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2025, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and for keeping records in respect of contributions received in respect of active members of the Fund.

2. We confirm that the Fund is a Registered Pension Fund. We are not aware of any reason why the tax status of the Fund should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements and the Summary of Contributions. We believe the financial statements referred to above give a true and fair view of the financial transactions and the financial position of the Fund in accordance with applicable law the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that are free from material misstatement, whether due to fraud or error.
6. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to our attention from the auditor because [specify reasons for not correcting misstatement].

Appendix C – Management representation letter

Management representation letter

Management Rep Letter

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to the Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with the Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty.
6. We confirm that we are not aware of any breaches of the Payment Schedule/Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.
7. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements

- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund's business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect on the financial statements.

Appendix C – Management representation letter

Management representation letter

Management Rep Letter

5. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: *[list date]*.
6. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
7. We confirm the completeness of information provided regarding annuities held in the name of the members of management of the Fund.
8. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
9. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
10. No transactions have been made which are not in the interests of the Fund members or the Fund during the year or subsequently.

11. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. No guarantees have been given to third parties.

E. Subsequent Events

1. There have been no events subsequent to the period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the annual report on pages 1 to [x], other than the financial statements, the auditor's report and the statement about contributions.

Appendix C – Management representation letter

Management representation letter

Management Rep Letter

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Advisory Reports

1. We have not commissioned any advisory reports except for [give details] which may affect the conduct of your work in relation to the Fund's financial statements and schedule of contributions/payment schedule.

H. Independence

1. As members of management of the Fund, we are not aware of any matters which would render Ernst & Young LLP ineligible to act as auditor to the Fund.

I. Derivative Financial Instruments and Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS (Management and Investment of Funds) Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

The latest report of the actuary Hymans Robertson as at 31 March 2022 and dated [date of report] has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Estimates

Level 3 Investment Asset Valuation and Actuarial Present Value of Promised Retirement Benefits Estimate

1. We confirm that the significant judgments made in making the Level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the Level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits .
3. We confirm that the significant assumptions used in making the Level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits appropriately reflect our intent and ability to carry out the valuation of Level 3 investment assets and the actuarial present value of promised retirement benefits on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
5. We confirm that appropriate specialized skills or expertise has been applied in making the Level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements.

Appendix C – Management representation letter

Management representation letter

Management Rep Letter

L. Use of the Work of a Specialist

We agree with the findings of the specialists that we have engaged to value the actuarial present value of promised retirement benefits and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Going Concern

Based on our assessment of going concern, the details of which have been shared with you, we confirm that we are not aware of any material uncertainties related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. We do not intend to wind up the Fund. We are satisfied that the use of the going concern basis of accounting is appropriate in the preparation and presentation of the financial statements.

Note 19 to the financial statements discloses all of the matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

N. Climate-Related Matters

1. Whilst recognising that the Climate Change Governance and Reporting Regulations do not cover the Local Government Pension Scheme, we confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of United Kingdom Generally Accepted Accounting Practice aligned with any statements we have made in the other information or other public communications made by us.

Yours faithfully,

S151 Officer and Audit Committee Chair

Date

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ED None

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GOVERNANCE REVIEW IMPROVEMENT PLAN

Committee name	Audit Committee
Officers reporting	Daniel Toohey, Director of Legal & Governance/ Monitoring Officer Steve Muldoon, Corporate Director of Finance Matthew Wallbridge, Chief Operating Officer
Papers with report	Governance Review Improvement Plan
Ward	N/A

HEADLINES

1. The Governance Review Improvement Plan (GRIP) is Hillingdon Council's strategic response to identified governance areas for improvement. It aims to strengthen internal controls, clarify internal decision-making and improve accountability, ensuring the Council is well-governed corporately, financially resilient, and transparent.

RECOMMENDATION

That the update to the Governance Review Improvement Plan be noted and the Committee seek any clarifications and assurances and provide comments to officers.

SUPPORTING INFORMATION

2. The GRIP (see Appendix) is a strategic programme launched by the London Borough of Hillingdon in March 2025 to address key governance weaknesses identified in several reviews, including the CIPFA review (March 2025), Directorate Governance Internal Audit (September 2025) and the Provisional Audit Results Report (February 2025).
3. In addition, Members will recall that, 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). That report was given consideration by Full Council at the meeting on 11 September 2025, and it was resolved, inter-alia, that:
 - *the programmes of work and actions which were already in place to address the S24 Report recommendations, as clearly set out in the Financial Modernisation Programme (FMP) which commenced in February 2025, and the Governance Review Improvement Plan (GRIP) which commenced in March 2025, be welcomed and approved.*
 - *the Audit Committee, who have already been monitoring the progress of the FMP and GRIP, be instructed to continue to monitor the delivery of the actions and report back to Council in no later than 12 months, or earlier if required, to ensure the S24 Report recommendations have been fully addressed.*
4. Accordingly, this report is brought before Members to provide an update on the work and actions contained within the GRIP.

5. Led by the Corporate Governance Group, the GRIP is structured around three workstreams:
 - financial governance – including the S24 recommendations
 - directorate governance, and
 - constitutional / democratic governance
6. Each workstream has defined actions and leadership. The overall aim of the GRIP is to embed a tiered governance model, improve business planning, and strengthen internal arrangements and protocols.
7. The GRIP is a public-facing initiative, with progress updates presented at this Audit Committee and to future meetings, demonstrating the Council's commitment to reform and accountability.

Workstream #1 - Financial Governance:

8. The Finance Modernisation Programme (FMP) is a significant transformation initiative by the London Borough of Hillingdon to review and strengthen the Council's financial systems, processes, and structures. The programme was initiated to address budget challenges and to modernise the Council's financial infrastructure.
9. There are a significant number of challenges that the council is seeking to address both in this programme and more broadly in addressing the council's adverse financial position. It is recognised that addressing all of these is of critical importance to the council's recovery, however this will be costly in both resources and time. Some of this resourcing will be provided through phase 2 of the FMP which will see additional external resource seconded in to support the annual accounts and MTFS processes.
10. Summary of progress since the last meeting includes the following:
 - Additional spend control measures are now in place to review invoice related expenditure. Staffing spend control measures continue, and a new Temporary Accommodation placements review panel is now taking place weekly to review new, existing and high-cost placements.
 - Forecasting and in-year delivery of savings and areas of financial risk continue to be assessed each month and forecasts revised accordingly. The forecast determined at month 6 has remained stable through to month 9 although there have been movements both favourable and adverse within this. The mitigation forecast has been able to be reduced as opportunities and improvements have been identified by service areas. Weaknesses in previous budgeting and forecasting processes and how the shortfalls materialise have been identified and are being addressed through closer attention to key assumptions and by making sure the budget setting process is more thorough than in the past.
 - Delivery plans on key 2026/27 savings proposals (those deemed higher risk or more complex) have been requested and are in the process of being reviewed.
 - Delivery costs of savings proposals are being confirmed to ensure these are properly captured and funded in the 2026/27 budget.
 - The next iteration of the MTFS process will be timetabled to begin much earlier in the new financial year to allow more time to find savings opportunities, review proposals and ensure all necessary processes have ample time to be worked through in a structured and considered manner.

- Discussions with MHCLG on EFS have progressed with further detailed submissions made which will inform the government's decision, and on which an announcement is anticipated before the Council convenes to approve the 2026/27 budget.
- The FMP has come to the end of phase 1 and is now on phase 2. Training sessions were delivered to non-finance staff to clarify the expectations of budget managers and senior managers. Work continued on audit readiness to assist the 24/25 closedown and prepare for the 25/26 closedown, and a review of the MTFS process.
- Preparation for the 2025/26 accounts closedown and audit process is underway with the aim of being able to deliver the draft accounts by 30 June and further assist and improve the audit process and outcomes.
- DSG – The forecast in-year deficit for 2025/26 is reducing further and will be below £10m by year-end, compared to a £15m deficit in 2024/25. This is projected to reduce further over the coming two years.
- A further action raised in the Draft Auditor's Report has been added and is being followed up in the first instance by the Monitoring Officer and team.
- Performance reports presented to the Cabinet and Select Committees
- A clear prioritised deliverable plan in place setting out the work to deliver an updated EPM monitoring template in Oracle for the first reporting period in the next financial year, as well as a learning and development programme to enable this.

Workstream #2 – Directorate Governance:

11. Summary of progress since the last meeting:

- Corporate Governance Arrangements Training – green - Governance masterclass session has been given to the Senior Management members, including the Senior Management Team standardisation and reporting.
- A wider corporate "governance toolkit" intranet site has been launched.
- The Directorate Business and Financial Plans internal audit exercise has been presented to CMT
- Planning has started for the 2026/27+ Business and Financial Plans framework

Workstream #3 - Constitutional Governance:

12. Summary of progress since the last meeting:

- The external review of certain key elements of the Constitution has been completed and the report on suggested improvements has been received.
- Once reviewed, a report will be brought before Council with any suggested changes to the Constitution.

BACKGROUND PAPERS: Nil

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Governance Review Improvement Plan (GRIP)

Executive Summary and Purpose

The accountability and governance arrangements in the Council are established but need to be reset, developed and improved further to manage the increasingly complex and high value projects being undertaken to deliver the challenging MTFS savings targets as approved by Council on the 27th February 2025.

The Governance Review Improvement Plan (**GRIP**) was therefore commissioned and sponsored by Tony Zaman, as Chief Executive and Head of Paid Service, in early March 2025. It will focus on three (3) workstreams, and be overseen by the Corporate Governance Group, which will take regular reports from the individual workstream leads. It is intended that the use of workstreams will bring focus and rigour to the financial and governance management process.

GRIP Programme and Workstreams

The GRIP will consist of the following three (3) workstreams:

1. Financial Governance - lead by the Council's s151 Officer
2. Directorate (Officer Decision-making) Governance - lead by the Council's Chief Operating Officer, on behalf of the Council's Head of Paid Service
3. Remaining Areas - i.e. Constitutional/ Democratic Governance - lead by the Monitoring Officer

Each Workstream will have two stages:

1. Governance Review Improvement Plan - a review phase, whereby the Council takes stock of recommendations provided by an independent review, or auditor
2. Governance Recommendations Implementation Plan - an implementation phase, where the Council will set out its plan of action and detail for implementing the GRIP recommendations, providing updates on progress

The workstream leads will report on progress with the delivery of their associated actions on the Governance Recommendations Implementation Plan to the Corporate Governance Group. The Corporate Governance Group via the Corporate Business Manager will manage and oversee the delivery of the Governance Recommendations Implementation Plan.

Project Drivers and High-Level Issues

The workstreams will be responsible for delivering the recommendations as referenced in the following reviews that have been undertaken.

- Directorate Governance Int Audit report (Sept 2024)
- LBH Final Audit Results Report (5 February 2025)
- Note - recommendations to follow an Independent Review of Constitutional and Democratic Governance

The workstreams will also link to the Council Strategy Commitments of a well-run, sustainable council with sound financial management, achieving positive outcomes for residents. By establishing and delivering the outcomes from the three reviews through the creation of the three workstreams will provide a robust oversight that the Council it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

Finance Modernisation Programme (FMP) and Engagement with Grant Thornton

Workstream 1 (Finance Governance) actions and improvements will be delivered in conjunction with the work being carried out by the Council via its Finance Modernisation Programme (FMP). The Council has engaged Grant Thornton in order to review areas including Oracle improvement work, and to provide further capacity and capability to enable financial improvements to be delivered at pace. This will be looked at going forward so as to dovetail with this work and also to explore if further assistance from Grant Thornton team may be required in relation to the broader FMP actions.

Governance Review Improvement Plan (Finance Governance)

Theme	Title of Review	Recommendation	Actions	Detailed Delivery Actions	Senior Responsible Officer	Lead	Action Delivery Lead	Start Date	End Date	RAG Status	Quarterly Progress Update (Oct - Dec 2025)	Quarterly Progress Update (Jan - Mar 2026)
Finance Governance Recommendations and Actions												
1.1 Financial Sustainability	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024 (Statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 - Recommendation 1)	The Council to build upon the steps already taken to control its expenditure to identify specific deliverable savings over the short term and medium term (next 12-24 months) to protect its limited remaining reserves in the context of the forecast levels of funding. (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).	1. Agree a savings programme to deliver a balanced budget . 2. Deliver a mechanism for the regular review of savings progress and governance to change/add to savings depending on the levels of reserves. 3. Agree and implement spend control measures. 4. Review of the level of service provision across its services to ensure that the Council is striking an affordable balance between the monies it receives to fund services and the cost of those services. 5. Devise and roll out the updated Directorate Business and Financial Plan Template (see ref. Directorate Governance workstream recommendation 2.1)	Through CMT and all SMTs: 1. Monitor delivery of agreed savings programmes - M2 2. Monitor use of MTFS savings app to ensure tight control - M3 & M4. 3. Enforce spend control measures across the Council. 4. Ensure compliance of Business and Financial Plan Template across Corporate Directors	Steve Muldoon	Andy Goodwin	Matt Davis	01/04/25	31/03/26	A	1. Additional spend control measures are being introduced to ensure that all new spend through PO's/invoices undergoes a review and sign off process that the spend is essential. 2. An updated savings template has been issued and training workshops held on these to ensure that there is sufficient detail captured on savings and proposals to ensure that they can be assessed as sufficiently robust to sign off. This will also capture the prospective cost of implementing the savings. More detailed plans will be requested in respect of specific proposals identified as being at higher risk of slippage or non-delivery. This is being undertaken for prospective 2026/27 savings rather than as part of the 2025/26 budget which has already been set. 3. A review of the deliverability of all 25/26 savings has been undertaken as part of the M5 forecast process and savings are being reviewed closely each month with Corporate Directors. This has flushed out any optimism bias in the previous reporting and so a firmer position is now reported. This will feed into the MTFS 26/27 - 28/29 cycle. 4. All 25/26 savings which have been downgraded and no longer forecast to deliver in year will undergo a separate review to assess whether they are completely undeliverable, or if the value and timing of future delivery needs reprofiling and can be achieved in 2026/27. 5. P-cards being reviewed in light of contract extension to reduce the number of cards in use and enforce tighter use on essential spend. 6. An application to MHCLG for Exceptional Financial Support has been made with subsequent substantive discussions, which will address the reduction in reserves in recent years by re-establishing a base level of reserves, address the projected deficit in 25/26 and project the support required over subsequent years.	1. Spend control boards now embedded with the organisation. This includes requests for new P-cards and spend over £500. Anecdotal evidence that unnecessary spend is being captured/stopped at Head of Service/Director level or not being put forward. 2. 2025/26 Growth and Savings schedules re-reviewed as part of the initial 2026/27 Budget Report presented to Cabinet on the 23rd December 2025. Delivery plans requested in respect of those 2026/27 proposals considered more challenging to deliver. 3. Savings assessed as undeliverable or at risk in the 2025/26 position have been reviewed to assess the impact on 2026/27 with adjustments as necessary in the 2026/27 base budget setting. Amber savings at this stage also being assessed more closely as the outcome on these should now be getting clearer. 4. The Council has submitted its EFS application and had the initial review undertaken by CIPFA in January. Final submission due end of January to MHCLG and discussions being held with MHCLG on this. This will necessarily include some rebuilding of reserves which are now depleted. Some rephrasing likely. Now awaiting final in-principle decision on approval of EFS and the agreed value, expected in February. 5. A list of further potential opportunities to investigate for further savings in the next iteration of the MTFS is being compiled which will be discussed with the ruling administration post May elections.
1.2 Service Delivery	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024 (Statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 - Recommendation 2)	The Council to review 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.	• Review of the level of service provision across its services to ensure that the Council is striking an affordable balance between the monies it receives to fund services and the cost of those services. • Devise and roll out the updated Directorate Business and Financial Plan Template (note ref Directorate Governance workstream - recommendation 2.1)	The impact of the review of the saving programme for Month 2 along with the initial estimate of these new measures to be included in the Month 2 budget monitoring report to Cabinet and refined as proposals are further developed. In parallel to the M2 monitoring position, the Cabinet to also receive the 2024/25 Outturn position. This will enable the complete Council final position to be reviewed and consolidated in one meeting.	Steve Muldoon	Andy Goodwin	Matt Davis	01/04/25	31/03/26	A	1. Officers are currently updating and reviewing demand modelling for key areas of service provision to understand the key drivers of demand and cost, and hence where focus on efficiency needs to be undertaken. A significant number of KPIs and dashboards have been prepared to support the analysis, and benchmarking is being reviewed to understand the key areas where the council is high/average/low cost and where opportunities for further efficiencies should be explored further. 2. Approval was given at October Cabinet to progress disposal of the council car park at Cricket Field Road (the "Lobster Pot") in order that an increase in local adult social care provision can be provided, helping offset the increasingly expensive external provision the council currently faces. 3. The Capital Programme has been reviewed with a view to accelerating the acquisition of property through the HRA to be used to help mitigate the high cost of and increasing demand for temporary accommodation. 4. A review of the use of capital receipts for transformation funding has been undertaken to clarify what capital receipts will be available for use and qualify under the regulations, and what expenditure will be able to be offset against these receipts. 5. A review of the personnel hierarchy structures in Oracle has been undertaken to ensure these are reflective of understanding, correct errors therein, and correct any vacant posts or supernumerary positions that can be removed to mitigate the in-year position. 6. The Corporate Management Team meet on a weekly basis and as part of the agenda the Service Delivery Board reviews options, projects and changes to service provision in light of the council's financial position. 7. The Council are reviewing the Medium Term Financial Strategy which includes service provision and options for consideration as part of budget setting	1. A number of rounds of meeting (at all levels, Officer and Member) have taken place to review service demand models and base budget requirements as part of the 2026/27 Budget Process. 2. Areas which will require more in-depth delivery model reviews in 2026 are being formulated and built into the MTFS from 26/27. 3. The cost implementing changes and savings in 2026/27 is being identified to ensure that this is captured as part of the MTFS and delivery plans are being requested where transformational or complex savings proposals have been put forward. Anticipated to be funded from flexible capital receipts. 4. Hierarchy structures in Oracle are being reviewed and updated to ensure that these better align with how directorates want to view their services 5. Meetings have resulted in updated base budgets as part of the initial 2026/27 Budget Report presented to Cabinet on the 23rd December 2025. This includes significant adjustments (growth) to savings and pressures that are implicit in the £36m Period 7 2025/26 overspend position. The mitigation/intervention target set of £2m in 26/27 is being reduced as improvements in the Directorate forecasts are coming through. 6. Interface between the HR system (Zellis) and Oracle to ensure all establishment changes are managed in a more effective manner. Expected implementation of this daily interface is expected late in Quarter 4 2025/16.
1.3 Schools Budget	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024 (Statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 - Recommendation 3)	The Council to seek to 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.	1. The Council to seek to balance its school's budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. 2. Council to consider performing 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.	1. Officers to review existing and likely positions and outcomes. 2. The Council to continue to monitor the national picture on this issue - Note - This is a known national issue with many councils unable to fully fund their DSG deficits within General Fund reserves and resources.	Steve Muldoon	Andy Goodwin	Andy Goodwin	01/04/25	31/03/26	A	A letter has been received from DiE commending the Council on "the significant progress that has been achieved in Hillingdon and your rigorous approach to providing a high quality, financially efficient SEND service". The Government intends to set out plans for reforming the SEND system in the coming months. Average EHCP costs, EHCP numbers, number of EHCP cases in mainstream settings, placements in independent settings and a revised banding framework. A projection of the DSG deficit up to March 2028, when the statutory override ends, indicates that the council's cumulative DSG deficit will reach £90.8m without any further safety valve contributions from DiE or LBH. The one known scenario that can be modelled for as a potential solution at present would be for this to be capitalised (using EFS) which would lead to an annual MRP charge to the council's revenue budget of £2.6-2.8m/yr. At that point, from 2028/29, the annual in-year position is anticipated to be break-even. However this is a scenario that affects councils up and down the country and so we await further guidance from Government on how this multi-Ebn national issue will be addressed. A number of indicators being tracked demonstrate that significant progress is being made in reducing the cost burden on the DSG deficit which will help to bring this down over time: Average EHCP costs, EHCP numbers, EHCPs in mainstream settings, numbers in independent settings and a revised banding framework.	The white paper on SEND reform is anticipated to come through very soon, although not as soon as the local government funding settlement arrives. All councils eagerly await clarity from government on how the DSG deficit balances as at 31/3/2028 will be treated from that point onwards. The annual cost to the council in the form of interest is approaching £4m/year to fund the cash cost of the deficit. The council's in-year deficit was budgeted at £12.5m, down from the actual deficit in 2024/25 of £15m. The P7 forecast was a reduction of £1.9m at £10.6m and early indications from P9 workings are that this will reduce further to below £10m, a significant reduction on the prior year. The number of EHCP requests has dramatically increased recently in response to the imminent announcements and so may slow this down but the council is still projecting to bring the annual deficit down further over the next two years. Meetings on SEND Reform have commenced with DiE officers and advisors ahead of the announcements.
1.4 Financial Forecasting	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024 (Statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 - Recommendation 4)	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.	1. Deliver detailed finance procedures manual as described in the Constitution. To assist with clearly defining the responsibilities of budget holders and other individuals with finance responsibilities. Will assist in holding individuals to account and to promote the ownership of budgets. 2. Existing Financial Regulations to be updated as part of the Oracle Roll Out. (e.g. in regard to setting policies for budget setting, income, journals etc). 3. Current spreadsheet-based systems being used pending full EPM implementation, also need to be fully documented and communicated. 4. Training to be delivered on the financial responsibilities and wider financial regulations to ensure effective governance and organisational financial management. The responsibility of all officers but should be well understood and supported by finance officers and business partners. They have a key role in promoting good practice and identifying areas of weakness and non-compliance, working to support colleagues across the Council to help them discharge their responsibilities.	1. Progress with the process underway under the banner of the Finance Modernisation Programme (FMP) that the Council is embarking on with partners Grant Thornton. 2. The Council to report on the expected financial position for 2025/26 will take place for the first time this year when the Month 2 monitoring cycle is completed and reported to Cabinet on 24th July, and the forecasting processes and underlying assumptions (as well as the 24/25 closure of accounts) will ensure this is a more robust and transparent process than last year. 3. Scrutiny finance training for Members to take place in September '25. 4. EPM to be refreshed over this period.	Steve Muldoon	Matt Davis	Andy Goodwin	01/04/25	31/03/26	A	The forecast outturn during the course of 2025/26 has flagged up that a £30m+ deficit is likely, meaning that the budget setting process is flawed, rather than the forecasting process. Drivers of this are considered to be heavily influenced by the following: - Savings need to be more robustly developed and challenged at the time of submitting proposals. This will be improved upon through more detailed templates and challenge sessions. - Growth has outstripped expectations but also the understanding of the level of demand in the current year is weak. - Growth and demand models and in-year tracking need to be better developed. - Optimism bias needs to be removed. Cross-cutting savings need to be tightly owned and managed or they do not move forward at pace. RAG ratings of savings need better definition and savings need challenge through the year. - Dependency on capital receipts to fund revenue spend creates a risk of overspend if these do not materialise to plan. This approach will be removed from future budgets. - A significant movement in 2024/25 came from balance sheet corrections as the balance sheet review process progressed. This exercise needs concluding to ensure there are no further hidden surprises. Reconciliations need to be maintained more frequently and reviewed by others. - There needs to be an exercise after each year end to review changes from the final forecast to the outturn to understand which variances are ongoing and have not been fully built into the new year's budget. Many of the above issues arise due to a lack of clarity in the current year position as the budget setting process for the following year begins, and a weak challenge of new proposals which undermines deliverability of savings through the following year. Growth modelling needs improvement and the budget setting process tightening. This needs to begin earlier in the year than has been the case in recent years as the process becomes rushed and insufficient time remains to perform a thorough process. While these issues will be addressed during the current MTFS cycle, the fact that the council is having to address so many issues at once and has limited time available for turnaround does present a risk that these will not be fully resolved. A contingency will be required to mitigate any such unforeseen/unidentified issues.	1. The P6 forecast outturn indicated a £36m deficit which has stayed steady in P7 and is expected to remain steady in the P9 forecast also. As part of the budget process, as set out in 1.1 and 1.2 above initial 2026/27 Budget Report presented to Cabinet on the 23rd December 2025 includes significant adjustments (growth) to savings and pressures that are implicit in the £36m forecast. The variances contained in this demonstrate that it is the budget setting process that has been flawed, rather than the forecasting process. Drivers of this, that have been scrutinised to deliver the 23rd December initial 2026/27 Budget Report include: - Savings achievability is key - for 26/27 these have been more robustly developed and challenged and delivery plans are now being worked up. - Growth, demand and inflation have been understated previously - models and in-year tracking have been developed to understand the underlying trends. - Variances carried forward from the previous year not properly addressed - budget rebasing forms a significant part of the growth in 26/27 MTFS modelling. - Optimism bias (e.g. growth and savings) - this has been removed and cross-cutting savings minimised as these lack clear ownership - Dependency on capital receipts to fund revenue spend has been removed from future budgets and will only be used for one-off savings implementation costs. - Contingency has been rebuilt 2. There will be an exercise at each year end to review changes from the final forecast to the outturn to understand which variances are ongoing and may not have been fully built into the new year's budget. 3. Given time pressure experienced in this year's budget process, the process will need to begin earlier in the year to perform a thorough, unrushed process. While many of the above issues will be addressed during the current MTFS cycle, the fact that the council is having to address so many issues at once and has limited time available for turnaround does present a risk that these will not be fully resolved. A contingency has been rebuilt to mitigate unforeseen/unidentified issues.
1.5 - Financial Information	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024	1.5.1 The Council perform data quality assessments, using the Government Data Quality Framework or another suitable framework, of its key activities to enable it to better understand what its key data sources are, how it uses such data, the maturity of its data quality processes and any limitations in the data it uses; 1.5.2 That having completed the data quality assessments, the Council should develop action plans to address any areas of weakness identified and ensure that implementation of those action plans is monitored and remedial action taken where necessary	1. Ensure that key data in the organisation that informs decision making are available and accessible to senior managers 2. Prepare Power BI dashboards that relate to the Council's performance and expenditure across all service areas, with a process for assessing data content and data quality in each.	1. The Finance Modernisation Programme to include workstream to improve processes and controls and improve Oracle functionality to enable modern processes and drive compliance with process and data standards. The Finance Systems workstream is to support a range of improvement actions including: - Integrations - Improving existing integrations with feeder systems and developing additional interfaces to significantly reduce the level of manual intervention in the transfer and validation of data into Oracle. This work will support and be informed by the Council's wider initiative to improve the data management. 2. The FMP/FS workstream to work on short term actions to improve data validation prior to transfer into Oracle and sustainable processes changes to reduce the high level of changes required to master data and ensure more robust management of cut off procedures to support Oracle maintenance and financial reporting processes. 3. End of year performance report to the Cabinet and also select committees. 4. End of year performance report to the select committees. 5. Performance reports to be taken to SMTs and CMT on a monthly basis to review progress, actions and data quality	Matthew Wallbridge	Ian Kavar	Darren Persaud/ Darren Everden/ Matt Davis	01/04/25	31/03/26	A	1. Annual Performance Report being presented to Select Committees 2. MTFS Dashboard to track savings progress presented to SDB on a monthly basis 3. Over 100 Power BI dashboards are available across the organisation with finance, performance and benchmarking data to support Corporate Directors and senior managers to help inform decision making 4. Power BI dashboard has been produced to make the data from Oracle clearer to budget managers, heads of service and corporate directors. This will drive greater understanding or challenge of the veracity of the data, hence continuous improvement in the quality of data.	1. In line with a more recent recommendation, closer attention will be paid to reconciliations for core balance sheet control accounts and balances. 2. The Oracle programme will be a key contributor in ensuring that budget managers take ownership of their data and forecasts. Training has already been rolled out to both budget holders and senior managers to clarify expectations of them in their forecasts and underlying financial information.

1.6 Capacity and Capability	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024	The Council to review the capacity and skill mix within the Council's finance team to ensure that the Council is able to support the production and audit of its financial statements within statutory timeframes, as this is a key enabler for supporting appropriate scrutiny of the Council's financial performance by stakeholders.	1. Recruit to a permanent s151 officer role. 2. Commission and fund specialist capacity and capability to inject extra support to deliver the audit recommendations and the improvements in the CIPFA report. This is to align with the improvements needed in the Oracle programme 3. Restructure the Finance directorate, and review the additional areas within Finance	1. Deliver restructure and recruitment campaign to deliver the right skills and capacity to deliver the outputs from the FMP. 2. In the interim bring in extra capacity and capability to deliver the FMP through consultants who have the experience, tools and techniques to accelerate the improvements. 3. The Finance Moderation Programme is to support key actions to improve capacity and capability with the Council's finance team, these include: - Advice into the designing of senior finance roles including S151 Officer - Design of a new finance operating model, including finance team structure - Mapping of detailed tasks and roles and responsibilities across the new finance structure - Advising on the transition approach to move from the As Is to Be structure aligned to achievement of process and technology based improvements. 4. Further transition planning activities include: - development of a full competency model for all finance roles - detailed skill assessment across all finance roles	Steve Muldoon	Andy Goo	Andy Good	01/04/25	31/03/26	A	1. Grant Thorton have come to an end of phase 1 of their work on the Finance Modernisation Programme, with phase 2 to begin shortly. Additional resource is being seconded in to support capacity and capability on the annual accounts process and the Medium Term Financial Strategy. 2. Specialist support from GT to drive the Finance Modernisation Plan forward in respect of Oracle and the annual accounts has included: - implementation of an updated Oracle monitoring template for users that has simplified the monitoring process for budget managers with one return for all budget managers' budgets (was one return for each cost centre). This has now been running for 2 periods. - work with the HR team to define and specify an interface that will work daily to transfer establishment data from the HR system to Oracle, meaning the establishment position on Oracle will be continuously updated. Now awaiting an upgrade on the HR system to move forward. - Technical support in reviewing key working papers such as IFRS16 to identify possible issues and ensure compliance to new auditing standards, and to provide support and quality assurance of the 2024/25 audit process. - Work with the capital team to establish and define the issues being encountered in the use of projects to enable resolution. - with new processes in place to manage hierarchial changes, work with the Council in reviewing Oracle access and authorisation setups, taking into account External Audit recommendations supplied in October following the audit of the Oracle R12 to Fusion transition.	1. Key roles in the Finance team have been or are being recruited to on a permanent basis with appointments to two Head of Finance positions and recruitment to a lead capital position underway. 2. Joint work with Grant Thorton has now moved into a shorter, sharper, phase 2 work package on the Finance Modernisation Programme. 3. Specialist support in Phase 2 from GT to drive the Finance Modernisation Plan forward in respect of Oracle and the annual accounts includes: a. implementation of Oracle Items as set out in 1.8 below – workshops and design work are already under way. b. finalisation of the work on the interface that will undertake daily transfer of establishment data from the HR system to Oracle. c. work with the capital team to establish and define the issues being encountered in the use of projects to enable resolution. d. Reviewing the Governance and processes linked to the Council financial reporting processes e. Reviewing the transaction processes & recharging models for efficiency across the Council – starting with procurement processes f. Working with the DOP on a new structure and financial skills of the Finance department and the Council. This may include some bolstering of resource in key areas to increase in-house capacity and capability and reduce future dependency on external resource from consultants.
1.7 A clear financial position	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024 (Statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 - Recommendation 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.	1. Review and update the reported forecast position to reflect all known issues, avoiding optimism bias, so the extent of the challenge facing the council is properly understood and can be firmly addressed. 2. Assess the impact on EFS request to MHCLG and update accordingly; engage further with MHCLG to progress this. 3. Assess the closing level of reserves as at 31/3/25 and how this compares to what the council set itself as a minimum level and the average position across London Boroughs. 4. Derive the impact on the MTFS for the council over the next 3 years and how this will need to be addressed through savings and EFS.	1. Assess and challenge all current year savings to assess deliverability, keeping these under regular review each month. 2. Identify other key risks to the forecast and financial position, assess reliability of forecasting in these areas, how these can be improved and any further potential financial impact. 3. Implement further spend controls, communicate these to staff. 4. Engage productively with MHCLG to press for early decision on EFS if possible, clarify the process and timetable. 5. Benchmark reserves to determine how LBH compares to peers and inform the EFS application. 6. Progress the MTFS process to understand the gap and the level of EFS that may be required over the next 2-3 years 7. Assess the asset base for potential disposals to contribute capital receipts towards offsetting the EFS required.	Steve Muldoon	Andy Goo	Andy Good	01/04/25	31/03/26	A	This theme has been added this quarter to ensure completeness of S24 recommendations in the GRIP. 1. The recent P5 and P6 reports demonstrate that the Council has been reviewing the current financial position closely with regard to the deliverability of the savings target, removing optimism bias from the forecast. The seriousness of the position has been communicated to and acknowledged by senior management and Cabinet members, with further spend control measures now being introduced. Further financial risks have been identified and clarified in the report as these may further impact the outturn, and are in the process of being scrutinised further. 2. Growth modelling is being reviewed and improved to ensure that there is a stronger understanding of the key cost indicators in temporary accommodation and social care, both to inform the forecast and the MTFS. 3. Reserves have been compared to those held by other London boroughs at 31/3/25. Some of those are of course inflated by the EFS they have already received and so adjusting for this, LB Hillingdon was 5th lowest for General Fund reserves at that date. Reserves are being sought to be bolstered through the EFS application, to bring these back above the minimum level recommended in the February S25 report. 4. Cash flow modelling has been scrutinised to understand the impact this will have on the council's ability to borrow to cover expenditure through the remainder of the year, including how much headroom it still has. 5. Capital projects are being reviewed to identify any which show signs of likely slippage, or can be reduced or deferred. This action will assist the forecast cash position and reduce the eventual impact on the general fund.	1. The P6 forecast deficit of £36m has stayed steady through to P9 which indicates that many of the issues inherent in the budget as set have been flushed out, in respect of savings, growth and other budgeting issues. This has enabled the MTFS to be built on a more confident and stable base, reducing the risk of avoidable issues arising in 2026/27 budget setting. 2. The position has been clearly communicated to, discussed with, and acknowledged by senior management and Cabinet members and reflected in the 2026/27 initial Budget Report. Enhanced spend control measures are now embedded. 3. Reserves are being sought to be bolstered through the EFS application, to bring these back to an acceptable level. 4. Cash flow continues to be modelled and scrutinised to understand the impact this will have on the council's ability to borrow to cover expenditure through the remainder of the year, including how much headroom it still has. The council will be able to manage any short-term pressures to avoid any critical cashflow issues. 5. Existing capital projects have been reviewed as part of the 2026/27 MTFP process to identify any which show signs of likely slippage or can be reduced or deferred. This action will assist the forecast cash position and reduce the eventual impact on the general fund.
1.8 Oracle EPM	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024 (Statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 - Recommendation 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.	1. Stabilise Oracle EPM environment and resolve outstanding Implementation issues. 2. Strengthen governance and control processes around system access and configuration. 3. Ensure accurate and reliable reporting against budget for all budget holders and decision makers.	1. Conduct a retrospective review of all risks and issues logged during implementation to confirm closure or mitigation. 2. Complete a user access review for Fusion and EPM, ensuring appropriate authorisation and removal of conflicting permissions. 3. Ensure month end close processes run efficiently and effectively and data has integrity. 4. Update system security policies to enforce password controls, login attempt limits, and account lockout protocols. 5. Implement a data quality assessment for EPM outputs to validate completeness and accuracy for decision-making. 6. Develop and roll out training sessions for budget holders on using EPM, dashboards and interpreting financial data.	Matthew Wallbridge	Pete Carr	Martin Brown	01/04/25	31/3/26	A	This theme has been added this quarter to ensure completeness of S24 recommendations in the GRIP. 1. Oracle Programme Manager appointed in October. 2. Worked with External Auditors to undertake an implementation audit of the transition from Oracle R12 to Oracle Fusion. The review highlighted a number of access and authorisation improvements which are being integrated into the improvement programme. 3. Implementation of an updated Oracle EPM monitoring template for users that has simplified the monitoring process for budget managers with one return for all budget managers' budgets (was one return for each cost centre). This has now been running for 2 periods. 4. Workshop review sessions run on period end closing in mid October, taking on board learning points from the first 2 months of the updated EPM monitoring solution, to ensure the month end process for October is run more efficiently. 5. Updated governance processes being implemented by new programme manager to ensure Oracle updates are properly designed, owned and understood by the business, and rolled out with the appropriate levels of testing and training. 6. Workshops run through October to document and provide a solution for the issues being encountered with projects. 7. Contracted for Phase 2 of the Oracle element of the FMP 8. Presentation to the Audit Committee on Oracle (with progress updates in more detail and the future plan)	The 2024/25 draft Auditor's Report has highlighted a number of Oracle improvements that are set out in Appendix C of that report. These are being actively implemented by: 1. A clear prioritised deliverable plan now being in place setting out the required work over the upcoming period. 2. Improving the updated EPM monitoring template using more of the Oracle Fusion technology for implementation as part of the Month 2 2026/27 monitoring. 3. Updating of the Council's access and authorisation arrangements to simplify its use and maximise the how the Council utilises its Oracle licences - due for implementation at the end of the quarter, with joint workshops already taking place. 4. Implementation of updated procurement processes, including additional punchout access to Amazon for users within the quarter and building of resilience to ensure quicker punchout implementation for additional suppliers.
1.9 Issues highlighted by external reviews	London Borough of Hillingdon Final Audit Results Report Year ended 31 March 2024 (Statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 - Recommendation 7)	We recommend that the Council continues at pace with the development and implementation of its FMP, as well as the wider GRIP, 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.	1. Progress the FMP and GRIP as already laid out. 2. Review all other documents which highlight weaknesses and make recommendations for improvement and implementation, and capture relevant actions in the GRIP/FMP plans 3. Review feedback from EY on the issues they have raised in the past year and capture these to ensure they get addressed.	1. Review the Internal Audit reports for 2024/25 to pull out relevant actions not yet addressed or completed. 2. Review the CIPFA review report for issues and actions to address	Steve Muldoon	Pete Carr	Pete Carper	01/08/25	27/02/26	A	This theme has been added this quarter to ensure completeness of S24 recommendations in the GRIP. 1. Recommendations from the 2023/24 External Audit Report are included in this document as are the additional recommendations in the S24 Report. These are reviewed on an ongoing basis internally and reported quarterly to Audit Committee. 2. The External Auditors have undertaken a transaction audit for the move from Oracle R12 to Fusion. A number of recommendations linked to access rights were made in October and these have been included in the access and authorisation review mentioned in 1.6 above. 3. Work continues with the External Auditors on the Audit of the 2024/25 Accounts and there is an update on this work reported to the Audit Committee.	1. Draft 2024/25 Auditor's Report has 3 sets of recommendations (previous year, 2024/25, and Oracle) in its appendices which are picked up in this statement. 2. Final 2024/25 Auditor's Report and associated updated recommendations are part of the February 2026 Audit Committee agenda. 3. Oracle Recommendations set out in item 1.8 Oracle EPM. 4. Preparation for 2025/26 Accounts has started – including implementation of a full balance sheet review (and correction) as at Quarter 3 to speed up processes and ensure with greater probability that the draft accounts are delivered by the 30 June 2026 deadline. This builds on initial work undertaken for Quarter 2 of 25/26. 5. The GRIP and FMP are being reported on at each Audit Committee to update on the progress being made, with new recommendations being added as they arise.
1.10 Robustness of the Budget 2025/26	London Borough of Hillingdon Draft Auditor's Annual Report Year ended 31 March 2025 VFM Recommendation	We recommend that the Council reassesses whether the assumptions and forecasts underpinning its 2025/26 budget were sufficiently robust to support the conclusion that the Council has set a balanced budget for the 2025/26 financial year. If the Council is unable to conclude that it has a balanced budget, it should consider what further actions it may be required to take to comply with its statutory responsibilities.	1. Assess the S25 Statement and Budget report published in February 2025 re the 2025/26 financial year. 2. Review and assess the assumptions and forecasting underpinning the budget for 2025/26. 3. Review and assess intervention actions taken by the Council and the S151 Officers throughout the course of the 2025/26 year to ensure compliance with statutory responsibilities.	1. Monitoring Officer team to lead on preparing a review and assessment. 2. MO team to interview statutory and other officers as required. 3. MO team to meet with external auditor to discuss their concerns.	Dan Toohey	Dan Toohey	Brendan Molloy	27/11/25	27/2/26 in draft form	A	The Monitoring Officer team has commenced a review exercise and has had initial discussions with the S151 Officer and Head of Paid Service.	The review exercise will culminate in a draft report with conclusions and/or recommendations aiming for end of February 2026. The draft will then be circulated for comment from the External Auditor, S151 Officer and Head of Paid Service, with a view to it being concluded by the end of March 2026

Governance Review Improvement Plan (Directorate Governance)

Theme	Title of Review	Recommendation	Actions	Detailed Delivery Actions	Senior Responsible Officer	Lead	Action Delivery Lead	Start Date	End Date	RAG Status	Quarterly Progress Update (April - June 2025)	Quarterly Progress Update (July - September 2025)	Quarterly Progress Update (Oct - Dec 2025)
Non Finance Recommendations and Actions													
2.1 - Directorate Business and Financial Plan Template	Internal Audit Report on Governance September 2024	1. The Directorate Business and Financial Plan template should be updated to require directorates to set clear objectives aligned to the Council's corporate/strategic objectives. 2. These objectives should then be taken into consideration when allocating resources, developing directorate action plans and setting key performance indicators for the 2025/26 year. 3. The Directorate Business and Financial Plans should be reviewed and approved through CMT to ensure there are no cross-directorate impacts, and they are consistent with the wider corporate/strategic objectives.	1. Complete a review and update of the business and financial planning requirements, including corporate objectives and business plan template. 2. Ensure Directorate Annual Plans are in place for all areas. 3. Template to be reviewed Annually and brought to CMT for approval. 4. Directorate Business and financial plans to be completed annually by CMT. 5. CMT to monitor Directorate Business and financial plans quarterly.	1. Updated Directorate Business and Financial Plan Template to be approved by COO. 2. Circulate the Directorate Business and Financial Plan Template to all Corporate Director's to complete with a deadline date. Directorate Business and Financial Plans to be sent to Corporate Business Manager. 3. Schedule all Directorate Business and Financial Plans to be approved by CMT. 4. Circulate final Directorate Business and Financial Plans to CMT. 5. Save all final Directorate Business and Financial Plans in the SMT SharePoint folder. 6. Template will be reviewed by CMT on an annual basis. 7. Directorate Business and financial plans will be completed annually for approval at CMT. 8. CMT will monitor Directorate Business and financial plans quarterly. 9. The updated Directorate Business and Financial Plans, once underway and having been in place for a time, will be the subject of an internal audit exercise to consider areas for improvement (what has worked well vs. what has not etc)	Matthew Wallbridge	Darren Persaud	Michelle Smith	31/03/25	30/07/25	A	1. Business and Financial Plan Template draft settled by COO then discussed at CMT and sent to all Corporate Directors 2. The Directorate Business and Financial Plan Template has been circulated to all Corporate Director's to complete with a deadline date and a copy sent to the Corporate Business Manager.	1. All scheduled Directorate Business and Financial Plans have been approved by CMT. 2. Final Directorate Business and Financial Plans have been circulated to CMT. 3. Directorate Business and Financial Plans are to be uploaded into the CMT SharePoint folder.	1- The Directorate Business and Financial Plans internal audit exercise (to consider areas for improvement) will report by end of Oct'
2.2 - SMT Standardisation and Reporting	Internal Audit Report on Governance September 2024	1. CMT to agree a standard agenda template and reporting schedule for all SMT meetings covering the following key areas of governance as a minimum: 1.Workforce 2.Service delivery & performance against set objectives 3.Financial performance 4.Risk management 5.Key Projects 2. The SMT reporting schedule should also be aligned to the CMT reporting schedule to ensure any issues identified within the Directorates are appropriately escalated to CMT. System to ensure Directors are held to account for maintaining these SMT meetings in line with the agreed expectations and format.	1. As part of the review of governance and corporate working across the Council, a new standardised meetings structure and agenda for management and governance arrangements to be implemented. Standard Agenda/Minutes template to be produced for CMT & SMT meetings 2. Minutes should be recorded for all Directorates, which should be including the topics of discussion, and any decisions or actions agreed. Actions should be followed up at the next meeting to ensure they are completed. 3. A formal Corporate Governance Group (CCG) (formerly an informal statutory officers governance group) to be set up and will regularly (and annually) undertake a review of the effectiveness of Directorate Governance arrangements including how actions have been implemented and make recommendations for governance improvements for the ensuing year to be included in the GRIP.	1. Set up the SharePoint folder for CMT's, following a similar design to the CMT SharePoint Folder. 2. Email Executive PA's to inform them of the CMT SharePoint folder, and ask them to save all papers in that folder. 3. Standard Agenda/Minutes template to be produced for CMT & SMT meetings. Circulate the template agenda for Directorate SMT's, to Corporate Director's and their Executive PA's advising that this is the template to be used for all CMT & SMT meetings going forward. 4. Set up a Corporate Governance Group (CCG)	Matthew Wallbridge	Mark Braddock/ Lloyd White	Michelle Smith	31/03/25	28/02/26	G	1. Shared folder created for CMT, Internal Groups and SMTs. 2. Communications with PAs awaited pending security access. 3. New standard agenda and minute templates created and agreed for CMT, SDB, Groups and SMTs. Roll out across all internal bodies ongoing. Templates agreed by CMT on 29 May. 4. Additional delivery action to enhance internal governance:- New Corporate Tracker App, aligned with Cabinet Forward Plan now assists CMT/SDB by tracking key executive business through internal bodies before final decision democratic. This will ensure stronger internal governance and accountability, better coordination and robust decision-making. The Cabinet Forward Plan is discussed at CMT monthly, whilst the aligned Corporate Tracker, weekly at SBD. 5. Corporate Governance Group (CCG) first meeting on 19 March 2025. Further meetings were held monthly - on 25 March, 1 May, 3 June, reviewing the GRIP progress, and governance related issues generally.	1. PAs/Eas and Corporate Directors advised of new templates to use going forward. SDB using new templates, CMT using new templates w/e 16 July 2025, SMT's usage being rolled-out. 2. New internal briefing "business proposal" template prepared aligned to new Cabinet/Cabinet report template under review to simplify reporting requirements. 3. CCG meeting held 8 July 2025, reviewing the GRIP progress, and governance related issues generally	1. Final briefing / training session to be given to Senior Managers Meeting 2. CCG continuing to meet and monitor pgress with GRIP 3. Corporate Tracker in place internally for CMT and key stakeholders to track key council business aligned with internal governance groups and processes, prior to democratic decision-making.
2.3 - Review of Governance Arrangements (Senior Management Meetings)	Internal Audit Report on Governance September 2024	1. The scope and frequency of the Senior Management Meetings should be reviewed to ensure it facilitates cross-directorate collaboration and information sharing. CMT should agree formal reporting arrangements to escalate issues and decisions from individual Directorates to ensure the wider impacts on other services can be considered. Where key issues impact on more than one directorate, separate project boards should be established providing a forum for collaboration between the relevant services.	1. Complete a review of the reporting/governance arrangements and implement changes at all management levels, including working with Elected Members, to deliver the Council priorities. 2 A review will be carried out on the officer decision-making structure and tiers of management meetings, with a schematic prepared showing key officer groups, their terms of reference and their relationship between SMTs and reporting lines into CMT. This to be agreed at CMT and rolled out with training/briefings for managers.	1. Review the frequency of the SMM, and then agree frequency with the COO. 2. Create a forward plan of topics to be covered at SMM meetings. 3. Schedule the SMM forward plan at CMT for approval. 4. Share forward plan with SMM.	Tony Zaman	Matthew Wallbridge	Angela Laws	31/03/25	28/02/26	G	1. SMM meetings diarised for 25/26 2. Future agenda items discussed at CMT 3. Draft schedule for SMM 2 Completed the review on the officer decision-making structure and tiers of management meetings. Completed schematic showing key officer groups, their terms of reference and their relationship between SMTs and reporting lines into CMT. This has been agreed at CMT and rolled out with training/briefings for managers. 3. Since the budget went live, the Council has launched a MTFS App to capture the full details of the savings project, with the app feeding into the Council's monthly monitoring process that will be fed back to Cabinet in line with the monitoring timetable.	1. SMM schedule and plan agreed for 25/26 2. Further training provided to managers on the officer decision-making structure and tiers of management meetings, i.e. schematic showing key officer groups, their terms of reference and their relationship between SMTs and reporting lines into CMT. NB follow-up training provided at SMM on 17 July 2025.	1. New internal governance arrangements at officer level in place to shape, review, and support proposals before they reach the democratic and Member domain for decision. 2. All officer groups established with ToR and governance arrangements. To be published on intranet to ensure wider knowledge amongst staff about arrangements. 3. SMTs have been briefed. 4. Officer delegations reviewed to reflect updated Management Structure and Directorates in place. Additionally, general management delegations under review to reflect internal controls and broader spans of management control.
2.4 - Corporate Governance Arrangements Training	Internal Audit Report on Governance September 2024	1. Training should be provided to Corporate Directors and Senior Managers on a yearly basis, and during the induction of newly onboarded Directors/Senior Managers. 2. The training should cover the core principles of governance, and link to wider sessions on budget monitoring/financial performance, workforce planning, service delivery and risk management. This will provide the Directors with a uniformed approach to the expected levels of governance within the Council. 3. CMT should collectively review their governance arrangements on an annual basis and agree actions to address any areas of improvement.	1. Briefings and training on Corporate Governance arrangements will be delivered to all managers. Link to wider sessions on workforce planning, service delivery and risk management. This will provide the Directors with a uniformed approach to the expected levels of governance within the Council. 2. Training to be delivered on the financial responsibilities and wider financial regulations to ensure effective governance and organisational financial management. The delivery of financial governance set out in the Constitution is the responsibility of all officers but should be well understood and supported by finance officers and business partners. They have a key role in promoting good practice and identifying areas of weakness and non-compliance, working to support colleagues across the Council to help them discharge their responsibilities. 3. Establish and communicate to Directors and Budget Managers, accountability and ownership for their respective roles. 4. Division of responsibility between the budget holder and finance business partners needs to be reviewed and clarified. Due to a high degree of reliance being placed on finance business partners in the services to be the custodians of financial data rather than the budget holders themselves.	1.Roll out the annual training programme for leaders/managers 2.Democracy / Governance Master Class to made mandatory for new Team Managers and above. 3.CMT to review annually its effectiveness and ToR 4. NB: annual review to be undertaken by CMT via the AGS	Matthew Wallbridge	Mark Braddock	Angela Laws	31/03/25	31/03/26	G	1. Paper going to CMT 23 July to update mandatory training programmes, which will be open to all staff and include annual, bi-annual and 3 yearly mandatory training programmes. Additional report going to CMT on proposed senior manager training overing coming month. 2. The well-established Democracy and Governance Master Class is mandatory for all new Team Managers and above. Additionally, all new Corporate and key Directors receive political and Democratic Governance briefings from the Head of DS or Democratic Services Manager as part of their induction.	1. Governance masterclass session at SMM in July 2025 2. Creating a wider "governance toolkit" intranet site, aligned/linked to the Cabinet toolkit intranet site. Cabinet toolkit has been simplified and made clearer for staff in terms of knowing who makes decisions and process for preparing executive reports for decision. 3. Key governance areas included in performance appraisals i.e. mandatory training, risk management, budget management	1. Governance training being rolled out. 2. Wider corporate "governance toolkit" intranet site devised.
2.5 - Minute taking and action planning	Internal Audit Report on Governance September 2024	1. Minutes should be recorded for all Directorates, which should be including the topics of discussion, and any decisions or actions agreed. 2. Actions should be followed up at the next meeting to ensure they are completed.	1. Minutes of Directorate meetings to be recorded and retained 2. Action items lists to be maintained and monitored	1.To ensure minutes / action lists are maintained on shared folders 2. This to be reviewed as part of GRIP monitoring by CCG	Matthew Wallbridge	All Corporate Directors	Michelle Smith	31/03/25	31/03/26	B	1. Minutes for CMT, SDB and SMT meetings are kept and recorded and are kept on shared folders	Action trackers being monitored	Impemented

Governance Review Improvement Plan (Constitution & Democratic)

Theme	Title of Review	Recommendation	Actions	Detailed Delivery Actions	Senior Responsible Officer	Lead	Action Delivery Lead	Start Date	End Date	Status	Quarterly Progress Update (April - June 2025)	Quarterly Progress Update (July - September 2025)	Quarterly Progress Update (Oct - Nov' 2025)
Non Finance Recommendations and Actions													
Constitutional and Democratic Governance	Constitution	To be delivered											
3.1 - Constitutional and Democratic Governance	Healthcheck', Independent Review of Constitution and related Democratic processes - Lawyers in Local Government (LLG)	As part of the Stage 1 exercise, an external review ('healthcheck') of the Council Constitution will be carried out by LLG with recommendations to be forthcoming from that exercise. Following that, as part of Stage 2, those recommendations will be reported to Members for consideration and populated into this section of the GRIP document. An action plan will be prepared for implementation of those changes agreed by Members.		To be populated from the outcome of the LLG review	Daniel Toohey (as MO)	Daniel Toohey	Mark Braddock	01/06/25	01/11/25	G	LLG contacted and a brief has been prepared, costed and approved.	LLG have undertaken the review. Final report with consolidated recommendations - aim be delivered by mid October 2025	Report and recommendations to be updated into GRIP document for Action once received and approved

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Finance Modernisation Programme

Page 389

Audit Committee, 10th February 2026

Agenda Item 6b

Finance Modernisation Programme

The Finance Modernisation Programme was initiated in response to findings from past internal and external audits. It has been established to:

- Address key challenges in financial management and systems (Oracle) capability
- Deliver sustainable improvement in Council's ability to manage its financial performance and improve certainty of its financial position.

Page 390



Finance Modernisation Programme

Phase One – What we have done

Focused on the most critical issues first, and laying the groundwork for long term improvement.

Page 391

Getting the basics right	Effective Budget Monitoring	Fixing the fundamentals
Addressing underlying risks in the Balance Sheet	Good practice training for all budget holders	Mitigating Data / Access risks
Validation of accounting transactions	Simpler update processes and navigation	Reducing admin burden in requisition process
Accurate reporting of committed costs	Correcting pay forecasting	Automating Oracle maintenance, reducing workload, improving system availability and
Improved Audit readiness	Good practice processes for monitoring and forecasting	Improving user understanding of Oracle



Finance Modernisation Programme

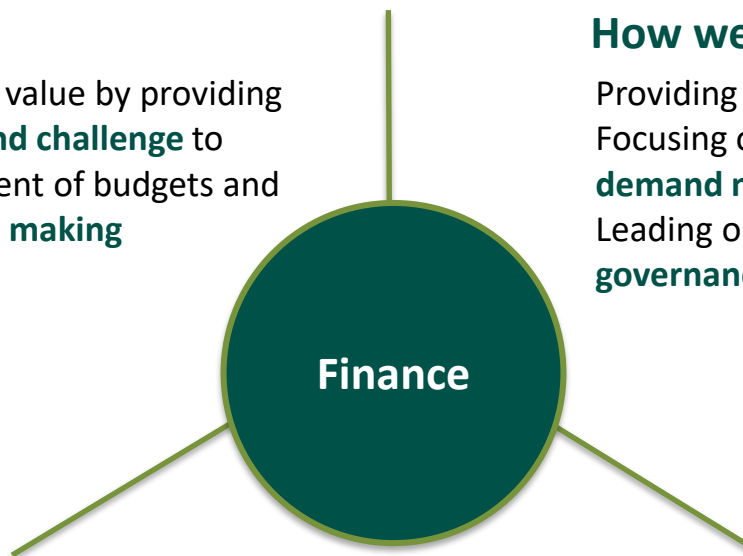
The high-level vision and ambition for Finance:

Finance will be

A Trusted Advisor - adding value by providing the appropriate **support and challenge** to enable effective management of budgets and **enhance strategic decision making**

How we will support the Council

Providing **timely, accurate information**
Focusing on **insightful analytics** and support for **demand modelling**
Leading on ensuring **effective financial governance** and **control**



How we will get there

Doing the basics well & ensuring the numbers are right
Getting on the front foot – **clean audits, clear financial strategy, robust budgets**
Developing a supportive **culture & operating model**
Continuously **improving efficiency and effectiveness** – optimising automation in processing & in reporting
Providing the training, support and career progression to **attract and retain staff**

Page 392



Finance Modernisation Programme

Phase Two – What we are doing

The programme supports the ambition for Finance

Page 393	Audit Readiness	Planning, Budgeting and Reporting	Process Modernisation	Finance Strategy
	Audit readiness – Analysis and issue resolution	MTFS, Demand and Savings review	Optimise use of Oracle for transaction processes	CFO Planning workshop
	Financial close best practice	2026/27 Budget Manager training	Review recharging models	Strategy and stakeholder engagement
	IFRS 16 Advice	High quality reporting system	Review recharging models	Finance Skills and Competency framework

Learning and Development framework

Fostering a Culture for Change



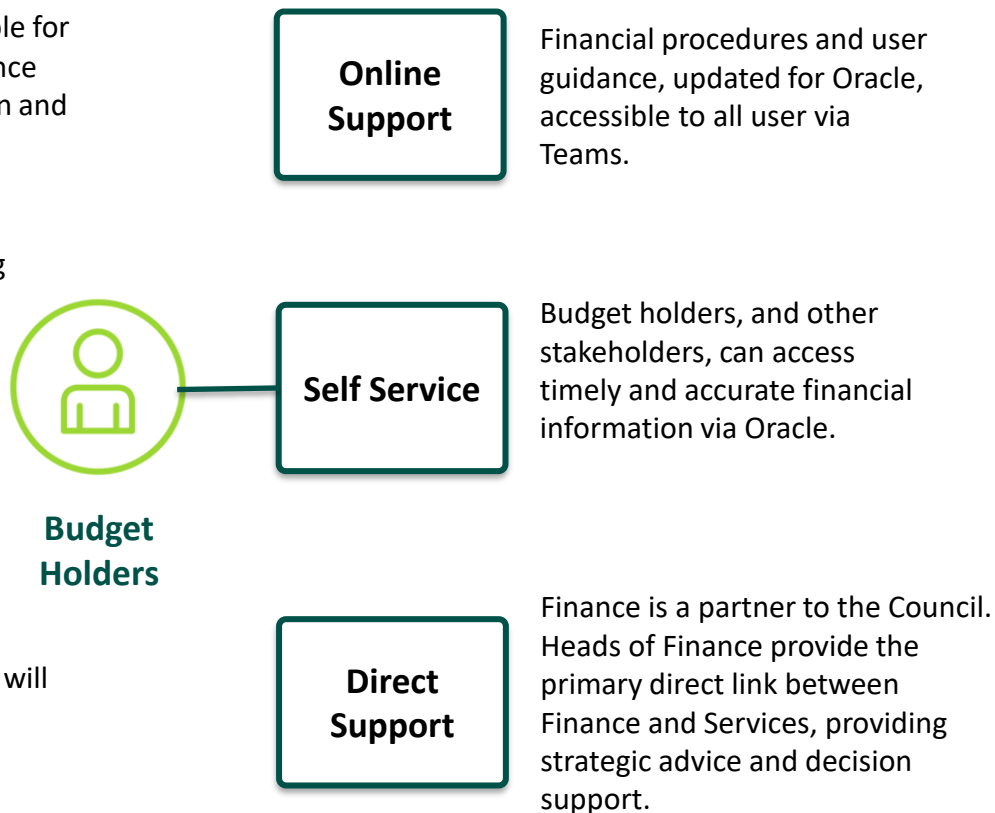
Finance Modernisation Programme

Finance Strategy - Overview

The strategy aligns resources to support efficient and effective financial management across the Council.

Key elements include:

- **Roles and responsibilities:** Budget holders are accountable for their budgets. Clear roles and responsibilities across the Finance Function support provision of timely and accurate information and leading effective financial governance and control.
- **Learning and Development:** A strong emphasis on developing finance skills across the organisation and fostering a culture of continuous improvement. This focus will ensure that the Finance Function evolves in line with organisational needs and industry best practices.
- **Oracle:** The Finance Function will continuously improve processes, optimising the user of Oracle, reducing manual tasks, streamlining transactional processes. This shift will enable a more seamless and efficient finance service.
- **High-Quality Reporting:** Enhanced reporting capabilities will provide decision-makers with timely and insightful financial information, enabling more effective resource allocation and strategic planning.



Finance Modernisation Programme

High Quality Reporting – All stakeholders benefit from high-quality reporting. Better, smoother decision-making is achieved, budget holders become more financially aware, and ultimately, better value for money is delivered.

What high-quality financial reporting enables...

What does this mean for me?

Elected Members

- Clear line of sight between **financial position, service performance and outcomes**
- Improved ability to **scrutinise, challenge and hold officers to account**
- Reduced reliance on verbal explanations and retrospective clarifications

- Better informed policy and budget decisions
- Stronger democratic oversight and public accountability

Corporate Directors & Senior Managers

- A **single version of the truth** across the Council
- Ability to **drill into financial position quickly and consistently**
- **Forward-looking insight**, not just historical variance
- **Clear commentary from budget holders** embedded within reports

- Faster, more decisive leadership
- Early identification of risk and corrective action
- More strategic conversations focused on solutions, not data validation

Budget Managers

- Clear ownership of budgets with **intuitive, easy to interpret information**
- **Consistent forecasts** supported by underlying data
- **Confidence to engage** constructively in finance conversations
- **Reduced time reconciling spreadsheets** or querying figures

- Stronger budgetary control
- More accurate forecasting
- “We get professional insight from finance”
- “We understand our finances better”

Finance

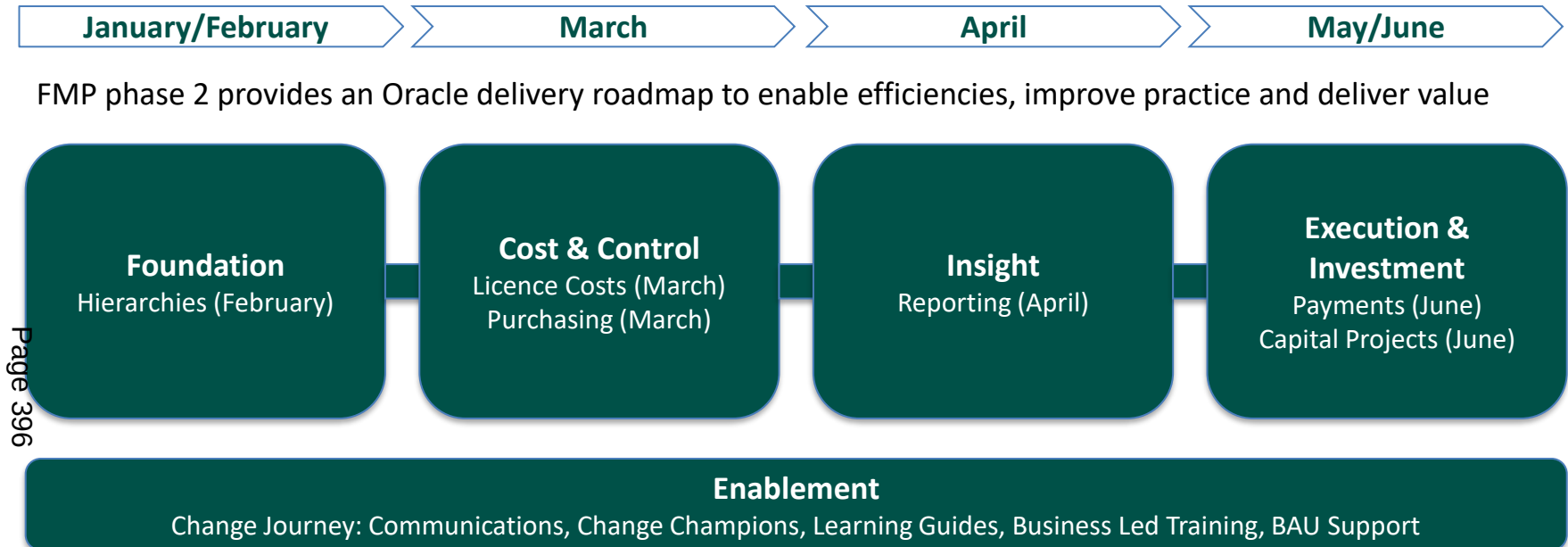
- **Less manual manipulation** and bespoke reports
- Time shift from data production to **insight and advice**
- Capacity to **showcase financial skills and knowledge**
- **One version of the truth**... finance adds value to service activities

- A more resilient, efficient finance function
- Stronger business partnering capability
- Better use of limited finance capacity
- An opportunity to showcase finance skills and knowledge
- “We get involved at the earliest stages and influence outcomes”



Finance Modernisation Programme

Oracle Transformation Journey – from Foundation to Value



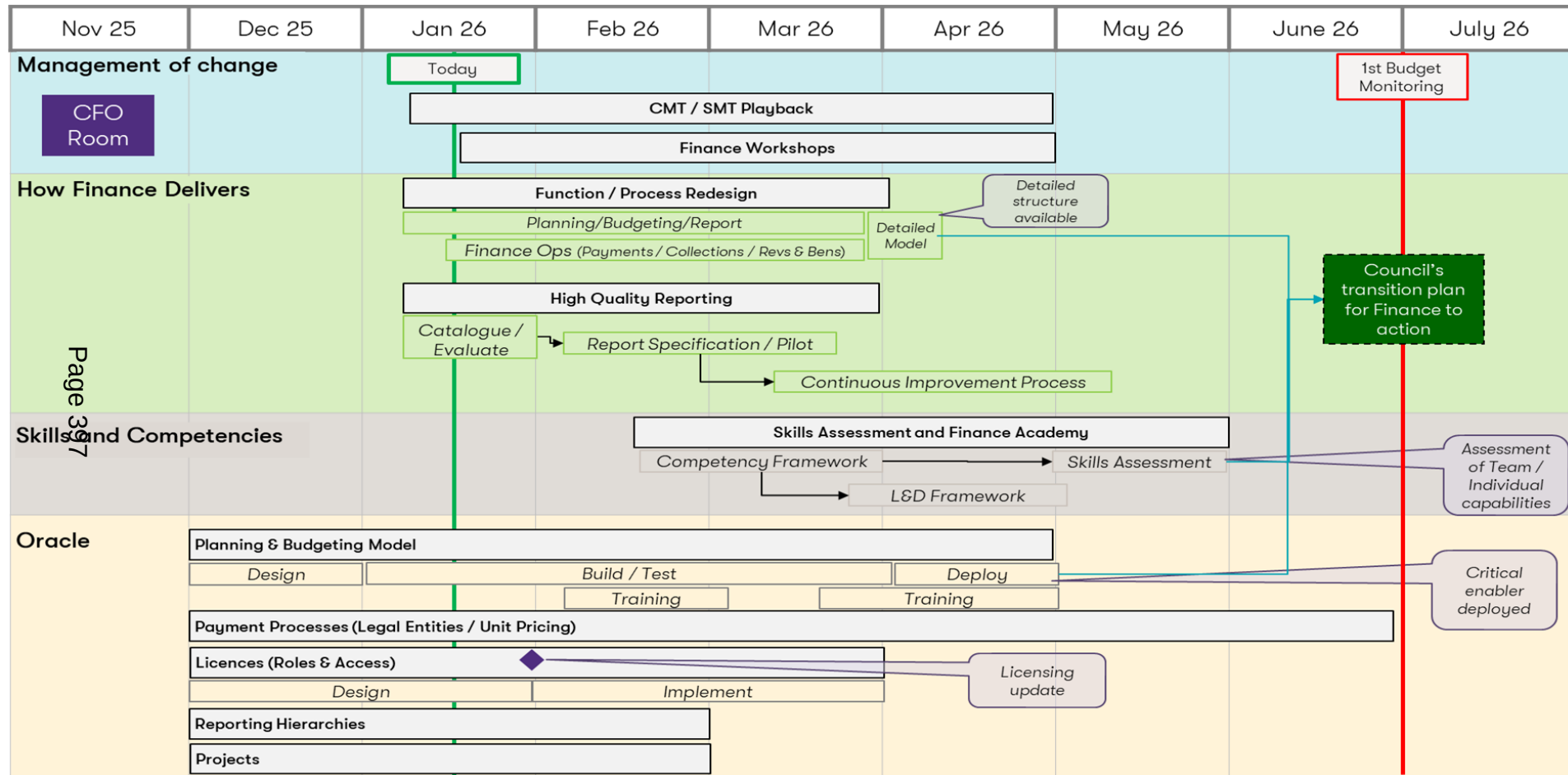
Executive takeaway: The roadmap moves deliberately from structural foundations, through cost control and insight, to scalable execution and capital projects, managing dependencies.

Executive takeaway: The programme change principles will ensure effective communication and management of change, business led training and business change support to enable value.



Finance Modernisation Programme

Oracle

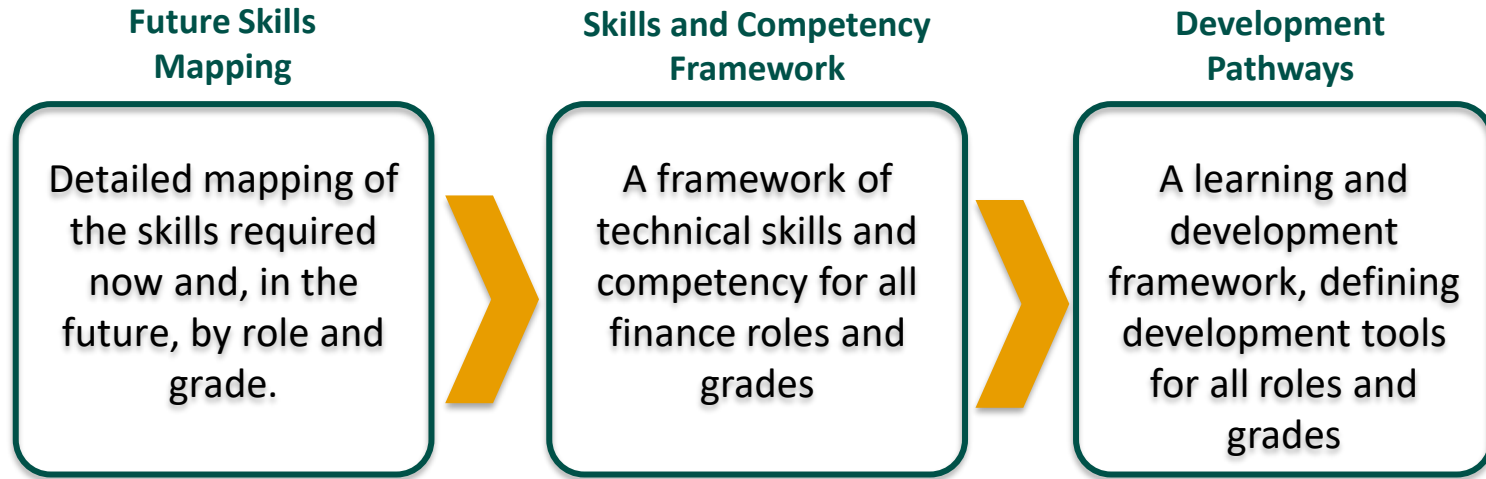


Finance Modernisation Programme

Learning and Development

A focus on skills and development to ensure finance has the right skills and can attract, retain and develop people.

Page 398



Defined skills and competencies, by role and grade to support effective performance management.



Finance Modernisation Programme

Barriers to success:

Capacity: The Finance team has limited capability and capacity to support a wide range of complex changes and initiatives, especially as these relate to a range of competing pressures and liaison with different stakeholders.

Oracle: There is a dependency on support and maintenance provider Mastek to for the deployment of Oracle developments to the live environment.

Ownership: Ensuring budget holders have a clear accountability framework for budget management, and the use of Oracle. And for learning and development to be in place to facilitate this.

Change management challenges and change fatigue: large organisational changes can reduce the appetite for adopting new ways of working, especially if benefits of the business partnering approach are not clearly communicated or quick wins not demonstrated.



Finance Modernisation Programme

The Finance Modernisation Programme Phase 2 will deliver:

- **Budget monitoring:** 26/27 budget monitoring managed through Oracle
- **Modern finance function:** Structure and skills to support the Council
- **Learning & Development:** L&D framework aligned finance skills and competency framework. Not just a Finance responsibility.
- **Ownership:** Clear accountabilities and support collateral for effective financial management across the organisation

Page 400

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RISK MANAGEMENT REPORTS

Committee name	Audit Committee
Officer reporting	Claire Baker, Head of Internal Audit & Risk Assurance
Papers with report	Risk Management Report Strategic Risk Report
Ward	All

HEADLINES

The Risk Management Report presents to the Audit Committee a summary of the Council's risks from the Risk Management System at the **28 January 2026**.

The Risk Report focuses on key performance indicators to support the Committee gain assurance risks are being managed effectively across the Council and mitigating actions are being implemented. The report also includes a summary of the Council's most significant red rated risks, also known as the Corporate Risk Register.

The Strategic Risk Report focuses on the wider strategic risks potentially impacting on the Council's Strategic Objectives, aligning them to the Council's key performance indicators from the Performance Dashboard to provide assurance the risks are being managed effectively.

RECOMMENDATION

That the Audit Committee note the reports and level of assurance received.

SUPPORTING INFORMATION

None.

BACKGROUND PAPERS

NIL.

APPENDICES

Appendix A – Risk Management Report
Appendix B – Strategic Risk Report

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RISK MANAGEMENT REPORT

28 January 2026



HILLINGDON
LONDON

CONTENTS

The key contacts in connection with this document are:

Claire Baker

Head of Internal Audit and Risk Assurance
cbaker@hillingdon.gov.uk

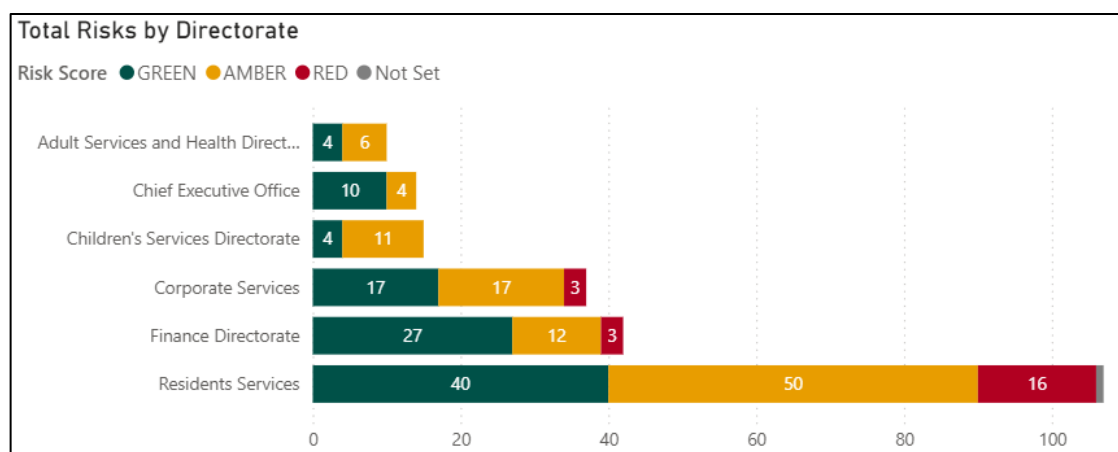
	Page
1. INTRODUCTION	3
2. RISK REGISTER UPDATE	3
3. CORPORATE RISK REGISTER UPDATE	5
 <i>APPENDIX A: SUMMARY OF CORPORATE RISK REGISTER</i>	 <i>7</i>
<i>APPENDIX B: RISK SCORING METHODOLOGY</i>	<i>8</i>

1. INTRODUCTION

- 1.1 Hillingdon Council has a statutory responsibility to ensure arrangements are in place for managing risks. Risk management is about managing opportunities and threats to objectives to help create an environment of “no surprises”. It is a crucial element of good management and a key part of corporate governance. Although risks can never be entirely eliminated, proportionate and targeted action can be taken to reduce risks to an acceptable level.
- 1.2 Managing risk should be viewed as a mainstream activity and something that is an integral part of everyday management. Risk Management involves the early identification of risks, assessing their potential consequences, and determining the most effective way to reduce the likelihood and/or impact of the risk. The Council's Risk Management Policy provides a framework to ensure there are clear roles, responsibilities and methodologies for identifying, recording and managing risks.
- 1.3 This report summarises the Council's Risk Register as at the date on the front of the report, and outlines the work undertaken since the last Audit Committee meeting to improve risk management arrangements. It is designed to support the Audit Committee to monitor and review the authority's risk management arrangements, as per the Committee's terms of reference.

2. RISK REGISTER UPDATE

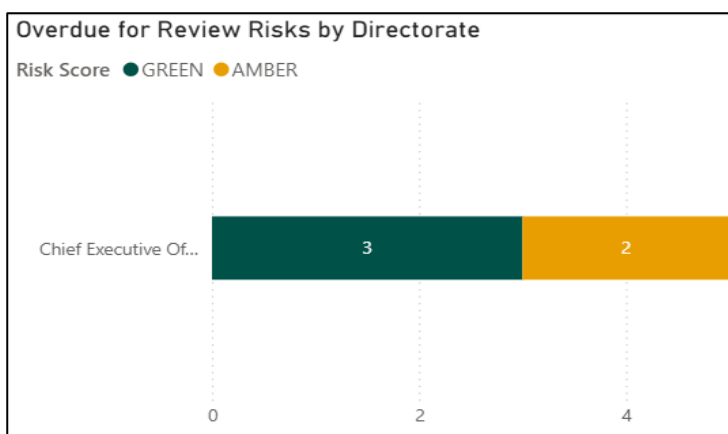
- 2.1 There were **225 total risks** recorded on the Risk Management System at the time of this report. This is a reduction from 263 risks at the beginning of November 2025 due to work undertaken within directorates to review and close long standing overdue risks:



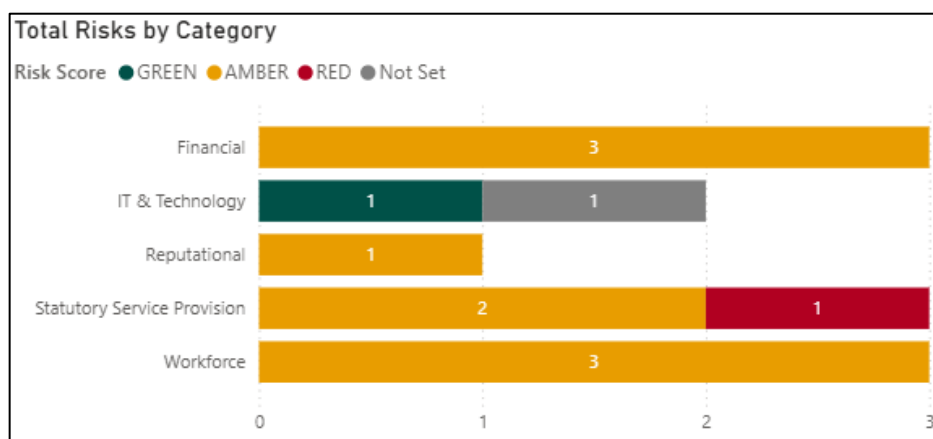
- 2.2 There were **22 red rated risks** on the risk register. Since the last Audit Committee report **four red risks were closed, seven red risks were downgraded** to amber or green and removed from the corporate risk register, and **three were added to the register**. The details of the red rated risks are shown on the corporate risk register in section three of this report.
- 2.3 There was **one unscored risk** at the time of this report. The risk had been added to the register the day this report was run, and therefore it is likely the score was still being considered. The low number of unscored risks is a positive indication officers are comfortable scoring risks in line with the Council's Risk Scoring Methodology (see Appendix A) to ensure they are escalated and monitored appropriately.

2.4 At the time of this report there were only **five risks overdue for review**, this is a significant improvement from 41 risks at the beginning of November 2025.

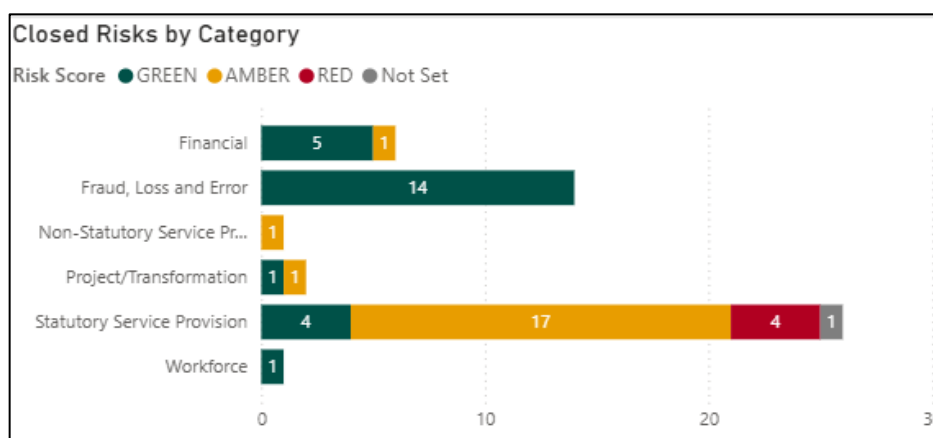
2.5 **No red rated risks were overdue for review** at the time of this report. Details of the red risks are highlighted in the corporate risk register in section three.



2.6 In the last three months there were **12 new risks added to the risk register**, including one red rated risk outlined in section three.

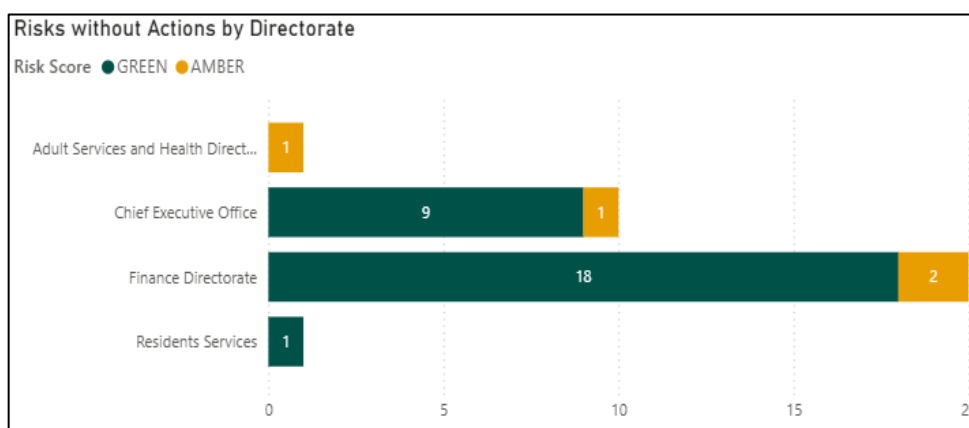


2.7 Since the last Audit Committee report there were **50 risks closed and removed from the risk register**. Fourteen related to Fraud, Loss and Error risks previously added by the Counter Fraud team and now closed as tolerated by the relevant service. The four red and 16 of the 17 amber Statutory Service Provision risks related to sourcing properties to address the housing demand in temporary accommodation. These have been closed by the Assistant Director for Housing Needs as there is a new team in place and key projects have been delivered.

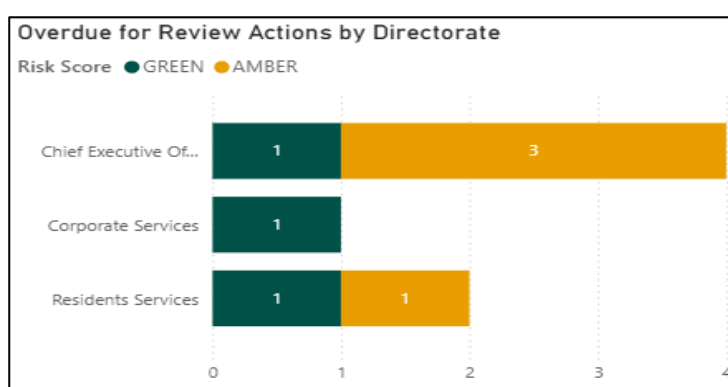


2.8 All risks added to the Risk Management System should have actions allocated to reduce the likelihood or impact of the risk. If a risk does not have actions in place to reduce the risk score it should be considered whether the current risk score is within the Council's risk appetite level and therefore it is appropriate to tolerate the risk.

- 2.9 As at the time of this report there were only **32 risks without actions** allocated on the risk management system. This is 14% of all risks and a significant decrease from 107 risks at the end of November 2025. This includes no red rated risks.



- 2.10 In total there were 257 actions allocated against risks on the system. Of these only **seven actions were overdue** for review at the time of this report (3%).



3. CORPORATE RISK REGISTER UPDATE

- 3.1 The Council's Corporate Risk Register (CRR) is an essential part of the Council's Risk Management arrangements. The CRR includes any operational risks from the Risk Management System graded 'red' due to their potential likelihood and impact. These risks are then monitored by the Corporate Management Team and used to inform the Strategic Risks presented to the Audit Committee in the Strategic Risk Report. The Corporate Risk Register is outlined in Appendix A.
- 3.2 The CRR is presented to the Corporate Management Team (CMT) and the Audit Committee quarterly. The Corporate Management Team is responsible for ensuring the identified risks are being managed and mitigating actions are being implemented. The Audit Committee maintain oversight of the risk management arrangements and monitor the CRR to gain assurance the arrangements are working effectively.
- 3.3 Since the last Audit Committee the following risks were removed from the Corporate Risk Register:

CRR Risk:	
FINMAN0007 - Insufficient capacity to meet support demand	This risk was reduced to amber as the service are currently meeting demand with agency staff to cover vacancies, and an action plan is in place to review long term requirements.
EDUSEN0006 - Removal of children from schools due to safeguarding concerns	This was a short-term risk relating to a concern raised with the service. The concerns have been addressed and therefore the risk has been reduced to green and will be closed when appropriate.
LANDB0022 - Complaint reporting and management.	This risk has been reduced to amber following the successful implementation on the JADU system and the weekly measures were proven to be working over the last six months.

PLANRE0008 - Planning, Building Control and Land Charges System (Ocella) unsupported and unfunded from Jan 2027	This risk was reduced to amber as the procurement of a new system has progressed and therefore it is expected the risk will be mitigated before the existing system becomes unsupported.
CHILSC0012 - Increasing cost of external residential provision and reduced internal resilience	This risk has been reduced to amber as action has been taken by the service to increase our alternative internal provision and foster carers numbers.
TECH0001 - Cyber Security	Cyber awareness for all staff, high profile discussions at directorate senior leadership meetings and regular reviews of performance data have lowered the likelihood of staff falling for phishing attempts therefore the risk has been reduced to amber.
LANDB0004 - Decent Homes/ Thermal efficiencies	This risk has been reduced to amber as planned investment is now in place to recover the non-decency performance. This has a positive impact on thermal efficiency.
HOUSNE0014 - Low volume of preventions achieved resulting in static or increased demand for Temporary Accommodation.	This risk was closed by the Assistant Director for Housing Needs and Homelessness as the prevention rates have increased following work undertaken by the team and new management systems.
HOUSNE0018 - Risk of being overwhelmed by NASS evictions	This risk was closed by the Assistant Director for Housing Needs and Homelessness as the performance figures show there is no evidence of increased rough sleeping, TA expenditure or officer burnout linked to HO evictions
HOUSNE0024 - Lack of Temporary Accommodation supply within capped rates will see Temporary Accommodation costs continue to rise and not meet targets savings	This risk was closed by the Assistant Director for Housing Needs and Homelessness as there has been significant work to implement capped rates and the next phase of the process is almost complete
HOUSNE0025 - Not delivering the 2025/26 Service Plan targets for private rented properties and savings.	This risk was closed by the Assistant Director for Housing Needs and Homelessness as the supply of private rented properties has improved.

3.4 Since the last Audit Committee the following risks were added to the Corporate Risk Register:

PLANRE0006 - Heathrow Airport Expansion	This risk was already on the register however it has been upgraded from amber to red following further government announcements in relation to the expected timeline.
PUBPRO0010 - Stalled recruitment to the Private Sector Housing Team	The Private Sector Housing team currently rely on agency contractors in critical roles. If the council cannot attract competent and qualified officers there is a risk statutory duties will not be delivered without continued reliance on agency staff.
HESAFE0003 - Inadequate resource in relation to Health & Safety advice within the organisation	This risk was already on the register however it has been upgraded from green to red following a review by the service. Work is ongoing to increase compliance across the Council.

APPENDIX A: SUMMARY OF CORPORATE RISKS

CRR Risk:	30 Jun 2025	3 Nov 2025	15 Jan 2026	Last Reviewed	Next Review Due
PROCUR0025 - Financial Resilience of Contracts	Static C2	Static C2	Static C2	15/01/2026	15/02/2026
STRAF0002 - Ability to Deliver a Balanced Budget in the Short & Medium Term	Static A1	Static A1	Static A1	05/01/2026	05/02/2026
LANDB0003 - Decarbonisation	Static C2	Static C2	Static C2	13/01/2026	13/02/2026
TRSA0003 - Liquidity Risk	Static D1	Increasing C1	Static C1	12/01/2026	12/02/2026
HOUSNE0001 - High Levels of Homelessness Demand	Static C2	Static C2	Static C2	07/01/2026	07/04/2026
LANDB0011 - Housing Landlord Service - Not Meeting Regulatory Requirements	Static A2	Static A2	Static A2	07/01/2026	07/04/2026
LANDB0019 - Lone-working devices - no visiting officers within housing have lone working devices.	Static B2	Static B2	Static B2	22/01/2026	22/03/2026
PROPER0001 - Disposal Programme	Static D1	Static D1	Static D1	16/01/2026	16/02/2026
PROPER0011 - Insurance Valuations	Static A1	Static A1	Static A1	13/01/2026	06/04/2026
PENS0011 - Failure of the pool in management of funds / access to funds	Static D1	Static D1	Static D1	04/11/2025	04/02/2026
LANDB0021 - Compliance IT systems and reliance on spreadsheets	Static C2	Static C2	Static C2	08/12/2025	08/03/2026
LANDB0026 - Rent increasing because of operating model and structure of the line management.	Static B2	Static B2	Static B2	26/01/2026	26/02/2026
LANDB0025 - There is concern in all areas of the service with Data Quality and Performance analysis.	Static B2	Static B2	Static B2	26/01/2026	26/02/2026
ASSETS0018 - Upcoming Regulatory Compliance and Enhanced Operational Efficiency	Static C2	Static C2	Static C2	19/01/2026	19/03/2026
BUSTRA0002 - The transformation programme required to deliver significant savings in order for the Council to achieve a balanced budget.	Static C2	Static C2	Static C2	22/01/2026	22/07/2026
RESIDE0001 - Risk of contractor failure and/or increasing costs of providers delivering statutory or critical services		New B2	Static B2	07/01/2026	07/04/2026
GREENS0029 - Lack of compliance with the approved Tree strategy		New B2	Static B2	27/01/2026	27/02/2026
GREENS0031 – non-compliant with our approved tree policy		New C2	Static C2	13/01/2026	13/02/2026
ENVIRO0005 - Cremation service		New C2	Static C2	13/01/2026	13/02/2026
PLANRE0006 - Heathrow Airport Expansion			Increasing D1	10/11/2025	10/02/2026
PUBPRO0010 - Stalled recruitment to the Private Sector Housing Team			New C2	07/01/2026	07/02/2026
HESAFE0003 - Inadequate resource in relation to Health & Safety advice within the organisation			Increasing C2	19/01/2026	19/04/2026

APPENDIX B: RISK SCORING METHODOLOGY

LIKELIHOOD			RISK SCORE			
Greater than 90%	This Week	Very High (A)	A4 ⁽⁶⁾	A3 ⁽¹²⁾	A2 ⁽¹⁸⁾	A1 ⁽²⁴⁾
70% to 90%	Next Week / This Month	High (B)	B4 ⁽⁵⁾	B3 ⁽¹⁰⁾	B2 ⁽¹⁵⁾	B1 ⁽²⁰⁾
50% to 70%	This Year	Significant (C)	C4 ⁽⁴⁾	C3 ⁽⁸⁾	C2 ⁽¹²⁾	C1 ⁽¹⁶⁾
30% to 50%	Next Year	Medium (D)	D4 ⁽³⁾	D3 ⁽⁶⁾	D2 ⁽⁹⁾	D1 ⁽¹²⁾
10% to 30%	Next 5 Years	Low (E)	E4 ⁽²⁾	E3 ⁽⁴⁾	E2 ⁽⁶⁾	E1 ⁽⁸⁾
Less than 10%	Next 10 Years	Very Low (F)	F4 ⁽¹⁾	F3 ⁽²⁾	F2 ⁽³⁾	F1 ⁽⁴⁾
			IMPACT			
			Small (4)	Medium (3)	Large (2)	Very Large (1)
Financial:			Up to £250k	£250k - £1million	£1million - £5million	Over £5million
Service Provision:			Slightly reduced	Service suspended short term	Service suspended long term / statutory duties not delivered	
Health & Safety:			First Aider required	Broken Bones/Illness	Loss of life / Major illness	Major loss of life / large scale major illness
Workforce:			Negative morale	Some hostility / minor non cooperation	Industrial action	Mass staff leaving
Reputation:			Minor Letters	Adverse local media	Adverse national publicity	Remembered for years
Government Relations:			Poor assessment		Service taken over temporarily	Service taken over permanently

Strategic Risk Register

Page 413
28 January 2026

Risk Description

C1

Social care market conditions has resulted in inflated costs and lack of choice for residential and IFA care options for Looked After Children. This results in a significant risk to financial stability of Children's Services and the Council as a whole. It also poses a risk to regulatory outcomes for children.
In SEND, primary legislation promoting parental choice coupled with limited provision for ASD conditions increases reliance on INMSS which creates a financial risk.

Service Strategy

- 1. DSG Recovery Plan
- 2. SEND Improvement Plan
- 3. Fostering Transformation Programme
- 4. Charville Residential Project
- 5. CWD Respite Project
- 6. Care Offer
- 7. Social Work Delivery Model

Targets And RAG

Children's

High-Cost Residential Placements (Target <19)	
Mother & Baby Placements (Target <5)	
Future Demand Indicators:	
No. Unaccompanied Asylum-Seeking Children	
No. Looked After Children	
No. Referrals	
No. Child Protection Plans	

SEND

Final EHCP Issued in 20 weeks (Target >85%)	
Future Demand Indicators:	
No. Needs Assessment – Agreed to Assess	
No. EHCPs	
Needs Assessment Requests	
Directorate Customer Complaints	

Risk Description

This risk arises from the increasing demand across Adult Social Care services due to changing demographics in the population, the transition of children into adult social care, and the raised expectations from residents for high quality social care services. This is all within the context of the major changes to the legislative framework including the Care Act, Better Care Fund and Deprivation of Liberty Safeguards. This increase in demand is impacting on the Council’s ability to provide the statutory services within the available resources and funding available.

Service Strategy

1. Progress the transformation of the front door, but increasing the capability and presence of third sector providers to support residents before they enter social care
2. Submit a fully complete BCF Assurance document within the required timelines
3. Implement and monitor the outputs of technology projects to inform future service transformation and enhance outcomes for residents in Adult Social Care.

Targets And RAG

Placement Costs	
Average Payment by Placement	
Residents in Home Care	
Active Services	
Directorate Customer Complaints	

Risk Description

C2

In line with the London picture, demand from homeless households in Hillingdon remains high and has increased by more than 50% since 2022/23. The unit cost of interim accommodation is rising by up to 30% per year. The rise in homelessness is due to the changing market conditions, the high purchase cost of homes and high rental costs combined with the Borough being a port authority with the associated infrastructure which leads to Hillingdon experiencing a higher relative level of need than many other Boroughs. The competing demands on social housing providers to improve the condition of their existing homes is also re-directing resources away from providing new housing supply. The lack of affordable housing puts significant pressure on the Council's finances and ability to meet its statutory responsibilities in this area. Insufficient supply of affordable good quality housing in both the private and public sector can lead to a detrimental impact on the health, wellbeing and educational attainment of residents.

Service Strategy

- increase proactive, homeless prevention actions with those evicting, to reduce levels of homeless presentations (reduce by 25 placements per month)
- implement a price cap for all TA nightly charged placements
- secure 100 new leased properties for use as TA in 2025/26
- increase the supply of private rented accommodation by 25 units (total=349 units in 25/26 for general fund placements)
- increase the supply of social rented homes available to homeless households, to include delivery of 245 new LBH properties in 2025/26.

Targets And RAG

By 31 March 2026, no more than 64 households in nightly charged temporary accommodation.	
No more than 50 new nightly charged TA placements per month (baseline = 75 in 2024/25)	
Zero temporary accommodation tenancies above the price cap (baseline = 327 March 2025)	

Risk Description

The Council has faced a number of funding and economic and demand-led pressures over a number of years which have all placed increasing pressure on the Council's financial position. In order to address this, the Council now has a savings programme which is the higher than it has ever achieved in the past, with £34m of new savings and £4.8m carried forward from 2024/25 still to be delivered. The Council also ended 2024/25 with an unacceptably low level of general and controllable earmarked reserves, such that it will be unable to mitigate any unforeseen financial shocks. As at month 5, the Council is forecasting an overspend of c£30m which would take it into negative reserves, which cannot be left unaddressed. A key driver in this forecast overspend is that the savings programme is not on track with many savings now rated red or determined as undeliverable. Mitigations will need to be found but will not be sufficient to offset this. The general contingency budgeted for at £10.5m has been fully released leaving no further budgetary flexibility to address the overspend.

The Council has therefore applied to MHCLG for Exceptional Financial Support (EFS) and is in substantive discussions with MHCLG, both written and verbal, and is awaiting a formal response. On the basis that MHCLG is currently considering this and assuming that it would agree (confirmation expected in February 2026), the S151 Officer is not currently minded to issue a S114 notice.

Service Strategy

- EFS application submitted in December, updated version to be submitted by end January 2026
- Financial Modernisation and Improvement Programme - ongoing
- Tighter spending controls – now in place and communicated with staff
- The capital programme bids for 26/27 have been reduced as part of the MTFs process; transformation spend has been reviewed as part of the 25/26 monitoring process; asset disposal strategy now sits under the Land & Property Board and sites continue to be proposed to Cabinet for approval to dispose.

Risk Description

C3

ICT systems becoming unfit to meet the Council's needs, due to insufficient momentum, collaboration or funding to implement the digital transformation programme. This impacts on service delivery, staff morale and governance arrangements due to poor data quality.

Outdated ICT architecture and poor security also increases the risk of ransomware, malware, viruses and external cyber-threats. These can lead to data breaches and potential reputational, operational, and financial damage if attacks to our network are successful and the Council's ICT systems are adversely affected for a significant time-period.

Service Strategy

- Digital transformation programme.

INTERNAL AUDIT PROGRESS REPORT

Committee name	Audit Committee
Officer reporting	Claire Baker, Head of Internal Audit & Risk Assurance
Papers with report	Internal Audit Progress Report
Ward	All

HEADLINES

The attached Progress Report presents the Audit Committee with a summary of the Internal Audit (IA) work covered since the last Committee meeting. It also provides an opportunity for the Head of Internal Audit to highlight to the Audit Committee any significant issues that they need be aware of that have arisen since the last IA Progress Report.

Further, it enables the Audit Committee to hold the Head of Internal Audit to account on delivery of the IA work plan, and officers to account for managing any risks and control weaknesses identified during the course of IA activity.

RECOMMENDATION

That the Audit Committee notes the IA Progress since the last Committee meeting

SUPPORTING INFORMATION

IA provides an independent assurance and advisory service that underpins good governance, which is essential in helping the Council achieve its strategic objectives and realise its vision for the borough of Hillingdon.

BACKGROUND PAPERS

NIL.

APPENDIX

Appendix A – Internal Audit Progress Report

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INTERNAL AUDIT PROGRESS REPORT

28 January 2026



CONTENTS

The key contacts in connection with this document are:

Claire Baker
Head of Internal Audit
cbaker@hillingdon.gov.uk

	Page
1. INTRODUCTION	3
2. SUMMARY OF INTERNAL AUDIT ACTIVITY	3
3. FOLLOW UP OF MANAGEMENT ACTIONS	4
4. FORWARD LOOK	4
APPENDIX A: IA REVIEWS	5
APPENDIX B: IA AD HOC ADVISORY & GRANT CLAIM VERIFICATION REVIEWS	7
APPENDIX C: FOLLOW UP OF MANAGEMENT ACTIONS	8
APPENDIX D: KEY PERFORMANCE INDICATORS	10
APPENDIX E: ASSURANCE LEVELS AND RATINGS	11

1. INTRODUCTION

The Role of Internal Audit

Internal Audit (IA) provides an independent assurance and advisory service that underpins good governance, essential in helping the Council achieve its corporate objectives and realise its vision for the borough of Hillingdon. It is also a requirement of the Accounts and Audit Regulations 2015 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control and corporate governance processes, taking into account the Global Internal Audit Standards.

The Purpose of the Internal Audit Progress Report

This progress report presents the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all IA work completed since the last Audit Committee meeting. In addition, it provides an opportunity for the Council's Head of Internal Audit (HIA), to highlight any significant issues which have arisen from IA work.

2. SUMMARY OF INTERNAL AUDIT ACTIVITY

Internal Audit have continued to progress through the reviews from the 2025/26 IA workplan. Since the last Audit Committee meeting, **five** reviews were completed to final report stage. These include:

- One **ADVISORY** report summarising the debt discovery work undertaken to support a wider debt project.
- One **SUBSTANTIAL** assurance report: Income Generation: Business Rates
- One **REASONABLE** assurance report: Directorate Business and Financial Plans
- One **REASONABLE/LIMITED** assurance report and One **LIMITED** assurance report:

Documentation Security (LIMITED)	This review focused on the Council's arrangements for managing the storage and retention of physical documents, with a particular focus on document security and the impact of the Civic Centre project. Each service is responsible for managing their own documents, with most departments storing records locally. Spot checks revealed multiple occasions of non-compliance with physical documentation security protocols, and office moves resulted in many documents no longer stored in close proximity to the teams that use them. There are controls limiting access to the Civic Centre, however these do not prevent access from officers in other services or from other organisations renting space within the building. In addition to the on-site storage available, services also have the option to archive documents externally through a third-party document storage provider. It was noted some services are not maximising the use of this provider, resulting in unnecessary storage at the Civic Centre.
Savings Programme (REASONABLE / LIMITED)	In February 2025 the Council approved the Medium-Term Financial Strategy (MTFS) for 2025/26, including £34m of savings and an additional £4.8m of deliverable prior year savings. At the time of this review (Month 4), £9.0m of the savings programme had already been achieved (23%), and a further £7.1m were on track to be delivered. This is a significant achievement against the prior year, when only £7.1m was achieved by the year end. However, £9.4m of savings had also been marked as 'unlikely to be delivered' and £1.4m written off (dark red). There were significant challenges setting the savings programme at the beginning of the year, and this was the root cause of many of the findings identified. This has led to a large proportion of the savings not being delivered (28%) and alternative options were being pursued at the time of this review. Internal Audit were able to give more assurance over the ongoing scrutiny of the savings programme as there has been significant actions taken to improve the monitoring arrangements. This includes the implementation of a Savings Management App, increased information in the monthly monitoring reports, and greater engagement and accountability with individual services.

	Therefore, Internal Audit provided two assurance ratings for this review; limited assurance in relation to Savings Development for the 2025/26 savings, however reasonable assurance in relation to the current ongoing scrutiny and monitoring arrangements. The HIA also notes the processes in place for identifying savings as part of the 2026/27 MTFS appear to address many of the findings raised in this report. As these were implemented after this review was completed they will be tested as part of the 2026/27 IA Plan.

Three further reports are out in draft, and **Four** reports are at the review stage. These should all be finalised before the next Audit Committee. For details of these reviews please see *Appendix A*.

Since the last Audit Committee IA has also undertaken verification work for the Disabled Facilities Grant claim and Mayors Charity Account. For details of the grant claims and ad hoc consultancy reviews please see *Appendix B*.

Changes to the Internal Audit Workplan

Since the last Audit Committee the following reviews have been removed from the plan:

Data Quality	This review was removed from the plan as work was already being undertaken by the Business Intelligence Team to review the performance dashboards for 2026/27. Targeted reviews into higher risk areas will be considered for 2026/27.
HR information	This review was delayed until 2026/27 due to limited capacity to support the review in the HR team and ongoing work to review the starters, leavers and change processes which will be included in the scope of this review.

Since the last Audit Committee meeting the following review was also added to the plan:

Data Protection	This review was added at management's request following discussion at the Hillingdon Information Assurance Group in relation to the action plan from the Cyber360 external review.

3. FOLLOW UP OF MANAGEMENT ACTIONS

The table in *Appendix C* outlines the agreed management actions followed up since the last Audit Committee meeting. Actions are marked as verified once IA have received evidence to demonstrate the action has been fully implemented. Once all actions from an individual report are verified the report is marked closed and will be removed from the tracker.

In total 49/77 (64%) management actions due to have been implemented were marked as verified or complete. Eighteen were marked as overdue as they have not been completed by their agreed implementation date. New implementation dates will be set for these actions, and they will be followed up again until they are completed.

Eleven were marked as unknown as we are waiting on responses from the responsible officer. This is something we are looking to address through our automated follow up tracker in 2026/27.

4. FORWARD LOOK

The IA team will focus on completing the remaining 2025/26 reviews outlined in Appendix A and drafting the Internal Audit Annual Report for the next Audit Committee meeting.

Over the next quarter the IA team will also begin planning for the initial reviews in the 2026/27 and ensuring any new processes, templates and guidance is in place for the beginning of the year.

IA would like to take this opportunity to formally thank all staff throughout the Council with whom IA had contact. There are no other matters that the HIA needs to bring to the attention of the CMT and Audit Committee at this time.

APPENDIX A: IA REVIEWS

IA Ref.	IA Review Area	Current Status	Assurance Level	Actions & Risk Rating			
				H	M	L	O
P2	Capital Programme	Final Report Issued 19 May 2025	REASONABLE	-	7	-	-
S8	PEEPs in Highrise Buildings	Final Report Issued 18 June 2025	LIMITED	-	3	-	-
A01	Commissioned & Direct Payments	Final Report Issued 13 June 2025	ADVISORY	-	-	-	-
C1	DSG (Safety Valve Plan (Part 2))	Final Report Issued 19 June 2025	SUBSTANTIAL	-	1	-	-
H2	Housing H&S requirements	Final Report Issued 3 June 2025	SUBSTANTIAL	-	-	1	-
H1	Data Quality H&C	Final Report Issued 21 August 2025	REASONABLE	1	1	-	-
H1	Community Safety	Final Report Issued 21 August 2025	LIMITED	-	2	1	-
S1	Agency Expenditure & Checks	Final Report Issued 17 September 2025	REASONABLE	-	3	-	-
P3	Greenspaces	Final Report Issued 22 October 2025	NO	1	6	-	-
C1	School's pre-employment checks	Final Report Issued 23 October 2025	REASONABLE	-	2	1	-
P2	Corporate Estate	Final Report Issued 24 October 2025	LIMITED	1	2	1	-
P5	Highways	Final Report Issued 4 November 2025	LIMITED	1	2	-	-
X1	Documentation Security	Final Report Issued 16 December 2025	LIMITED	-	4	1	-
X1	Directorate Business and Financial Plans	Final Report Issued 28 November 2025	REASONABLE	-	3	-	-
X2	Savings Programme	Final Report Issued 1 December 2025	REASONABLE / LIMITED	1	3	-	-
F3	Income Generation: Business rates	Final Report Issued 16 December 2025	SUBSTANTIAL	-	-	2	-
X8	Debt Discovery Work	Final Report Issued 27 January 2026	ADVISORY	-	-	-	-
H3	Temporary Accommodation Action Plan	Draft Report Issued	TBC Once Finalised				
X4	Corporate Policies and Procedures	Draft Report Issued	Advisory				
C4	Housing and Social Care Collaboration	Draft Report Issued	TBC Once Finalised				
X3	Budget delivery	Under Review	Advisory				

IA = Internal Audit	H = High Risk	M = Medium Risk	L = Low Risk	O = Observation

IA Ref.	IA Review Area	Current Status	Assurance Level	Actions & Risk Rating			
				H	M	L	O
F2	Income Generation	Under Review	<i>Advisory</i>				
H7	Housing Allocations	Under Review	<i>TBC Once Finalised</i>				
C6	Health and Safety in Schools	Under Review	<i>TBC Once Finalised</i>				
H8	Right to Buy	Fieldwork	<i>TBC Once Finalised</i>				
P7	HRA Acquisitions	Fieldwork	<i>TBC Once Finalised</i>				
H4	B&B & HRA Arrears	Fieldwork	<i>TBC Once Finalised</i>				
S3	Emergency Planning	Fieldwork	<i>TBC Once Finalised</i>				
C3	Multiagency working	Fieldwork	<i>TBC Once Finalised</i>				
H9	Awaab's Law Implementation	Fieldwork	<i>TBC Once Finalised</i>				
F5	Procurement	Fieldwork	<i>TBC Once Finalised</i>				
X6	Contract Management	Fieldwork	<i>TBC Once Finalised</i>				
F4	Key Financial Controls	Planning	<i>TBC Once Finalised</i>				
X7	Corporate Governance	Planning	<i>TBC Once Finalised</i>				
S8	Data Protection	Planning	<i>TBC Once Finalised</i>				
Total Number of IA Management Actions Raised				5	41	7	0

APPENDIX B: IA AD-HOC ADVISORY & GRANT CLAIM VERIFICATION REVIEWS

IA Ref.	IA Review Area	Current Status
Z01	Housing Housemark return	<i>Completed</i>
Z02	Grievance Investigation	<i>Completed</i>
Z03	Internal Review with Counter Fraud	<i>Completed</i>
Z04	Adult Mental Health Service	<i>Completed</i>
Z05	Debt Project	<i>Ongoing</i>
Z06	Environment Support	<i>Ongoing</i>
Z07	P-Card Review	<i>Ongoing</i>
G01	Trading Standards Grant Verification	<i>Completed</i>
G03	Bus Service Operators Grant	<i>Completed</i>
G02	Housing Benefit Grant Claim	<i>Ongoing</i>
G04	Disability Facilities Grant Claim	<i>Ongoing</i>
G05	Mayors Charity Account	<i>Ongoing</i>

Page 427

APPENDIX C: IA FOLLOW UP OF MANAGEMENT ACTIONS

Page 478

Ref	Review	Number of Actions		Current Status of Actions:										Comments
				Verified		Completed		Overdue		Unknown		Not Due		
		H	M	H	M	H	M	H	M	H	M	H	M	
20.A03	Cemeteries: Bereavement Service and Ground Maintenance	2	4	-	-	-	-	-	-	-	-	2	4	Due February 2026
20.A31	Exclusions or Education Cases for Vulnerable Young People	-	4	-	3	-	-	-	1	-	-	-	-	New Date: February 2026
22.A42	Fraud prevention controls in tendering & contacts	-	4	-	3	-	-	-	-	-	-	-	1	Due February 2026
22.A45	Adult social care referrals and assessment	-	2	-	1	-	-	-	1	-	-	-	-	New Date: January 2026
22.C59	Care Leavers Allowances	1	1	-	-	1	1	-	-	-	-	-	-	Awaiting Evidence
23.C04	Neglect (Children's)	-	2	-	1	-	1	-	-	-	-	-	-	Awaiting Evidence
23.P06	Facilities Management	-	3	-	-	-	-	-	3	-	-	-	-	New Date: January 2026
23.F07	Fleet Damage	-	4	-	2	-	-	-	-	-	-	-	2	Due March 26
23.S13	Pool Cars	2	3	2	3	-	-	-	-	-	-	-	-	CLOSED
23.C03	SEND Data Quality	4	1	3	1	-	-	1	-	-	-	-	-	New Date: March 2026
23.D02	Performance Information	-	3	-	-	-	-	-	-	-	3	-	-	Due December 2025
23.S14	Uninspected B&Bs	2	3	2	1	-	2	-	-	-	-	-	-	Awaiting Evidence
24.S15	Overtime, Expenses & Mileage Payments	5	2	4	2	-	-	1	-	-	-	-	-	New Date: March 2026
24.S17	Section 202 & 204 Appeals review	-	3	-	1	-	-	-	-	-	2	-	-	Due September 2025
24.P4	Asset Management	2	2	-	2	-	-	-	-	-	-	2	-	Due March 2026
23-S09	Personal Appraisals	-	3	-	3	-	-	-	-	-	-	-	-	CLOSED
24-S03	Pre-employment checks	-	3	-	1	-	-	-	2	-	-	-	-	New Date: March 2026
24-S05	Decent Homes Standards	-	2	-	2	-	-	-	-	-	-	-	-	CLOSED
24-P3	Leasehold Management and Service Charges	-	2	-	-	-	-	-	-	-	-	-	2	Due January 2026
24-D05	Hillingdon First Card	-	4	-	-	-	-	-	-	-	-	-	4	Due March 2026
24-F3	Contract Management Oversight	3	1	-	-	-	-	-	-	-	-	3	1	Due January 2026
24-S18	B&B Rent Arrears	3	2	-	-	-	-	-	-	-	-	3	2	Due February 2026
24-S13	HRA Rent Arrears	1	3	-	-	-	-	-	-	-	-	1	3	Due February 2026
24-C02	Schools Finances	2	4	-	-	-	-	2	4	-	-	-	-	New Date: March 2026
24-F04	Debtors	-	3	-	-	-	-	-	-	-	-	-	3	Due April 2026

Page 428

IA = Internal Audit

H = High Risk

M = Medium Risk

L = Low Risk

O = Observation

24-F06	Budget Monitoring	-	6	-	-	-	-	-	-	-	-	-	6	Due April 2026
24-F02	Key Financial Controls (Cash Handling)	1	2	1	-	-	-	1	1	-	-	-	-	New Date: March 2026
24-S08	PEEPs in Highrise Buildings	-	3	-	-	-	-	-	-	-	-	-	3	Due March 2026
24-C01	DSG (Safety Valve Plan (Part 2))	-	1	-	1	-	-	-	-	-	-	-	-	CLOSED
24-S10	Documentation Security	-	4	-	-	-	-	-	-	-	-	-	4	Due March 2026
25-P03	Green Spaces	1	6	-	-	-	-	-	-	1	4	-	2	Due January 2026
25-P05	Highways	1	2	1	1	-	-	-	1	-	-	-	-	New Date: March 2026
25-S01	Agency Expenditure and Checks	-	3	-	3	-	-	-	-	-	-	-	-	CLOSED
	SUBTOTAL	30	95	13	31	1	4	5	13	1	9	11	37	
	TOTAL	125		44		5		18		10		48		

APPENDIX D: INTERNAL AUDIT KEY PERFORMANCE INDICATORS

The Key Performance Indicators (KPIs) for IA quarterly reporting to CMT and the Audit Committee in 2025/26 are set out below:

KPI	Performance Measure	Target	Current Status
KPI 1	Planning to be initiated at least six weeks before the planned fieldwork start date to allow the relevant service to prepare documents and ensure staff availability.	80%	89%
KPI 2	The final terms of reference for the review to be agreed before the planned fieldwork start date.	80%	84%
KPI 3	Fieldwork to be completed within two months of the opening meeting, unless agreed with the relevant Review Sponsor.	80%	92%
KPI 4	Draft Reports to be issued three weeks after the end of fieldwork meeting with the key contact	80%	100%
KPI 5	Annual IA Plan delivered to draft report stage by 31st March, unless agreed with Review Sponsor	90%	60%
KPI 6	Annual IA Plan delivered to final report stage by 31st March, unless agreed with Review Sponsor	80%	51%
KPI 7	Draft management responses to be received two weeks after the draft report is issued	80%	76%
KPI 8	Review Sponsor to approve the management responses two weeks after the updated report is issued.	80%	75%
KPI 9	HIGH and MEDIUM risk IA recommendations completed within the agreed timescale	80%	64%
KPI 10	IA folders with fully completed compliance checklists identified through spot checks	90%	TBC

Key for future reporting on actual KPI performance:

- **RED** = currently this performance target is not being met (significantly [>5%] short of target performance).
- **AMBER** = currently not meeting this performance target (just short [<5%] of target performance).
- **GREEN** = currently meeting or exceeding this performance target

APPENDIX E: ASSURANCE LEVELS AND ACTION RISK RATINGS

ASSURANCE LEVEL	DEFINITION
SUBSTANTIAL	There is a good level of assurance over the management of the key risks to the Council objectives. The control environment is robust with no major weaknesses in design or operation. There is positive assurance that objectives will be achieved.
REASONABLE	There is a reasonable level of assurance over the management of the key risks to the Council objectives. The control environment is in need of some improvement in either design or operation. There remains some risk that objectives will not be achieved.
LIMITED	There is a limited level of assurance over the management of the key risks to the Council objectives. The control environment has significant weaknesses in either design and/or operation and the level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a significant risk that objectives will not be achieved.
NO	There is no assurance to be derived from the management of key risks to the Council objectives. There is an absence of several key elements of the control environment in design and/or operation leading to a substantial variance between the risk appetite and the residual risk to objectives. There is a high risk that objectives will not be achieved.

FINDING RATING	DEFINITION
HIGH	The finding relates to a significant threat that could impact the Council's corporate objectives. i.e. a high number of key business risks remain unidentified and/or unmanaged as control systems do not exist and/or do not operate effectively. The risk requires senior management attention as soon as possible.
MEDIUM	The finding relates to a potentially significant threat that could impact on either corporate or operational objectives. This includes weaknesses in the control systems that are not considered serious but may have some impact on the service. The risk requires management attention and should be addressed within six months to ensure full compliance with expected controls.
LOW	The finding relates to a minor threat that impacts on operational objectives, this includes non-compliance with best practice or local procedures, and minimal impacts on the Service's reputation or budget. The risk may be tolerable in the medium term but management should take action within the next year to improve the control framework to ensure full compliance with expected controls.
OBSERVATION	This includes any items Internal Audit would like to highlight that may not directly relate to a finding. This includes notable performance and innovative controls that should be shared with others , potential concerns raised during the audit that are outside the scope of the review and will be considered separately, and any areas of improvement that had already been addressed by management at the time of the review.

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INTERNAL AUDIT CHARTER & 2026/27 DRAFT PLAN

Committee name	Audit Committee
Officer reporting	Claire Baker, Head of Internal Audit
Papers with report	Internal Audit Charter Internal Audit 2026/27 Draft Plan IA Briefing on the Global IA Standards
Ward	All

HEADLINES

The attached draft Internal Audit Plan presents the Audit Committee with the current proposed Internal Audit (IA) activity for the 2026/27 financial year.

The plan presented covers a twelve-month period to enable the IA team to align it with their available capacity and ensure they are providing the best value for money. However, the IA Team maintain an ongoing flexible audit tracker so reviews will be continuously added and removed throughout the year. Any changes to the plan will be reported through the Progress Report to the Audit Committee.

The plan takes into consideration the key risks facing the Council and any alternative sources of assurance available in relation to these risks. It has also been shared with the Corporate Management Team to ensure it is aligned with any wider projects or changes planned for 2026/27.

Also attached are the Internal Audit Charter, which defines the purpose, authority and responsibilities of the Internal Audit service, and a summary of the self-assessment against the Global Internal Audit Standards completed in November 2025. The briefing also includes details of the Essential Conditions highlighted in the Global Internal Audit Standards, which outline the role of the Audit Committee in relation to Internal Audit and should be considered at least annually.

RECOMMENDATIONS

That the Audit Committee:

1. Approves the Internal Audit Annual Plan for 2026/27;
2. Notes the purpose and responsibilities of Internal Audit as outlined in the Charter; and
3. Notes the Essential Conditions and self-assessment against the Global Internal Audit Standards.

SUPPORTING INFORMATION

NIL.

BACKGROUND PAPERS

NIL.

APPENDICES

Appendix A – Internal Audit Charter

Appendix B – Internal Audit 2026/27 Draft Plan

Appendix C – IA Briefing on the Global IA Standards



INTERNAL AUDIT CHARTER

1. Purpose of this Charter

- 2.1. In accordance with the Global Internal Audit Standards the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit (IA) Charter.
- 2.2. The Hillingdon Council IA Charter defines the purpose, authority and responsibility of the IA Service within the Council. The Charter establishes the Head of IA's (HIA's) position within the Council including the nature of the HIA's functional reporting relationships. The Charter authorises access to records, personnel and physical properties relevant to the performance of engagement and defines the scope of IA activities.
- 2.3. The HIA is responsible for applying this IA Charter and ensuring it is maintained in line with the Global Internal Audit Standards. This IA Charter shall be reviewed and presented to the Audit Committee for approval. The Charter will be reviewed every three years, or sooner if significant changes have been made by the Corporate Management Team (CMT) to ensure that it remains relevant to the needs of the Council.

2. Internal Audit Mandate

- 2.1. The Local Government Accounts and Audit Regulations 2015 require every local authority to *'undertake an effective IA to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'*
- 2.2. The regulations also state any *'officer or member of the relevant authority must, if required to do so for the purposes of the internal audit, make available such documents and records; and supply such information and explanations as are considered necessary by those conducting the internal audit.'*

Commitment to Adhering to the Global Internal Audit Standards

- 2.3. The IA service will adhere to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework, which are the Global Internal Audit Standards and UK Public Sector Application Note. The HIA will report annually to the Audit Committee and CMT regarding the conformance with the Standards, which will be assessed through a quality assurance and improvement program.

3. Internal Audit Purpose

- 3.1. IA is defined in the IIA Global Internal Audit Standards as "an independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by

bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.”

- 3.2. The purpose of the internal audit function is to strengthen the Council’s ability to create, protect, and sustain value by providing the Audit Committee and Senior Management with independent, risk-based, and objective assurance, advice, insight, and foresight. IA is not responsible for control systems and managing risks, responsibility for effective internal control and management of risks rests with the management of the Council.
- 3.3. The Internal audit function is most effective when:
- Internal auditing is performed by competent professionals in conformance with The IIA’s Global Internal Audit Standards and Public Sector Application Note.
 - The internal audit function is independently positioned with direct accountability to the Audit Committee
 - Internal auditors are free from undue influence and committed to making objective assessments.

4. Scope of Internal Audit

- 4.1. The scope of internal audit activities includes all activities conducted by the Council.
- 4.2. The HIA will provide an Annual HIA Opinion Statement for the Council through the Audit Committee. The HIA opinion statement will cover the three core areas below and be in line with the Global Internal Audit Standards:
- Risk Management - Risk Management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
 - Corporate Governance - Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.
 - System of Internal Controls - The system of internal control is a process for assuring achievement of the Council’s objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. It incorporates both financial and nonfinancial systems.
- 4.3. To enable full discharge of its duties, the HIA and the IA service has authority to:
- Have right of direct access to the Chair of the Audit Committee, the Chief Executive, External Audit, the Leader of the Council and all other Members
 - Have unrestricted access to all Council functions, records, property and personnel required to plan and undertake audit assignments necessary to fulfil its scope
 - Obtain assistance, where necessary, from Council officers and contractors involved in the subject of audit engagements.
- 4.4. The IA activity will remain free from interference by any element in the Council, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. Internal auditors will have no direct operational responsibility or

authority over any of the activities they review. Accordingly, internal auditors will not engage in any activity that may impair their judgement or objectivity.

- 4.5. The IA service will also provide advisory services to management as appropriate for the Council. Before any advisory work is agreed, the HIA will ensure that IA has the appropriate skills, resources and approval to undertake the review. The HIA will also ensure that appropriate safeguards are in place to preserve objectivity in areas subject to future IA activity.
- 4.6. IA will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.
- 4.7. When the auditors receive confidential information, it shall be kept confidential at all times, except as required by law or as provided for in regulatory, ethical or other professional declarations.

5. HIA Roles and Responsibilities

Ethics and Professionalism

- 5.1. The HIA and IA team have responsibility to undertake their work at all times in accordance with the Global Internal Audit Standards and the UK Public Sector Application Note. Those members of the IA team who have membership of professional bodies will also comply with the relevant requirements of that organisation.
- 5.2. The HIA will ensure that internal auditors:
 - Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
 - Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Council and be able to recognise conduct that is contrary to those expectations.
 - Encourage and promote an ethics-based culture in the Council
 - Report behavior that is inconsistent with Council's ethical expectations, as described in applicable policies and procedures.

Objectivity

- 5.3. The HIA will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the HIA determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.
- 5.4. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do

not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

5.5. Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the Council or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

5.6. Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the HIA, Audit Committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

5.7. The HIA has the responsibility to:

- Develop a risk-based internal audit plan that considers the input of the Audit Committee and senior management. Discuss the plan with the Audit Committee and senior management and submit the plan to the Audit Committee for review and approval.
- Review and adjust the internal audit plan, as necessary, in response to changes in Council's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit Committee and senior management if there are significant changes to the internal audit plan.
- Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and senior management.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and the UK Public Sector Application Note.
- Follow up on all 'high' and 'medium' risk rated audit findings to confirm the implementation of agreed action plans and communicate the results to the Audit Committee and senior management.

- Ensure the internal audit service collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact Council and communicate to the Audit Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the HIA cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit Committee.

Communication with the Audit Committee and Senior Management

5.8. The HIA will report quarterly to the Audit Committee and senior management. This includes reporting on:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget and resource requirements
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's opportunities for improvement.
- Significant risk exposures, control issues, and other areas of focus for the Audit Committee that could interfere with the achievement of the Council's strategic objectives.
- Results of assurance and advisory reviews
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.

Management of Engagements

5.9. Internal auditors will:

- provide a detailed Terms of Reference for each review establishing the engagement's objective, key risks, and scope.
- promptly communicate findings and conclusions to management, proposing recommendations to address any identified weaknesses.
- obtain and record sufficient evidence to support their conclusions and engagement results.
- issue a balanced, clear and concise summary report following the review, including a management action plan setting out the agreed actions to address the findings identified.
- Submit a quarterly IA progress report to CMT and the Audit Committee summarising IA performance and work carried out in the period.
- Submit an Annual IA report to CMT and the Audit Committee including the statutory HIA opinion statement on the Council's internal control, risk management and corporate governance arrangements.

6. Audit Committee & Senior Management Responsibilities

Audit Committee Oversight

5.1. To establish, maintain, and ensure that the Council's internal audit function has sufficient authority to fulfil its duties, the Audit Committee will:

- Discuss with the HIA and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the HIA has unrestricted access to and communicates and interacts directly with the Audit Committee, including in private meetings without senior management present.
- Discuss with the HIA and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the HIA and senior management about the essential conditions, described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Review and approve the internal audit charter with the HIA to consider changes affecting the service, such as the employment of a new HIA or changes in the type, severity, and interdependencies of risks to the Council.
- Approve the risk-based internal audit plan.
- Provide input to senior management on the appointment and removal of the HIA, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Provide input to senior management on the HIA's performance.
- Receive communications from the HIA about the internal audit function including its performance relative to its plan.

- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the HIA to determine whether scope or resource limitations are inappropriate.

Senior Management

- 5.2. In order to be effective, the IA service requires the full co-operation of senior management.
- 5.3. Senior management will keep the IA service abreast of significant proposed changes in processes, systems, newly identified significant risks and all suspected or detected fraud or corruption. Senior management will also ensure that the IA service has access to sufficient information and resources in order to deliver the internal audit plan as directed by the Audit Committee.

6. Organisation Position & Reporting Relationships

- 6.1. The HIA will be positioned at a level in the organisation that enables IA services and responsibilities to be performed without interference from management, thereby establishing the independence of the IA function.
- 6.2. The HIA will report functionally to the Audit Committee and administratively (for example, day-to-day operations) to the Director of Finance. This positioning provides the organisational authority and status to bring matters directly to senior management and the Audit Committee without interference, and supports the internal auditors' ability to maintain objectivity.
- 6.3. The HIA will confirm to the Audit Committee, at least annually, the organisational independence of the IA function. If the governance structure does not support organisational independence, the HIA will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The HIA will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the IA function's effectiveness and ability to fulfil its mandate.

Changes to the Mandate and Charter

- 6.4. Circumstances may justify a follow-up discussion between the HIA, Audit Committee, and senior management on the IA Mandate or other aspects of the IA Charter. Such circumstances may include but are not limited to:
- A significant change in the Global Internal Audit Standards.
 - A significant reorganisation within the organisation.
 - Significant changes in the HIA, Audit Committee, and/or senior management.
 - Significant changes to the Council's strategies, objectives, risk profile, or the environment in which the Council operates.
 - New laws or regulations that may affect the nature and/or scope of IA services.

7. Quality Assurance

Quality Assurance Improvement Programme (QAIP)

- 7.1. The HIA will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement.
- 7.2. Annually, the HIA will communicate with the Audit Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team.

Reporting Internal Audit Performance

- 7.3. A summary of actual IA performance against targeted performance will be reported to CMT and the Audit Committee as part of the quarterly IA progress reports. These results will allow all stakeholders to measure the performance and robustness of the IA team and also provide an indicator on how effectively the Council is at managing its risks.
- 7.4. Key performance Indicators (KPIs) will be agreed with the CMT and Audit Committee. Any IA KPIs set will need management co-operation to enable them to be achieved, IA can influence the results, but they cannot completely control them. It is therefore important that interpretation of the IA KPIs is not taken in isolation, as other factors should be taken into account.



DRAFT INTERNAL AUDIT PLAN

January 2026



Contents

The key contacts in connection with this document are:

Claire Baker

Head of Internal Audit

cbaker@hillington.gov.uk

	Page
1. INTRODUCTION	3
2. THE INTERNAL AUDIT PLANNING PROCESS	3
3. THE INTERNAL AUDIT PLAN OVERVIEW	5
4. THE DETAILED INTERNAL AUDIT PLAN	6
5. INTERNAL AUDIT SKILLS AND RESOURCES	10
APPENDIX A - INTERNAL AUDIT DEFINITIONS	11
APPENDIX B - INTERNAL AUDIT KEY PERFORMANCE INDICATORS	12

1. INTRODUCTION

1.1 The Role of Internal Audit

- 1.1.1 The Local Government Accounts and Audit Regulations 2015 require every local authority to undertake effective Internal Audit (IA) to evaluate the effectiveness of its risk management, control and governance processes, in line with the Global Internal Audit Standards and CIPFA Public Sector Application Note.
- 1.1.2 IA provides an objective opinion to the Council on whether the control environment, corporate governance arrangements and risk management framework are operating effectively, which is essential in helping the Council achieve its corporate objectives and realise its vision for the borough of Hillingdon.
- 1.1.3 The IA service at Hillingdon apply a risk-based approach to determine the priorities of the IA activity. This means that IA gives greater assurance to the Council because it is based on the key risks to the organisation's objectives. As a result, we will not just be commenting on whether the controls operate, but whether they are the right controls to achieve the overall aims of the service.

1.2 The Purpose of the Internal Audit Plan

- 1.2.1 The Global Internal Audit Standards require the Head of Internal Audit (HIA) to create an internal audit plan that supports the achievement of the Council's objectives. The plan should be discussed with the Audit Committee and Senior Management and approved by the Audit Committee.
- 1.2.2 The IA work undertaken throughout the year is a crucial component of the HIA's annual opinion statement. In order to deliver this assurance, it is vital for the organisation to have a comprehensive plan which prioritises the limited resources of the IA team to maximise the risk-based coverage, whilst also adapting to new emerging risks, organisational changes and other sources of assurance.

2. THE INTERNAL AUDIT PLANNING PROCESS

2.1 The Approach to IA Planning in 2026/27

- 2.1.1 In developing the risk-based annual IA Plan the HIA has considered the organisation's governance, risk management, and control processes. Key sources taken into consideration when developing this plan include:
- **Council Strategy** – The IA Plan was reviewed against the Council Strategy for 2022-2026, to ensure the plan is aligned to the Council's key priorities for the period.
 - **IA Strategy & Charter** – This IA Plan is aligned to the wider 2025-2028 Internal Audit Strategy and IA priorities. It is also aligned on the agreed IA purpose, scope and responsibilities as outlined in the IA Charter.
 - **Risk Registers** – The HIA considered the Council's risk management arrangements and reviewed the risk management system to establish the key risks facing the Council. Where reviews align to specific corporate risks this is noted in the detailed plan below.
 - **CMT Transformation Priorities** – This IA Plan has been developed taking into consideration any known transformation projects. To avoid duplicating work in

areas already under review, whilst also providing assurance over the effectiveness of the transformation programme where appropriate.

- **Meeting Minutes** – The HIA considered the minutes from the corporate governance group where the discussion was in relation to the governance, risk management, and control processes.
- **Performance Dashboards** – The HIA considered how the Council monitors their performance, and the reliability and integrity of both operational and financial information. Where performance information was available potential risk areas were considered for inclusion in the IA Plan.
- **Senior Management** – Senior managers from across the Council are continuously engaged in the ongoing IA plan, including members of Corporate Management Team (CMT), to identify any emerging risks or changes facing their services.
- **Audit Committee** – Any comments from members of the Audit Committee will be reflected in the IA plan after the draft is presented at the Audit Committee meeting on the 10 February 2026.
- **External Assurance Providers** – The Council's external auditors are invited to discuss any matters of concern and to identify any areas where they may consider IA work to inform their own risk assessment. The HIA has also taken into consideration the results of other external reviews including CQC and Ofsted inspections.
- **Wider IA Knowledge** – The IA Plan also reflects the cumulative knowledge of the IA team in relation to emerging risks facing the Council, including the wider strategic issues and regulatory changes emerging elsewhere, effecting local government.

2.2 Variations to the Plan

- 2.2.1 The IA team keep the programme under continuous review during the year to ensure the coverage has the flexibility to respond to the dynamic environment in which the Council operates. This approach helps make sure IA resources are directed in a more flexible and targeted manner to maximise the benefit to our stakeholders.
- 2.2.2 Where changes are required during the year, these will be agreed with the relevant Director and reported to the Audit Committee. Any areas that are delayed or cannot be completed due to capacity restraints will be recorded on the ongoing tracker to ensure they are not forgotten.

2.3 Internal Audit Resources

- 2.3.1 IA work for the year is determined by the number of days available based on the capacity in the IA Team. Reviews are prioritised to ensure the key risks facing the Council are given sufficient IA attention. The HIA is confident the current resources are sufficient to deliver the plan and meet the IA requirements under the Global Internal Audit Standards. Further information on the IA Team and capacity is included in Section 5 of this report.

3. THE 2026/27 INTERNAL AUDIT PLAN OVERVIEW

3.1 Key Elements of the IA Plan

3.1.1 The Internal Audit Plan for 2026/27 is outlined over the next few pages. This includes the following key elements:

- **Planned Assurance Reviews** - Risk-based reviews that provide assurance to the Audit Committee and senior management that key risks to the achievement of objectives are being effectively mitigated, and control arrangements are operating as expected.
- **Planned Advisory Reviews** - The planned risk-based reviews will include some advisory work where there are known areas of improvement and additional support is required, these will take into consideration other internal and external support to ensure we avoid any duplication.
- **Grant Claims** – This includes verifying grant expenditure and relevant returns before they are submitted. Work will be undertaken in 2026/27 to ensure all grants requiring grant certifications and sign offs by IA are identified and completed.
- **Ad-hoc Advisory** – As well as planned advisory reviews there is a further allocation of days for unprogrammed advisory to allow the team to respond to urgent requests for advice. Demand for support has been increasing as there are significant changes taking place across the council and the IA service becomes more well known at an operational level.
- **Follow up** – Throughout 2026/27 the IA team will continue to follow up on recommendations raised in prior year reports to ensure they are implemented and embedded effectively. IA are currently implementing a new automated follow up process which will reduce the reliance on manual emails and improve the data available for ongoing monitoring. As part of this process further digital dashboards will be developed to increase awareness of outstanding recommendations and improve accountability within services and directorates.

4. THE DETAILED 2026/27 INTERNAL AUDIT PLAN

QUARTER ONE

REF.	AUDIT TITLE	SRR	DESCRIPTION
Cross Directorate Reviews (X)			
X1	Grant Register	0006	This will be an advisory review to identify the sources of grant income across the Council and confirm what monitoring arrangements are in place to ensure grant income is being maximised and spent in line with any grant conditions.
X2	Project Management	0007	This review will consider the project management arrangements in place to monitor significant projects planned for 2026/27. This will include ensuring there is appropriate collaboration and oversight.
X3	Business Continuity		This compliance-based review will test whether services have business continuity plans in place and the overarching monitoring arrangements to support for the new Business Continuity lead.
Directorate: Residents Services (R)			
R1	Fleet		This review will test compliance with safety requirements, follow up on the fleet damage report completed in 2023/24, and consider how technology can be used to support the service.
R2	Play Equipment Health & Safety		This compliance-based review will test how Play Equipment is monitored and whether appropriate inspections and maintenance have been completed to meet Health and Safety requirements.
R3	Disposals		This review will consider the processes in place for identifying assets for disposal, and whether there is appropriate scrutiny and approval before the disposal is actioned.
R4	Environment Forward Planning		Following management changes in this directorate this advisory review will focus on supporting these teams to establish clear objectives, plans and risk registers for 2026/27. These will be further reviewed in Q4 to ensure they are embedded effectively.
Directorate: Finance (F)			
F1	Aged Debt & Write Offs	0006	Following the debt work completed in 2025/26 this review will assess how aged debts are monitored, provided for and written off when they are no longer recoverable.

QUARTER TWO

REF.	AUDIT TITLE	SRR	DESCRIPTION
Cross Directorate Reviews (X)			
X4	Business and Financial Plans Follow Up		This review will follow up on the recommendations made in the 2025/26 Business and Financial Plans audit and test whether appropriate plans are in place for 2026/27.
X5	Directorate Governance	0006	Following the governance improvement actions undertaken in 2025/26 this review will test whether the new directorate level governance arrangements have been embedded effectively.
X6	Directorate Spend Controls	0006	Three spend control compliance audits have been included in the plan to consider whether the spend controls are working effectively within the directorates, social care and housing.
Directorate: Adult Social Care & Health (A)			
A1	Spend Control - Social Care	0006	As above, three spend control compliance audits have been included in the plan to consider whether the spend controls are working effectively within the directorates, social care and housing.
Directorate: Children's Services (C)			
C1	Fostering	0009	This review was added to the plan as there have been significant changes in the fostering service since the last audit was undertaken.

Directorate: Residents Services (R)

R5	Spend Controls – Housing	0005	As above, three spend control compliance audits have been included in the plan to consider whether the spend controls are working effectively within the directorates, social care and housing.
R6	Temporary Accommodation Data	0005	This review will provide assurance on the accuracy of performance data in relation to Temporary Accommodation and how the service monitors the accommodation provided.
R7	Civic Amenity Site		This compliance-based review will test how the Civic Amenity Site ensures they are delivering their service objectives and meeting any necessary standards or regulations.

Directorate: Corporate Services (S)

S1	HR Compliance		This review will consider whether there is appropriate oversight of HR compliance to ensure officers are held accountable for non-compliance. This includes mandatory training, appraisals and any annual declarations.

Directorate: Finance (F)

F2	Fees and Charges	0006	This review will assess the processes in place for setting the Council's fees and charges, including benchmarking charges against other Local Authorities and considering the potential impact on demand for the services.

QUARTER THREE

REF.	AUDIT TITLE	SRR	DESCRIPTION

Cross Directorate Reviews (X)

X7	Budget Monitoring	0006	Following the actions taken to improve budget monitoring in 2025/26 these days have been included in the plan to ensure they are embedded effectively at a service level.
X8	Use of Performance Information	0007	This review will assess how the Council is using their performance data effectively, including whether performance reports cover statutory requirements and action plans are in place to address poor performance.
X9	Savings monitoring	0006	Following the Saving Programme review in 2025/26 this review will deep dive into individual savings proposals to confirm action plans are in place to deliver the saving and alternative savings proposals identified where necessary.
X10	Resident Engagement		This review will consider the different communication options available for residents to contact the Council, and whether they are aligned with each other to ensure residents can reach the appropriate service efficiently.
X11	Company Governance		This review will assess the governance arrangements for companies established by the Council, and how the Council maintains oversight to ensure the expected outcomes are achieved.

Directorate: Adult Social Care & Health (A)

A2	Adult Social Care Charges	0006	To test compliance with the Council's policies and procedures in relation to social care charges, including financial assessments and how income is collected.

Directorate: Residents Services (R)

R8	Landlord Service Data	0007	This review will provide assurance on the accuracy of performance data in relation to the Landlord Service, including whether mandatory indicators have been calculated correctly.
R9	Domestic Abuse	0005	This review will assess the processes in place to support victims of domestic abuse, including how services collaborate to provide an effective response.
R10	Rental Income	0006	To provide assurance whether the Council is maximising their rental income from leased properties. Including how rent is calculated and how the income is collected.

Directorate: Corporate Services (S)

S2	HR Info	0007	Following the action undertaken by the Human Resources service in 2025/26 to improve data quality in relation to staffing structures, this review will test the new arrangements in place to ensure the data continues to be accurate.

QUARTER FOUR

REF.	AUDIT TITLE	SRR	DESCRIPTION
Cross Directorate Reviews (X)			
X12	Resident Consultation		This review will assess how residents are consulted in key decisions, and whether the consultation was appropriate and responses managed appropriately.
Directorate: Adult Social Care & Health (A)			
A3	ASC Contract Management	0010	This review will provide assurance there is a clear contract register in place for Adult Social Care contracts and appropriate contract management arrangements to ensure they are providing value for money.
A4	ASC Culture Review	0010	This advisory review will involve engaging with officers across the directorate to confirm whether they understand the directorate structure, their individual role and whether they feel teams are collaborating effectively.
A5	Mortuary Training Academy		This will be a compliance-based review to test whether the Mortuary is meeting any necessary standards and requirements.
Directorate: Children's Services (C)			
C2	Schools Thematic Review	0009	These days will be used to review a sample of schools and test their arrangements in place in relation to a key area of governance, The topic will be agreed with the Director for Education in Q3.
Directorate: Residents Services (R)			
R12	Theatres		This service review will assess how the Theatre service ensures they achieve value for money, including whether there are any further opportunities to maximise income.
R11	Asset Management	0007	This review will consider the Council's Asset Management arrangements, including testing the accuracy of the asset register and the processes in place to ensure it remains up to date.
R13	Awaabs Law	0005	This review will follow up on any recommendations made in the Awaabs Law review in 2025/26 and test compliance with the new requirements in 2026.
R14	Environment Forward Planning (Part 2)		Following the advisory review in Q1 this review will assess whether the agreed forward plans have been followed and ongoing monitoring arrangements embedded effectively.
Directorate: Corporate Services (S)			
S3	Procurement Act Compliance		This review will test compliance with the Procurement Act across the Council and whether there are appropriate monitoring arrangements in place to address any non-compliance.

ONGOING AUDIT WORK

REF.	AUDIT TITLE	SRR	DESCRIPTION
Other Internal Audit Work			
-	Grant Claims	-	Several grant certifications and sign offs are required by IA during the year on behalf of the Council.
-	Ad Hoc Advisory	-	These days will be used for urgent requests for advice and support to improve systems and processes, mitigate risk and enable the achievement of objectives.
-	Recommendation Follow up	-	All High and Medium recommendations raised by Internal Audit will be followed up as they become due to ensure they have been implemented effectively.

ALIGNING TO THE STRATEGIC OBJECTIVES

As part of the Internal Audit planning process the proposed reviews have been aligned to the Council's Strategic Objectives for 2022-2026. This summary is intended to provide assurance the plan will support the Council to achieve these core objectives.

(1) Safe and Strong Communities	Play Equipment Health & Safety, Resident Engagement, Resident Consultation
(2) A Thriving Economy	Resident Engagement, Rental Income,
(3) A Digital-enabled, modern well-run council	Grant Register, Project Management, Business Continuity, Aged Debt & Write Offs, Directorate Governance, Spend Controls, HR Info, Procurement Act Compliance
(4) Thriving, healthy households	Fostering, Temporary Accommodation Data, Domestic Abuse, ASC Contract Management
(5) A green and sustainable borough	Environment Forward Planning, Civic Amenity Site

5. INTERNAL AUDIT SKILLS AND RESOURCES

- 5.1 In line with the Global Internal Audit Standards, the Head of Internal Audit appointed is professionally qualified and suitably experienced, whilst the IA team collectively possess the knowledge, skills and other competencies required to perform their responsibilities.
- 5.2 We are confident there will be sufficient IA capacity available to meet the skills and resource requirements needed to deliver the 2026/27 risk-based IA Plan. Based on the current workforce the calculated total available IA time for 2026/27 is 949 IA days.
- 5.3 This is an increase from 2025/26 as one team member is due to return from maternity leave at the beginning of the year. During 2025/26 one Internal Auditor and one Assistant Manager also left the Council. The Internal Auditor post was replaced with an Apprentice Auditor in May 2025, however the Assistant Manager post remains vacant at the beginning of 2026/27.
- 5.4 The impact of the maternity leave and vacancies on the capacity for IA work in 2025/26 was minimised by reducing the non-audit work completed by the team. However, the capacity plan will be reviewed during 2026/27 if the Assistant Manager post is filled or if there are any further staffing changes.
- 5.5 We continue to invest in the training and development of all our staff, including identifying opportunities for further development in associated areas of assurance. In particular, we will also seek opportunities to develop our digital skills and experience to allow us to automate our own processes and provide greater assurance in relation to Council wide systems and technology.

AVAILABLE CHARGEABLE TIME

Type of IA Work	2026/27 Planned	2025/26 Forecast	2024/25 Actual	2023/24 Actual
Assurance & Advisory Audits	785	694	773	703
Grant Claims	70	64	57	65
Ad-Hoc Advisory	50	45	33	15
Recommendation Follow-Up	12	40	40	40
Facilitation	32	12	12	20
	949 Days	855 Days	915 Days	843 Days

APPENDIX A - INTERNAL AUDIT DEFINITIONS

ASSURANCE LEVEL	DEFINITION
SUBSTANTIAL	There is a good level of assurance over the management of the key risks to the Council objectives. The control environment is robust with no major weaknesses in design or operation. There is positive assurance that objectives will be achieved.
REASONABLE	There is a reasonable level of assurance over the management of the key risks to the Council objectives. The control environment is in need of some improvement in either design or operation. There is a misalignment of the level of residual risk to the objectives and the designated risk appetite. There remains some risk that objectives will not be achieved.
LIMITED	There is a limited level of assurance over the management of the key risks to the Council objectives. The control environment has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a significant risk that objectives will not be achieved.
NO	There is no assurance to be derived from the management of key risks to the Council objectives. There is an absence of several key elements of the control environment in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite and the residual risk to objectives. There is a high risk that objectives will not be achieved.

FINDING RATING	DEFINITION
HIGH	The recommendation relates to a significant threat that impacts the Council's corporate objectives. i.e. a high number of key business risks remain unidentified and/or unmanaged as control systems do not exist and/or do not operate effectively. The risk requires senior management attention as soon as possible as it may result in the breakdown of part/whole of the service.
MEDIUM	The recommendation relates to a potentially significant threat that impacts on either corporate or operational objectives. This includes weaknesses in the control systems that are not considered serious but may have some impact on the service. The risk requires management attention and should be addressed within six months to ensure full compliance with expected controls.
LOW	The recommendation relates to a minor threat that impacts on operational objectives, this includes non-compliance with best practice or local procedures, and minimal impacts on the Service's reputation or budget. The risk may be tolerable in the medium term but management should take action within the next year to improve the control framework to ensure full compliance with expected controls.
OBSERVATION	This includes any items Internal Audit would like to highlight that may not directly relate to a finding. This includes notable performance and innovative controls that should be shared with others , potential concerns raised during the audit that are outside the scope of the review and will be considered separately, and any areas of improvement that had already been addressed by management at the time of the review.

APPENDIX B - INTERNAL AUDIT KEY PERFORMANCE INDICATORS

The Key Performance Indicators (KPIs) for IA quarterly reporting to CMT and the Audit Committee in 2026/27 are set out below:

KPI	Category	Performance Measure	2026/27 Target
KPI 1	Timeliness: IA	Planning to be initiated at least six weeks before the planned fieldwork start date to allow the relevant service to prepare documents and ensure staff availability.	80%
KPI 2	Timeliness: IA & Management	The final terms of reference for the review to be agreed before the planned fieldwork start date.	80%
KPI 3	Timeliness: IA & Management	Fieldwork to be completed within two months of the opening meeting, unless agreed with the relevant Review Sponsor.	80%
KPI 4	Timeliness: IA	Draft Reports to be issued three weeks after the end of fieldwork meeting with the key contact	80%
KPI 5	Timeliness: IA	Annual IA Plan delivered to draft report stage by 31st March, unless agreed with Review Sponsor	90%
KPI 6	Timeliness: IA	Annual IA Plan delivered to final report stage by 31st March, unless agreed with Review Sponsor	80%
KPI 7	Timeliness: Management	Draft management responses to be received two weeks after the draft report is issued	80%
KPI 8	Timeliness: Management	Review Sponsor to approve the management responses two weeks after the updated report is issued.	80%
KPI 9	Quality	HIGH and MEDIUM risk IA recommendations completed within the agreed timescale	80%
KPI 10	Quality	IA folders with fully completed compliance checklists identified through quarterly spot checks	90%

Key for future reporting on actual KPI performance:

RED = currently this performance target is not being met (significantly [>5%] short of target performance).

AMBER = currently not meeting this performance target (just short [<5%] of target performance).

GREEN = currently meeting or exceeding this performance target

INTERNAL AUDIT STANDARDS & QUALITY IMPROVEMENT ACTION PLAN

November 2025



1. INTRODUCTION

In January 2024 the Global Institute of Internal Audit (GIIA) published new Professional Standards for Internal Auditors. The Standards became globally effective from 9 January 2025 and replaced the International Professional Practice Framework, which was the basis for the UK Public Sector Internal Auditing Standards. From the 1 April 2025 Auditors working in the UK public sector were also required to follow the new Global Internal Audit Standards, subject to the interpretations and additional requirements set out in a CIPFA Application Note.

The Standards are organised into five domains:

- Domain I: Purpose of Internal Auditing.
- Domain II: Ethics and Professionalism.
- Domain III: Governing the Internal Audit Function.
- Domain IV: Managing the Internal Audit Function.
- Domain V: Performing Internal Audit Services.

3. DOMAIN I & ESSENTIAL CONDITIONS

The Audit Committee and Corporate Management Team (CMT) are essential to support Internal Audit's ability to meet the Purpose of Internal Auditing. Therefore, the Standards include a range of obligations under *Domain III: Governing the Internal Audit Function* for the Audit Committee and CMT to fulfil when overseeing and directing internal audit. These are referred to as "Essential Conditions" and listed in Appendix A below.

The Standards state the HIA must discuss the Essential Conditions at least annually with the Audit Committee and CMT. This must also cover the following points required by the Standards:

- The Purpose of Internal Auditing as articulated in *Domain I: Purpose of Internal Auditing*.
- The Essential Conditions outlined under each of the standards in *Domain III: Governing the Internal Audit Function*.
- The potential impact on the effectiveness of the internal audit function if the Audit Committee or CMT does not provide the support outlined in the essential conditions.

As there are many Essential Conditions these have been listed separately in Appendix A. However, the Purpose of Internal Auditing as articulated in *Domain I: Purpose of Internal Auditing* is highlighted below:

Domain I: Purpose of Internal Auditing

Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the organisation's:

- *Successful achievement of its objectives.*
- *Governance, risk management, and control processes.*
- *Decision-making and oversight.*
- *Reputation and credibility with its stakeholders.*
- *Ability to serve the public interest.*

Internal auditing is most effective when:

- *It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.*
- *The internal audit function is independently positioned with direct accountability to the board.*
- *Internal auditors are free from undue influence and committed to making objective assessments.*

The Essential Conditions require the Audit Committee to have significantly more operational oversight in relation to Internal Audit than previously held. This will need to be reflected in the Committee's Terms of Reference, and proposed wording has been included in Appendix D. Where the Audit Committee or CMT cannot, or will not, agree to implement any Essential Condition, the HIA must document these decisions and set out the impact on the work of the internal audit service.

2. COMPLIANCE WITH THE STANDARDS

The Head of Internal Audit and Risk Assurance (HIA) completed an initial self-assessment against the standards in November 2024 to ensure any significant areas for improvement were addressed in advance of the implementation date. Actions already taken include reviewing the Internal Audit Charter to ensure it is consistent with the best practice template and includes the key information required by the Standards, and updating the Internal Audit Strategy.

The standards require the HIA to undertake an annual review of compliance, therefore a more detailed assessment has been completed in October 2025. A summary of the current compliance is outlined in Appendix B. As the standards are new it is difficult to justify a fully compliant rating some areas because there is limited evidence in place to show the requirements are embedded yet. Overall, the HIA is comfortable with an overall rating of 'Generally Achieved' across the five Domains, with three principles 'Fully Achieved' and one Partially Achieved. There were no significant areas of improvement identified, and any improvement actions have been developed into a Quality Improvement Action Plan summarised in section 5 below.

As a Public Sector organisation in the UK the Council must also comply with the CIPFA Application Note in relation to the Global Internal Audit Standards. This adapts the Global Internal Audit Standards where necessary to align with wider UK Public Sector requirements. The HIA has also completed an annual self-assessment against the application note, summarised in Appendix C. Overall six of the requirements are 'Fully Achieved' and eight are 'Generally Achieved'.

4. OTHER AREAS CONSIDERED

As part of this annual self-assessment the following areas were also considered:

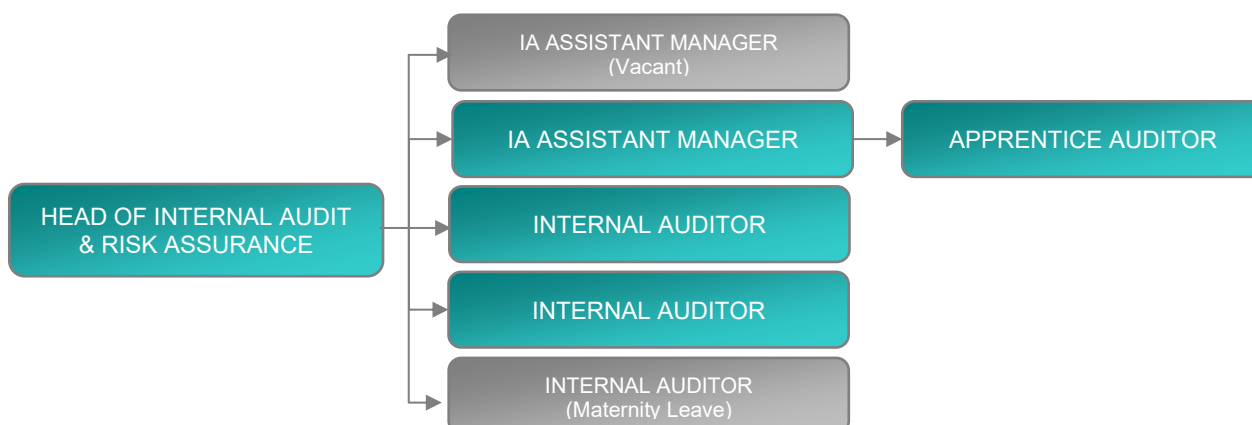
Benchmarking Data

In June 2025 the London Audit Group undertook a benchmarking exercise to compare Internal Audit services from across the London Boroughs. This included reviewing reporting lines, staffing structures, additional responsibilities and service budgets. Overall, the Hillingdon Council team had the second lowest day rate, providing an above average level of reviews with a below average budget. We also had the highest percentage of risk-based reviews, providing value for money by focusing on tailored reviews into key risk areas rather than undertaking standard compliance-based reviews.

The benchmarking also covered some of the key risk areas identified across the London Boroughs. All four areas identified (Housing Compliance, Contract Management, Capital Projects & Transformation) have already been covered by the Hillingdon Internal Audit service. This also provides assurance the team have not missed potential risk areas identified in other Boroughs.

Resourcing

During 2025/26 the capacity within the in-house IA team decreased as one Internal Auditor was on Maternity Leave and we were unsuccessful recruiting a replacement Assistant Manager.



The IA Plan was revised during the year to prioritise reviews where necessary in line with the available resources, and to ensure there was sufficient coverage for the Annual Opinion without the need to use additional external resources.

We are confident that there will be sufficient IA resources available to meet the skills and resource requirements needed to complete the 2025/26 IA Plan and deliver the 2026/27 IA Plan. The HIA will continue to monitor the capacity within the team and will look to recruit into vacant positions during 2026/27.

The IA Team also continue to focus on training and development, taking into consideration the limited training budget available. We are currently prioritising Internal Audit qualifications and undertaking internal peer to peer training through team meetings. In particular, we will also seek opportunities to develop our digital skills and experience to allow us to automate our own processes and provide greater assurance in relation to Council wide systems and technology.

Staff Survey Results

A Council-wide staff survey was completed in June 2025. Due to the small size of the IA team their results are consolidated with the larger Counter Fraud Team to ensure individual responses could not be identified. The results from the survey were very positive with 100% positive scores for the following four questions:

- I am treated with dignity and respect by my line manager/supervisor
- My line manager/supervisor trusts me to make decisions about my work
- I understand how my role contributes to the performance of my service
- I can rely on my line manager/supervisor to be there for me if I need help or support

There were no significant areas of concern identified through the survey however the lowest scoring questions have been discussed as part of an IA team meeting and actions put in place to improve these areas. In particular, the HIA will look for opportunities for more junior members of the team to engage with the Corporate Management Team and the wider Finance Directorate, and to raise the profile of the Internal Audit service.

5. QUALITY IMPROVEMENT ACTION PLAN SUMMARY

The Internal Audit Team are continuously seeking to improve their performance, including improving their compliance with the Global Internal Audit Standards. Following this self-assessment they have identified the following key actions for 2026/27, which will be monitored through the IA monthly team meetings and reported annually to the Audit Committee:

- In 2026/27 the IA Team will look to increase their use of technology and automation to improve efficiency and performance monitoring data available. This includes embedding the newly developed automated follow up process, and developing a monitoring dashboard to provide the Corporate Management Team with greater oversight of the recommendations implemented and the IA work completed.
- Undertake a review of the Audit Committee Terms of Reference and suggest any necessary updates to ensure they reflect the Essential Conditions outlined in Appendix A. This review has been completed, and proposed changes have been attached in Appendix D.
- Update the IA Team capacity plan as part of 2026/27 annual planning process and consider whether the level of resources is sufficient to provide an effective IA service. If necessary, consider alternative recruitment or training options to increase capacity and skills within the team. In particular, the key skills in relation to technology and data analytics.
- Implement more formal record keeping in relation to team training to improve the level of evidence available for the self-assessment, and update the IA team competency framework and job descriptions in line with the updated guidance from the IIA and CIPFA.
- Review the Internal Audit Manual to ensure it is consistent with the Global Internal Audit Standards and includes sufficient detail on the key areas outlined within the standards. In particular, develop clear guidance and training in relation to root cause analysis.

APPENDIX A: CMT & AUDIT COMMITTEE ESSENTIAL CONDITIONS

STANDARD 6.1 INTERNAL AUDIT MANDATE

Audit Committee:

- Discuss with the HIA and CMT the appropriate authority, role, and responsibilities of the internal audit function.
- Approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services.

Corporate Management Team:

- Participate in discussions with the Audit Committee and HIA and provide input on expectations for the internal audit function that the Audit Committee should consider when establishing the internal audit mandate.
- Support the internal audit mandate throughout the organisation and promote the authority granted to the internal audit function.

STANDARD 6.2 INTERNAL AUDIT CHARTER

Audit Committee:

- Discuss with the HIA and CMT other topics that should be included in the internal audit charter to enable an effective internal audit function.
- Approve the internal audit charter.
- Review the internal audit charter with the HIA to consider changes affecting the organisation, such as the employment of a new HIA or changes in the type, severity, and interdependencies of risks to the organisation.

Corporate Management Team:

- Communicate with the Audit Committee and HIA about management's expectations that should be considered for inclusion in the internal audit charter.

STANDARD 6.3 AUDIT COMMITTEE AND CMT SUPPORT

Audit Committee:

- Champion the internal audit function to enable it to fulfil the Purpose of Internal Auditing and pursue its strategy and objectives.
- Work with the CMT to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfil the internal audit mandate.
- Support the HIA through regular, direct communications.
- Demonstrate support by:
 - Specifying that the HIA reports to a level within the organisation that allows the internal audit function to fulfil the internal audit mandate.
 - Approving the internal audit charter, internal audit plan, budget, and resource plan.
 - Making appropriate inquiries of CMT and the HIA to determine whether any restrictions on the internal audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively.
 - Meeting periodically with the HIA in sessions without CMT present.

Corporate Management Team:

- Support recognition of the internal audit function throughout the organisation.
- Work with the Audit Committee and management throughout the organisation to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfil the internal audit mandate.

STANDARD 7.1 ORGANISATIONAL INDEPENDENCE

Audit Committee:

- Establish a direct reporting relationship with the HIA and the internal audit function to enable the internal audit function to fulfil its mandate.
- Authorize the appointment and removal of the HIA.
- Provide input to CMT to support the performance evaluation and remuneration of the HIA.
- Provide the HIA with opportunities to discuss significant and sensitive matters with the Audit Committee, including meetings without CMT present.
- Require that the HIA be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management. This positioning provides the organizational authority and status to bring matters directly to CMT and escalate matters to the Audit Committee when necessary.
- Acknowledge the actual or potential impairments to the internal audit function's independence when approving roles or responsibilities for the HIA that are beyond the scope of internal auditing.

- Engage with CMT and the HIA to establish appropriate safeguards if HIA roles and responsibilities impair or appear to impair the internal audit function's independence. Engage with CMT to ensure that the internal audit function is free from interference when determining its scope, performing internal audit engagements, and communicating results

Corporate Management Team:

- Position the internal audit function at a level within the organisation that enables it to perform its services and responsibilities without interference, as directed by the Audit Committee.
- Recognise the HIA's direct reporting relationship with the Audit Committee.
- Engage with the Audit Committee and the HIA to understand any potential impairments to the internal audit function's independence caused by non-audit roles or other circumstances and support the implementation of appropriate safeguards to manage such impairments.
- Provide input to the Audit Committee on the appointment and removal of the HIA.
- Solicit input from the Audit Committee on the performance evaluation and remuneration of the HIA

STANDARD 7.2 HIA QUALIFICATIONS**Audit Committee:**

- Review the requirements necessary for the HIA to manage the internal audit function, as described in Domain IV: Managing the Internal Audit Function.
- Approve the HIA's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.
- Engage with CMT to appoint a HIA with the qualifications and competencies necessary to manage the internal audit function effectively and ensure the quality performance of internal audit services.

Corporate Management Team:

- Engage with the Audit Committee to determine the HIA qualifications, experience, and competencies.
- Enable the appointment, development, and remuneration of the HIA through the organisation's human resources processes.

STANDARD 8.1 AUDIT COMMITTEE INTERACTION**Audit Committee:**

- Communicate with the HIA to understand how the internal audit function is fulfilling its mandate.
- Communicate the Audit Committee's perspective on the organization's strategies, objectives, and risks to assist the HIA with determining internal audit priorities.
- Set expectations with the HIA for: The frequency with which the Audit Committee wants to receive communications from the HIA.
- The criteria for determining which issues should be escalated to the Audit Committee, such as significant risks that exceed the Audit Committee's risk tolerance.
- The process for escalating matters of importance to the Audit Committee.
- Gain an understanding of the effectiveness of the organisation's governance, risk management, and control processes based on the results of internal audit engagements and discussions with CMT.
- Discuss with the HIA disagreements with CMT or other stakeholders and provide support as necessary to enable the HIA to perform the responsibilities outlined in the internal audit mandate.

Corporate Management Team:

- Communicate senior management's perspective on the organization's strategies, objectives, and risks to assist the HIA with determining internal audit priorities.
- Assist the Audit Committee in understanding the effectiveness of the organization's governance, risk management, and control processes.
- Work with the Audit Committee and the HIA on the process for escalating matters of importance to the Audit Committee.

STANDARD 8.2 RESOURCES

- Collaborate with CMT to provide the internal audit function with sufficient resources to fulfil the internal audit mandate and achieve the internal audit plan.
- Discuss with the HIA, at least annually, the sufficiency, both in numbers and capabilities, of internal audit resources to fulfil the internal audit mandate and achieve the internal audit plan.
- Consider the impact of insufficient resources on the internal audit mandate and plan.
- Engage with CMT and the HIA on remedying the situation if the resources are determined to be insufficient.

Corporate Management Team:

- Engage with the Audit Committee to provide the internal audit function with sufficient resources to fulfil the internal audit mandate and achieve the internal audit plan.

- Engage with the Audit Committee and the HIA on any issues of insufficient resources and how to remedy the situation.

STANDARD 8.3 QUALITY

- Discuss with the HIA the quality assurance and improvement program, as outlined in Domain IV: Managing the Internal Audit Function.
- Approve the internal audit function's performance objectives at least annually.
- Assess the effectiveness and efficiency of the internal audit function. Such an assessment includes: Reviewing the internal audit function's performance objectives, including its conformance with the Standards, laws and regulations; ability to meet the internal audit mandate; and progress towards completion of the internal audit plan.
- Considering the results of the internal audit function's quality assurance and improvement program.
- Determining the extent to which the internal audit function's performance objectives are being met.

Corporate Management Team:

- Provide input on the internal audit function's performance objectives.
- Participate with the Audit Committee in an annual assessment of the HIA and internal audit function.

STANDARD 8.4 EXTERNAL QUALITY ASSESSMENT

- Discuss with the HIA the plans to have an external quality assessment of the internal audit function conducted by an independent, qualified assessor or assessment team.
- Collaborate with CMT and the HIA to determine the scope and frequency of the external quality assessment.
- Consider the responsibilities and regulatory requirements of the internal audit function and the HIA, as described in the internal audit charter, when defining the scope of the external quality assessment.
- Review and approve the HIA's plan for the performance of an external quality assessment. Such approval should cover, at a minimum:
 - The scope and frequency of assessments.
 - The competencies and independence of the external assessor or assessment team.
 - The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment.
- Require receipt of the complete results of the external quality assessment or self-assessment with independent validation directly from the assessor.
- Review and approve the HIA's action plans to address identified deficiencies and opportunities for improvement, if applicable.
- Approve a timeline for completion of the action plans and monitor the HIA's progress.

Corporate Management Team:

- Collaborate with the Audit Committee and the HIA to determine the scope and frequency of the external quality assessment.
- Review the results of the external quality assessment, collaborate with the HIA and Audit Committee to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans.

APPENDIX B: IIA GLOBAL STANDARDS

The HIA has assessed the Council's current compliance with the Global Internal Audit Standards using the following grading:

F	Fully Achieved - No changes required to meet the standard
G	Generally Achieved - Small actions required
P	Partially Achieved - Area of improvement required.
N	Not Achieved - Will be addressed by developing an action plan.
N/A	Not Applicable

SUMMARY OF REQUIREMENTS	
Domain I: Purpose of Internal Auditing	G
Domain II: Ethics and Professionalism	G
Principle 1 Demonstrate Integrity	F
Standard 1.1: Internal auditors must perform their work with honesty and professional courage.	F
Standard 1.2: Internal auditors must understand, respect, meet, and contribute to legitimate and ethical expectations of the organisation.	F
Standard 1.3: Internal auditors must not engage in or be a party to any activity that is illegal or discreditable to the organisation or the profession of internal auditing that may harm the organisation or its employees.	G
Principle 2 Maintain Objectivity	G
Standard 2.1: Internal auditors must maintain professional objectivity when performing all aspects of internal audit services.	G
Standard 2.2: Internal auditors must recognise and avoid or mitigate actual, potential, and perceived impairments to objectivity.	G
Standard 2.3: If objectivity is impaired in fact or appearance, the details of the impairment must be disclosed promptly to the appropriate parties.	G
Principle 3 Demonstrate Competency	G
Standard 3.1: Internal auditors must possess or obtain the competencies to perform their responsibilities successfully.	P
Standard 3.2: Internal auditors must maintain and continually develop their competencies to improve the effectiveness and quality of internal audit services.	G
Principle 4 Exercise Due Professional Care	G
Standard 4.1: Internal auditors must plan and perform internal audit services in accordance with the Global Internal Audit Standards.	F
Standard 4.2: Internal auditors must exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided.	G
Standard 4.3: Internal auditors must exercise professional scepticism when planning and performing internal audit services.	G
Principle 5 Maintain Confidentiality	G
Standard 5.1: Internal auditors must follow the relevant policies, procedures, laws, and regulations when using information.	G
Standard 5.2: Internal auditors must be aware of their responsibilities for protecting information and demonstrate respect for their confidentiality, privacy, and ownership of information acquired when performing internal audit services or as the result of professional relationships.	G
Domain III: Governing the Internal Audit Function	G
Principle 6 Authorised by the Audit Committee	F
Standard 6.1: The HIA must provide the Audit Committee and CMT with the information necessary to establish the internal audit mandate.	F
Standard 6.2: The HIA must develop and maintain an internal audit charter that specifies the internal audit functions.	F

Standard 6.3: The HIA must provide the Audit Committee and CMT with the information needed to support and promote recognition of the internal audit function throughout the organisation.	F
Principle 7 Positioned Independently	P
Standard 7.1: The HIA must confirm to the Audit Committee the organisational independence of the internal audit function at least annually.	G
Standard 7.2: The HIA must help the Audit Committee understand the qualifications and competencies of a HIA that are necessary to manage the internal audit function.	P
Principle 8 Overseen by the Audit Committee	G
Standard 8.1: The HIA must provide the Audit Committee with the information needed to conduct its oversight responsibilities.	G
Standard 8.2: The HIA must evaluate whether internal audit resources are sufficient to fulfil the internal audit mandate and achieve the internal audit plan.	G
Standard 8.3: The HIA must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function.	G
Standard 8.4: The HIA must develop a plan for an external quality assessment and discuss the plan with the Audit Committee.	G
Domain IV: Managing the Internal Audit Function	G
Principle 9 Plan Strategically	G
Standard 9.1: To develop an effective internal audit strategy and plan, the HIA must understand the organisation's governance, risk management, and control processes.	G
Standard 9.2: The HIA must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation and aligns with the expectations of the Audit Committee, CMT, and other key stakeholders.	F
Standard 9.3: The HIA must establish methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the standards.	F
Standard 9.4: The HIA must create an internal audit plan that supports the achievement of the organisation's objectives.	G
Standard 9.5: The HIA must coordinate with internal and external providers of assurance services and consider relying upon their work.	P
Principle 10 Manage Resources	G
Standard 10.1: The HIA must manage the internal audit function's financial resources.	F
Standard 10.2: The HIA must establish an approach to recruit, develop, and retain internal auditors who are qualified to successfully implement the internal audit strategy and achieve the internal audit plan.	G
Standard 10.3: The HIA must strive to ensure that the internal audit function has technology to support the internal audit process.	P
Principle 11 Communicate Effectively	G
Standard 11.1: The HIA must develop an approach for the internal audit function to build relationships and trust with key stakeholders.	G
Standard 11.2: The HIA must establish and implement methodologies to promote accurate, objective, clear, concise, constructive, complete and timely internal audit communications.	F
Standard 11.3: The HIA must communicate the result of internal audit services to the Audit Committee and CMT periodically and for each engagement as appropriate.	F
Standard 11.4: If a final engagement communication contains a significant error or omission, the HIA must communicate corrected information promptly to all parties who received the original communication.	N/A
Standard 11.5: The HIA must communicate unacceptable levels of risk.	G
Principle 12 Enhance Quality	G
Standard 12.1: The HIA must develop and conduct internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and progress towards performance objectives.	F
Standard 12.2: The HIA must develop objectives to evaluate the internal audit function's performance.	F
Standard 12.3: The HIA must establish and implement methodologies for engagement supervision, quality assurance, and the development of competencies.	G

Domain V: Performing Internal Audit Services	G
Principle 13 Plan Engagements Effectively	G
• Standard 13.1: Internal auditors must communicate effectively throughout the engagement.	F
• Standard 13.2: Internal auditors must develop an understanding of the activity under review to assess the relevant risks.	G
• Standard 13.3: Internal auditors must establish and document the objectives and scope for each engagement.	F
• Standard 13.4: Internal auditors must identify the most relevant criteria to be used to evaluate aspects of the activity under review defined in the engagement objectives and scope.	G
• Standard 13.5: When planning an engagement, internal auditors must identify the types and quantity of resources necessary to achieve the engagement objectives.	F
• Standard 13.6: Internal auditors must develop and document an engagement work program to achieve the engagement objectives.	G
Principle 14 Conduct Engagement Work	G
• Standard 14.1: To perform analyses and evaluations, internal auditors must gather relevant and reliable information.	G
• Standard 14.2: Internal auditors must analyse relevant, reliable, and sufficient information to develop potential engagement findings.	G
• Standard 14.3: Internal auditors must evaluate each potential engagement finding to determine its significance.	G
• Standard 14.4: Internal auditors must determine whether to develop recommendations, request action plans from management, or collaborate with management to agree on actions.	G
• Standard 14.5: Internal auditors must develop an engagement conclusion that summarises the engagement results relative to the engagement objectives and management's objectives.	G
• Standard 14.6: Internal auditors must document information and evidence to support the engagement results.	G
Principle 15 Communicate Engagement Results and Monitor Action Plans	F
• Standard 15.1: For each engagement, internal auditors must develop a final communication that included the engagement's objectives, scope, recommendations and/or action plans, and conclusions.	F
• Standard 15.2: Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology.	F

APPENDIX C: CIPFA APPLICATION NOTE

Application Note Topic	Assessment	GIAS Standard the Application Note relates to
Ethics and standards in public life	Fully achieved	1.2 - Organisation's ethical expectations
Handling information	Generally achieved	2.5 - Protection of information
Value for Money	Generally achieved	9.1 - Understanding Governance, risk management and control processes
Value for money	Generally achieved	13.4 - Evaluation criteria
The role of regulators	Generally achieved	9.5 - Coordination and reliance
Resources	Generally achieved	6.3 - Board and senior management support
Resources	Generally achieved	8.2 - Resources
Resources	Fully achieved	10.1 - Financial resource management
Resources	Generally achieved	10.2 - Human resources management
Resources	Generally achieved	10.3 - Technological resources
Overall conclusion and annual reporting	Fully achieved	11.3 - Communicating results
Overall conclusion and annual reporting	Fully achieved	12.1 - Internal quality assessment
Chief audit executive qualifications	Fully achieved	7.2 - Chief audit executive qualifications
Selecting independent assessors	Fully achieved	8.4 - External Quality Assessment

APPENDIX D: AUDIT COMMITTEE TERMS OF REFERENCE

If the Audit Committee chooses to comply with the Essential Conditions listed in the Global Internal Audit Standards the HIA proposes the following changes to the Internal Audit section of the Audit Committee Terms of Reference. Two sessions have been removed as they could be perceived as limiting the independence of the IA service, and three sections have been added to summarise the additional requirements from the essential conditions. If accepted, these changes will need to be reviewed against the wider Constitution and Cabinet Member Delegations to ensure there are no conflicts and will need to be formally approved as part of the next updates to the Constitution.

Internal Audit

- 1) Review and approve (but not direct) the Internal Audit Strategy, Internal Audit Charter and Internal Audit Mandate to ensure they meet the Council's overall strategic direction.
- 2) Review, approve and monitor (but not direct) Internal Audit's planned programmes of work, paying particular attention to whether there is sufficient and appropriate coverage.
- 3) Establish a direct reporting relationship with the Head of Internal Audit and work with the Corporate Management Team to ensure Internal Audit can perform without interference from management and has unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfil the internal audit mandate.
- 4) Through quarterly Internal Audit summary reports of work done, monitor progress against the Internal Audit Plan and assess whether adequate skills and resources are available to provide an effective Internal Audit function. Monitor the main Internal Audit recommendations and consider whether management responses to the recommendations raised are appropriate with due regard to risk, materiality and coverage.
- 5) Make recommendations to the Leader of the Council and Cabinet Member for Finance on any changes to the Council's Internal Audit Strategy and plans.
- 6) Review the Annual Report and Opinion Statement and the level of assurance this provides over the Council's corporate governance arrangements, risk management framework and system of internal controls.
- 7) Discuss with the HIA the quality assurance and improvement program and agree the plan and scope of any external quality assessment. Consider reports dealing with the activity, management and performance of internal audit services and approve the HIA's action plans to address any areas of improvement.
- 8) ~~Following a request to the Corporate Director of Finance and, subject to the approval of the Leader of the Council or Cabinet Member for Finance, to request work from Internal Audit.~~
- 9) To be fully consulted on any recruitment, appointment or dismissal of the HIA and provide input to CMT in relation to their reporting lines, and performance evaluation. If necessary, collaborate with CMT to establish appropriate safeguards if HIA roles and responsibilities impair, or appear to impair, the internal audit function's independence.

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2025/26 QUARTER 3 COUNTER FRAUD PROGRESS REPORT

Committee name	Audit Committee
Officer reporting	Alex Brown, Head of Counter Fraud
Papers with report	2025/26 Quarter 3 Counter Fraud Progress Report
Ward	All

HEADLINES

The attached report presents the Audit Committee with summary information on all Counter Fraud work covered in relation to 2025/26 Quarter 3 and assurance in this respect. It also provides an opportunity for the Head of Counter Fraud to highlight to the Audit Committee any significant Counter Fraud issues that have arisen which they need to be aware of. Further, the report enables the Audit Committee to hold the Head of Counter Fraud to account on delivery of the Counter Fraud Plan and facilitates in holding management to account for managing issues identified during the course of the Counter Fraud Team activity.

RECOMMENDATIONS

That the Audit Committee:

1. Notes the Counter Fraud Progress Report for 2025/26 Quarter 3; and
2. Suggests any comments/amendments.

SUPPORTING INFORMATION

The Counter Fraud Team supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the team underpins the Council's commitment to a zero tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.

BACKGROUND PAPERS

The Counter Fraud Team holds various background research documents in relation to the Counter Fraud Plan.

APPENDIX

Appendix A – 2025/26 Quarter 3 Counter Fraud Progress Report

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COUNTER FRAUD

Report to Audit Committee:

2025/26 Quarter 3

31st December 2025



Contents

The Counter Fraud key contacts in connection with this report are:		Page
Alex Brown	1. INTRODUCTION	3
Head of Counter Fraud	2. EXECUTIVE SUMMARY	3
t: 01895 556811	3. COUNTER FRAUD ACTIVITY IN Q3	4
e: abrown@hillingdon.gov.uk	4. COUNTER FRAUD PERFORMANCE IN Q3	8
	5. FORWARD LOOK	8
	APPENDIX A - CFT Q3 KPI PERFORMANCE	9
	APPENDIX B - CFT Q3 FINANCIAL PERFORMANCE	10
	APPENDIX C – GLOSSARY OF TERMS	11

1. INTRODUCTION

The Role of the Counter Fraud Team

- 1.1 The Counter Fraud Team (CFT) supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the CFT underpins the Council's commitment to a zero-tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.
- 1.2 As well as counter fraud activity, there is also a range of preventative work that the team is responsible for carrying out. This includes fraud awareness training and ensuring the Council have up-to-date and appropriate investigation policies and procedures.

The Purpose of the Counter Fraud Progress Report

- 1.3 The Counter Fraud Progress Report provides the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all counter fraud work carried out during the Quarter 3 (Q3) period (1st October to 31st December 2025). In addition, it provides an opportunity for the Head of Counter Fraud (HCF) to highlight any significant issues arising from counter fraud work in Q3.
- 1.4 The progress report also highlights to CMT, the Audit Committee and other key stakeholders, the performance of the CFT in meeting its strategic and operational objectives (as set out in the Counter Fraud Strategy 2025 to 2028), which provides an opportunity for the HCF to be held to account in this respect.

2. EXECUTIVE SUMMARY

- 2.1 In Q3 the CFT has sustained its focus on areas of high-risk including Housing, Social Care and Revenues while continuing to support the Council wide Debt & Income project. **This approach has delivered financial savings of c£3.5m in Q3 2025/26.** This brings the year-to-date total to c£10.1m exceeding the target of £8.8m.
- 2.2 The majority of the CFT's work in Q3 has been undertaken in the area of Housing, in particular reactive investigative work due to tenancy fraud. Currently the team are investigating 130 cases of Housing fraud which is consistent with previous quarters. In addition to these ongoing cases a large number of investigations have concluded in Q3, **leading to the team recovering 29 properties at a notional saving of c£2m.** The high number of properties recovered in the third quarter not only provides much needed Housing stock to those in need but demonstrates that the CFT are on track to deliver a significant amount of property recovery, in line with previous years.
- 2.3 During Q2 the CFT has continued to **visit emergency accommodation** provided by the Council to residents who have approached as homeless. During visits, **the CFT uncovered 10 clients were not occupying their emergency accommodation, which led to accommodation closures on all 10 cases saving c£268k.** This work is vital to ensure the Council has enough accommodation to support those in need during a time when demand is increasing.
- 2.4 The CFT in Q3 has continued its Revenues Maximisation project, to identify businesses that are not declared for business rates. **In total 15 businesses have been brought into the ratings list with bills issued for c£733k.** This work is vital in supporting the Councils income and will be prioritised in Q4.

- 2.5 Following the success of the CFT winning two awards at the Public Finance Awards 2023 and being shortlisted for an award in 2025, the HCF and management team nominated the service for the Public Sector Counter Fraud Awards 2026. **The team have been shortlisted in two the category Local Excellence and Team of the Year.** The nomination was based on the team's multi-discipline approach that led to c£10.9m of savings in 2024/25. Entries were deliberated by a panel of experts and the CFT have been shortlisted for the prestigious award alongside other fraud teams with awards ceremony in March 2026.

3. COUNTER FRAUD ACTIVITY IN QUARTER 3

3.1 Housing Fraud

- 3.1.1 The CFT has maintained its strong performance from previous quarters successfully **recovering 29 social housing properties, with a notional saving of c£2m in Q3.** This brings the total number of properties recovered this financial year to 84. The loss prevention savings for this area of work stands at £728k for Q3. These positive results stem from a range of proactive projects and data matching exercises undertaken by the CFT, highlighting that tenancy fraud remains a significant risk for the Council.
- 3.1.2 The Key Performance Indicator (KPI) 4 (refer to **Table 4 in Appendix A**) requires the CFT to recover 30% of properties associated with tenancy fraud referrals. This quarter **the CFT has achieved 77% of tenancy fraud referrals resulting in property recovery.** As per **Table 1** below, the case type of property recovery shows that non-occupation is still the highest area of tenancy fraud risk.

Table 1 ~ Housing Tenancy Fraud Cases

Case Type	Q1	Q2	Q3*	2025/26*	£k/value**
Abandonment	0	0	0	0	£0
Deceased	13	9	11	33	£2,310k
NFI Fraud Hub	2	4	5	11	£770k
Non-Occupation	8	10	7	25	£1,750k
Other	1	1	0	2	£140k
Sub-Let	1	1	6	8	£560k
Wrongful Succession	2	3	0	5	£350k
Total Properties Recovered	27	28	29	84	£5,880k

* As at end of Q3 (31ST December 2025).

** Tenancy Fraud Forum valuation.

- 3.1.3 Housing fraud remains the Council's most significant fraud risk, with the CFT actively investigating **130 cases relating to tenancy fraud.** To date **9 possession orders have been granted through legal proceedings** and are awaiting enforcement action. In addition, 32 further cases comprising both criminal and civil matters, are currently with our legal team for progression.
- 3.1.4 In Q3 the team have also continued with proactively identifying cases of unknown deceased tenants with the assistance of the **NFI Fraud Hub.** The details of this work can be found in subsection 3.6 of this report. This work, though not classed as fraud, has continued to contribute to the number of properties recovered.

- 3.1.5 The CFT has continued to **proactively analyse internally sourced data to identify discrepancies** that can lead to property recovery or generate financial savings, such as reductions in council tax discounts and exemptions. One notable data-driven initiative involved reviewing council tax exemptions applied to social housing stock, which facilitated the recovery of 8 properties in Q3. This approach has resulted in a total of 26 properties being recovered during the current financial year.
- 3.1.6 The CFT has continued its rolling proactive project conducting residency checks to all emergency accommodation placements to highlight any instances of non-occupation or subletting. In Q3 the CFT has **closed a further 10 emergency accommodation units due to non-occupation, resulting in savings of c£268k**. This brings the total of closures this financial year to 26. During these visits officers address any other concerns such as recovering any rent arrears and setting up payment plans for arrears. A further **14 cases have been opened** due to concerns of suspected non-occupation.
- 3.1.7 The CFT conducts verification checks on all Right to Buy (RTB) applications submitted to the Council, ensuring applicants meet eligibility criteria for the substantial discount and that funds used for the purchase comply with anti-money laundering regulations. **In Q3, the CFT cancelled one RTB application**, generating an estimated saving of approximately £136k, and is currently investigating 7 cases involving suspected sub-letting and non-occupation. Two of these cases have been referred to the Legal department to initiate criminal proceedings for fraud-related offences. Additionally, the CFT closed a further RTB application at the verification stage due to the applicant's failure to provide the required financial information

3.2 Revenues Fraud & Inspections

- 3.2.1 In the area of Revenues, the CFT has continued to maintain a high level of performance and again exceeded their KPI target (refer to **Table 4 at Appendix A**). In Q3, as detailed in **Table 2** below, the CFT has **conducted 1,304 inspections, with 1,290 (99%) visited within the 10-day KPI target**.

Table 2 ~ Revenues Inspections Performance 2025/26

Revenues Inspections	Q1	Q2	Q3*
Total number of inspections completed	1,841	1,593	1,304
Percentage within 10-day target	99%	99%	99%

*As at end of Q3 (31st December 2025).

- 3.2.2 In Q3, the Counter Fraud Team (CFT) uncovered **13 additional properties** operating as "Beds in Sheds" that were previously unlisted. This discovery led to revised Council Tax bills being issued to the responsible parties, **generating approximately £10,000 in additional revenue**. The CFT will continue collaborating with other Council departments throughout the year to identify similar cases and take appropriate enforcement action.
- 3.2.3 During Q3, the CFT continued its Revenue Maximisation programme in partnership with key stakeholders. This initiative focuses on identifying unlisted properties and changes in land use. As a result, **15 previously unlisted business premises were identified, leading to additional billing worth around £733,000 issued to businesses in Q3**.

3.3 Social Care

- 3.3.1 In Q3, the CFT sustained its successful engagement within Social Care, reporting its most productive quarter of the year with **loss prevention savings of approximately £177k**. These positive outcomes were achieved through a range of workstreams, including the Financial Assessment verification process, tracing service users, and verifying residents receiving Section 17 support.
- 3.1.2 In Q3 CFT officers have continued to pilot visiting residents to recover outstanding Social Care debt. This has proven to be successful with further results obtained of **initial payments of £3,600 being made during Q3 with a further two payment plans being established which will result in additional c£9.2k being recovered over the next 12 months**.
- 3.3.3 The CFT's risk-based loss prevention work within Financial Assessments has continued throughout Q3, with the team conducting **142 financial assessment verifications, resulting in savings of over £100k**. The verification process is designed to identify anomalies, such as hidden capital or assets prior to financial support being administered and to provide assurance that only eligible applicants are provided support.
- 3.3.4 Section 17 of the Children's Act 1989 places a duty on the Council to safeguard and promote the welfare of children in need. Section 17 support offers a range of services that includes providing accommodation and/or financial assistance to eligible applicants. The CFT undertake verification checks for all Section 17 applicants who approach Social Care. **Table 3 below**, illustrates the outcomes derived from the preventive measures in place that ensure services provided are only accessed by those who meet the eligibility criteria.

Table 3 ~ Section 17 Verification Cases 2025/26

Section 17 Cases	Q1	Q2	Q3*	2025/26*
Total number of cases reviewed	14	15	8	37
Total number verified as accurate	10	5	7	22
Total number of cases closed	1	3	1	5
Total number of cases under further checks	3	7	1	-
Loss Prevention Savings	£3544	-	£17,708	£21,252

* As at end of Q3 (31st December 2025).

3.4 Blue Badge

- 3.4.1 Cases from previously reported Blue Badge operations and referrals from residents have continued to progress during Q3 with the successful **prosecution of one Blue Badge case**. Following a hearing in the Magistrates Court **£1,500 in prosecution costs was awarded to the Council and £225 in fines issued to the offender**.

3.5 London Counter Fraud Hub

- 3.5.1 The CFT is recognised as a leading member of the London Counter Fraud Hub (LCFH). The hub is designed to bring London Boroughs together, sharing data to identify fraud, loss or error. This innovative approach will also use the power of data to uncover cross borough frauds.

- 3.5.2 The unique capabilities of the LCFH are now fully integrated into the CFT, enabling automated referrals every two weeks. These referrals highlight cases where the Council may be unaware that a tenant has passed away, allowing early intervention and maximising loss prevention. As a direct result of this intelligence during Q3, **five Council properties have been recovered and returned to use.**

3.6 National Fraud Initiative

- 3.6.1 The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Cabinet Office and conducted every 2 years. The NFI matches data from over 1,300 organisations, including councils, the Police, hospitals and almost 100 private companies to identify potential fraud and error.
- 3.6.2 The CFT have dedicated significant resource into analysing the data provided by the 2024/25 NFI exercise which has led to savings in a variety of work streams.
- 3.6.3 Reviewing cases where the NFI had identified changes in the income and capital of recipients of Council Tax Reduction (CTR) has led to **overpayments of c£34k which will be added to revised Council Tax billing.**
- 3.6.4 The annual data match aiming to identify incorrectly claimed Council Tax Single Person Discount has been processed during Q3 which has led to the identification of £63k in incorrectly claimed discount which will be added to revised Council Tax billing with further results expected during Q4.

3.7 Other Counter Fraud Activities

- 3.7.1 The Counter Fraud Team has been shortlisted for two prestigious accolades at the Counter Fraud Awards 2026: *The Local Excellence Award* and *Team of the Year Award*. These nominations reflect the team's outstanding contribution to safeguarding public resources and their commitment to innovation and best practice in fraud prevention and detection. Being recognised at a national level underscores the team's dedication and the high standards of work delivered throughout the year.
- 3.7.2 During Q3, the Counter Fraud Team actively participated in a careers fair alongside other service areas. The event was aimed at supporting care leavers by providing information and guidance on career opportunities within the council. The team showcased the diverse roles available in fraud investigation and highlighted the importance of protecting public funds. This engagement not only promoted awareness of the council's work in tackling fraud but also encouraged young people to consider careers in this specialist area.
- 3.7.3 During Q3 the CFT has delivered a series of organised fraud awareness training sessions for School Admissions and Client Affairs. These sessions have not only strengthened the organisation's fraud awareness but also facilitated in identifying key risk areas. Further sessions with other departments have been booked in Q4.
- 3.7.4 Throughout Q3, the Counter Fraud Team continued to play a leading role in shaping national policy and sharing best practice across the sector. The Counter Fraud Manager represented the council at key industry events, speaking at conferences organised by the National Anti-Fraud Network and the Social Housing Law Association. These engagements provided an opportunity to influence policy discussions, exchange insights with other professionals, and reinforce the council's reputation as a thought leader in counter fraud strategy.

4. COUNTER FRAUD PERFORMANCE IN Q3

- 4.1 Attached at **Appendix A** is **Table 4** which sets out the Q3 performance by the CFT against the 9 KPIs. Also attached at **Appendix B** is **Table 5** which provides an overview of the financial performance of the team in Q3 within each of the main areas of counter fraud activity. The CFT's financial performance should be considered against a target of £8.8m for 2025/26.
- 4.2 The CFT has achieved a consistent level of performance across KPI's throughout the quarter. The details of this are that **9 out of 9 KPI's are above targeted performance**. The management team are pleased that all KPI's have been met and will be working closely with the team to ensure this level of performance is sustained.

5. FORWARD LOOK

- 5.1 During Q4 further data matching from NFI will be available in the areas of Adult Social Care and Council Tax. These matches are likely to detect instances of fraud and have a financial benefit to the Council. The CFT will prioritise these data sets for analysis in Q4.
- 5.2 As part of the CFT's programme to become digitally and data enabled, a new Power BI dashboard providing management information including insights, performance and outcomes will be completed in Q4. This will change the way the service reports to stakeholders and provide real time information.
- 5.3 To sustain high levels of property recovery the CFT plans to undertake a variety of proactive projects in Q4. The projects will be risk based to identify suspected subletting or non-occupation across different tenures.
- 5.4 The CFT would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the Council during this quarter. There are no other counter fraud matters that the HCF needs to bring to the attention of CMT or the Audit Committee at this time.

Alex Brown APCIP
Head of Counter Fraud

APPENDIX A: Table 4 - CFT KPIs and Actual Performance

CFT KPIs	Target	Q1	Q2	Q3*	25/26*	24/25
1. Percentage of fraud referrals risk assessed within 3 working days	95%	100%	100%	100%	100%	99%
2. Verification work timescales for completion:						
a. Right to Buy case completion within 28 working days	95%	100%	98%	100%	99%	98%
b. Financial Assessments completion within 2 working days	95%	100%	100%	100%	100%	100%
c. Section 17 reviews completion within 7 working days	95%	93%	100%	100%	97%	100%
3. Investigation plan completion within 5 working days of case allocation	95%	100%	99%	100%	100%	100%
4. Tenancy fraud referrals received resulting in property recovery	30%	67%	74%	77%	73%	71%
5. Investigations resulting in loss prevention/financial saving outcome	40%	36%	41%	41%	40%	47%
6. Revenue inspections completed within 10 working days of referral date	95%	99%	99%	99%	99%	99%

* As at end of Q3 (31st December 2025).

APPENDIX B: Table 5 - CFT Quarter 3 2025/26 Financial Performance

Work Area	Description	Quarter 1	Quarter 2	Quarter 3*	Quarter 4	2025/26*
Housing	Right to Buy discounts	£98,800	£112,800	£136,400	£0	£348,000
	Property Recovery (notional savings)	£1,890,000	£1,960,000	£2,030,000	£0	£5,880,000
	Other savings/loss prevention	£134,604	£295,690	£269,209	£0	£699,503
Social Care	Section 17 and UASC**	£3,544	£35,417	£54,338	£0	£93,299
	Financial Assessments	£11,295	£15,926	£110,531	£0	£137,752
	Direct Payments	£0	£0	£0	£0	£0
	Other (Including Debt Visits)	£129,830	£96,572	£12,888	£0	£239,290
Revenues	Single Person Discount	£7,307	£11,355	£69,244	£0	£87,906
	Council Tax Reduction, Exemptions & Arrears	£48,626	£43,869	£38,380	£0	£130,875
	Unlisted Buildings	£29,366	£20,054	£10,222	£0	£59,642
	Housing Benefit Overpayments	£1,086	£28,279	£32,131	£0	£61,497
	NNDR	£1,639,354	£22,801	£733,651	£0	£2,395,806
Blue Badge	Simple Caution & Financial Penalty	£2,578	£14,246	£1,725	£0	£18,549
Immigration Officer	Social Care Savings	£10,265	£17,708	£0	£0	£27,973
Internal	Pension & Salary Overpayments	£1,285	£0	£240	£0	£1,525
Totals	Loss Prevention Savings	£304,975	£510,458	£570,078	£0	£1,385,511
	Notional Savings	£3,246,832	£2,007,136	£2,668,861	£0	£7,992,829
	Cashable Savings	£453,557	£146,998	£258,294	£0	£858,849
	Costs awarded and penalties	£2,578	£21,413	£1,725	£0	£25,716
	Total	£4,007,942	£2,686,005	£3,498,958	£0	£10,192,905

* As at end of Q3 (31st December 2025).

** Average weekly cost against average length of support. This figure fluctuates but has been provided by the Council's Business Performance Team

APPENDIX C - Glossary of Terms

Beds in Sheds: 'Beds in Sheds' is the term used to describe habitable outbuildings, or annexes to private properties being utilised without the awareness of the Council or the Valuation Office Agency (VOA).

Blue Badge: A Blue Badge provides parking concessions and helps people with **non-visible and visible disabilities or health conditions** park closer to their destination. The Blue Badge enables holders to park in designated disabled person's parking bays either on the public highway or privately owned car parks. In addition, badge holders can park on single or double yellow lines for up to 3 hours.

Direct Payments: The Council are responsible for administering direct payments to service users who have been assessed as needing care and support services. The payments are made to allow applicants to access care to meet their social care needs, such as support with living tasks and social activities.

Disabled Facility Grants: The council offers a range of financial support schemes for people with disabilities, such as the Disabled Facilities Grant (DFG). The DFG is a means tested scheme that allows eligible applicants to receive financial support to make adaptations to their home, if they, or someone living at the property is disabled.

Financial Assessments: The Council is under a financial and legal obligation to carry out this means tested assessment for each service user. The Financial Assessment (FA) identifies whether the applicant(s) is eligible to receive funding towards their care costs.

Fraud Hub: Utilising the existing Cabinet Office infrastructure and systems, most London based local authorities have agreed to upload internally held data sets for proactive data matching exercises. These regularly agreed upon exercises will lead to the identification of possible fraud, loss or error.

National Fraud Initiative: The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Government Cabinet Office and conducted every 2 years. There is also an annual review of claimants in receipt of Single Persons discount data that is matched against the Electoral Roll data. The NFI matches data from over 1,200 organisations, including councils, the police, hospitals and almost 100 private companies to identify potential fraud and error.

New Homes Bonus: The New Homes Bonus (NHB) is a grant that is paid by central government to incentivise local housing growth.

Onsite Immigration Enforcement Official: The Onsite Immigration Enforcement Official (OSIO) provides enhanced access to Home Office data for the purpose of assessing cases involving immigration issues and for assisting in a range of counter fraud work.

Right to Buy: The Right to Buy (RTB) process is a statutory scheme whereby a tenant(s) can apply to purchase their property at a significant discount from its market value. There are strict conditions that must be met by the applicant(s) if they are to qualify for the discount.

Revenue Maximisation: The use of internally held data and the utilisation of external data partners to identify previously unlisted commercial and domestic properties, along with identifying commercial properties that have undertaken modifications or improvements that would result in the revaluation of its Rateable Value (RV). Commercial entities are under no obligation to inform Council Tax as to when they have started trading or if their RV needs to be recalculated. The Council will only retain 15% of the identified rates.

Section 17: The CFT provides assurance and mitigate the risk of fraud within Children's Social Care, in particular the allocation of emergency accommodation provided under Section 17 of the Children's Act 1989. The verification process seeks to validate a family's reason for approach as well as their financial circumstances, as applicants claim to be destitute and requiring accommodation and or financial support. The CFT conducts verification checks on all applicants approaching the Council.

Small business Rates Relief: The Small Business Rates Relief (SBRR) scheme is designed to reduce the amount of business rates payable by small businesses. This reduction is available to ratepayers who occupy a property with a rateable value of no more than £15,000.

Tenancy Fraud Forum Valuation: As of the 2022/23 financial year, the CFT will be using the new Tenancy Fraud Forum valuation for property recovery. Working in conjunction with the London Boroughs' Fraud Investigators' Group (LBFIG) a new formula has been created to determine how much tenancy fraud costs. The formula considers the annual average temporary accommodation cost per family, the average duration for tenancy fraud, as well as the average investigation, legal and void costs. The agreed calculation for tenancy fraud within the borough is now valued at £56k per property (Previously £18k). The new calculation allows Hillingdon Council to accurately calculate financial savings by factoring in local figures.

Unaccompanied Asylum-Seeking Children: Unaccompanied Asylum-Seeking Children (UASC) are children and young people who are seeking asylum in the UK but have been separated from their parents or carers. Whilst their asylum claim is processed, they are cared for by the Council and provided with accommodation and or financial support.

COUNTER FRAUD ANNUAL OPERATIONAL PLAN FOR 2026/27

Committee name	Audit Committee
Officer reporting	Alex Brown, Head of Counter Fraud
Papers with report	Counter Fraud Annual Operational Plan for 2026/27
Ward	All

HEADLINES

The attached report presents the Audit Committee with the planned Counter Fraud approach and activity for the forthcoming financial year and seeks to:

- Provide assurance to all key stakeholders that the risk of fraud is being managed effectively;
- Demonstrate the Council's commitment to good governance through minimising the risk of fraud; and
- Set out the Counter Fraud Teams planned activity in line with risk.

RECOMMENDATIONS

That the Audit Committee:

1. Notes the Counter Fraud Annual Operational Plan for 2026/27; and
2. Suggests any amendments/comments.

SUPPORTING INFORMATION

The Counter Fraud Team supports the Councils risk and governance arrangements by taking a zero-tolerance approach to fraud and corruption. In order to deliver this assurance, the Counter Fraud team produce an Annual Operation Plan detailing activity across high risk areas of fraud. The plan is formulated based on the Counter fraud Strategy, Fraud Universe and takes into consideration, both, the IA Plan and strategy.

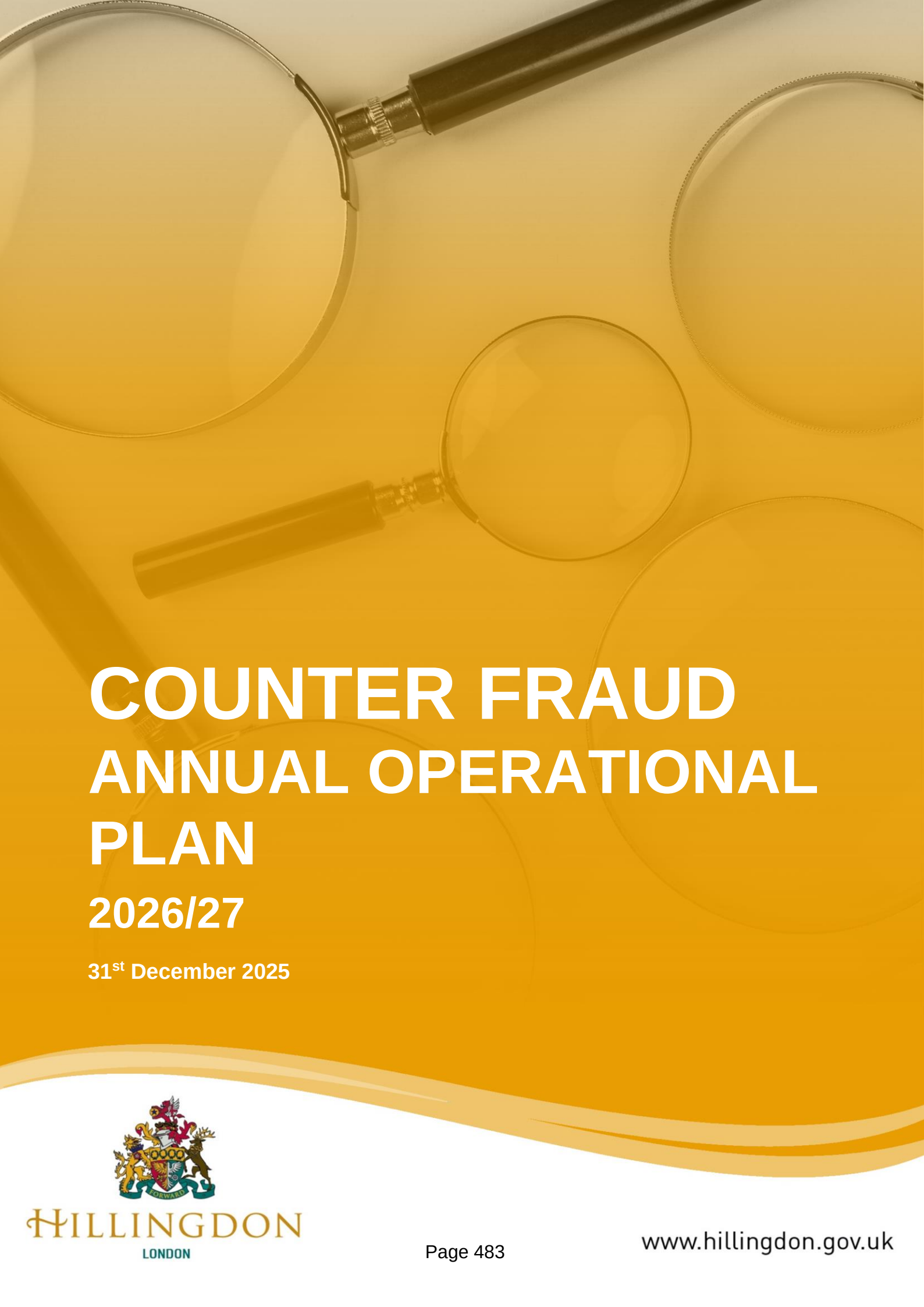
BACKGROUND PAPERS

The Counter Fraud Teams holds various background statistical management documents in relation to the production of the Counter Fraud Annual Operational Plan 2026/27.

BACKGROUND PAPERS

Appendix A – Counter Fraud Annual Operational Plan for 2026/27

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COUNTER FRAUD ANNUAL OPERATIONAL PLAN

2026/27

31st December 2025



HILLINGDON
LONDON

Contents

The Counter Fraud key contacts in connection with this report are:

Alex Brown

Head of Counter Fraud

t: 01895 556811

e: abrown@hillingdon.gov.uk

	Page
1. INTRODUCTION	3
2. THE COUNTER FRAUD STRATEGIC APPROACH	3
3. THE FRAUD UNIVERSE	4
4. THE COUNTER FRAUD PLAN 2026/27	4
5. COUNTER FRAUD SKILLS & RESOURCES	5
6. COUNTER FRAUD REPORTING	5
7. MEASURING COUNTER FRAUD PERFORMANCE	5
8. ACKNOWLEDGEMENT	6
 APPENDIX A – FRAUD, LOSS & ERROR RISK ASSESSMENT	 7
APPENDIX B - OPERATIONAL WORK PLAN 2026/27	10
APPENDIX C – COUNTER FRAUD TEAM KPI's	13
APPENDIX D – COUNTER FRAUD OUTCOMES METHODOLOGY	14

1. INTRODUCTION

The Role of the Counter Fraud Team

- 1.1 The Counter Fraud Team (CFT) is responsible for delivering the Counter Fraud Strategy and Annual Operational Plan to ensure that the Council meets its statutory objectives in relation to fraud and corruption. The Annual Operational Plan gives key stakeholders an overview of the CFT operational activity for the coming financial year, as well as a summary of the key fraud risks the Council faces.
- 1.2 As well as a range of counter fraud activities, the CFT has historically conducted a range of other types of investigative work which do not necessarily have a criminal or fraud element to them i.e. revenue inspections, disciplinary investigations, other loss prevention work, etc. It also includes preventative work such as fraud awareness training, advising management on fraud risks and counter fraud controls as well as ensuring the Council has up-to-date and appropriate investigation policies and procedures.

The Purpose of the Counter Fraud Annual Operational Plan 2026/27

- 1.3 The Annual Operational Plan 2026/27 outlines the Council's approach to effectively tackle both the internal and external risk of fraud through its planned counter fraud activity. This planned approach is produced based upon the fraud landscape set out within the Council's risk register, to ensure that CFT resources are effectively deployed into areas of the highest fraud risk. The Annual Operational Plan also features a variety of proactive and reactive activity including investigative, project and verification work.

2. THE COUNTER FRAUD STRATEGIC APPROACH

- 2.1 The published Counter Fraud Strategy for 2025-28 details the approach and core principles of how the CFT will tackle and combat fraud and corruption. It also highlights the CFT's strategic objectives and provides assurance to key stakeholders by setting out how the Council's exposure to fraud is minimised.
- 2.2 The main principles of the Counter Fraud Strategy are:
 - **Risk Based Approach** – The deployment of resources into the highest areas of fraud risk based upon the fraud universe and the risk assessment process.
 - **Partnership & Engagement** – Communicating with service areas and key stakeholders to understand the risks the Council faces whilst creating a counter fraud culture. Offer support to stakeholders by undertaking work streams to identify fraud.
 - **Prevent, Detect, Pursue & Deter** – The cornerstone of the counter fraud approach, with a focus on prevention, as preventative measures are more effective than cure.
 - **Innovation & Modernisation** – A focus on delivering an efficient and effective counter fraud service through greater use of technology and data.
- 2.3 To ensure the CFT can operate effectively in preventing, detecting, and pursuing fraud, a wide range of policies are in place providing a corporate framework to support staff. These corporate policies outline the Council's approach to countering fraud and corruption. Further details on these policies are included on the Hillingdon Council website.

3. THE FRAUD UNIVERSE

- 3.1 In line with the Counter Fraud Strategy, the CFT deploys a risk-based approach which is embedded into all forms of counter fraud activity, including the triaging of referrals. Specifically, a risk assessment is carried out assessing the available evidence to ensure resources are allocated effectively.
- 3.2 During the risk assessment process, the CFT will score the assessment based on the following categories:
- **Financial risk** – What is the potential value of the fraud? What impact does it have on the Council and its residents?
 - **Reputational risk** – How does this damage the Councils reputation? How would residents and the wider public perceive the referral if the Council took no action?
 - **Operational risk** – How does this allegation, if true effect the day to day running of the Council? Is there a need to strengthen processes to mitigate fraud?
 - **Systemic risk** – Is this a new or emerging risk based on environmental, Social or economic factors? Is this a fraud risk we will likely continue to be exposed to? Do we need to change working practices to combat the risk?
- 3.3 The Council's fraud risks are managed via the Council's risk register, and the Counter Fraud Team's risk assessment of those risks are set out in **Appendix A**. This highlights the pressures faced by the Council which includes national and local influences. External factors have greatly impacted the world over the past 3 years, in particular economic uncertainty which continues to create a perfect storm for opportunistic fraud to thrive.
- 3.4 As the fraud landscape within the public sector is ever changing, it is important that the CFT keeps up to date with industry news and communicates with key stakeholders to recognise the pressures and risks the Council will encounter. This will give the CFT the ability to adapt and combat the changing fraud risk landscape.

4. THE COUNTER FRAUD PLAN 2026/27

- 4.1 Set out in **Appendix B**, is the draft Counter Fraud Annual Operational Plan for 2026/27. The plan has been devised in liaison with key stakeholders and takes into consideration fraud risks as set out at in **Appendix A**. The planned operational activity covers proactive and reactive work across a wide range of fraud risks, whilst also retaining the flexibility for the CFT to tackle any emerging risks.
- 4.2 The plan explains the work the CFT will carry out by fraud risk and includes outcomes achieved previously in these areas, as well as the overall risk assessment rating. The plan for 2026/27 includes a variety of activity, which is listed below by type:
- **Criminal Investigations** – Investigations that have a criminal element undertaken by qualified investigators. These investigations normally fall within services areas, where a fraud is alleged to have taken place by a person or business accessing services or funds. Typically, the CFT will investigate offences relating to fraud, theft, bribery and forgery but may where it is in the interest of the Council and its residents, investigate other offences.
 - **Civil Investigations** – These investigations are often where the burden of proof for criminal proceedings cannot be met, or it is not in the public interest to prosecute. These matters are dealt with by way of compliance and may require civil proceedings to bring the case to a resolution.

- **Disciplinary Investigations** – At times key stakeholders in conjunction with HR may require the assistance of the CFT in disciplinary matters.
- **Verifications** – A workstream conducted by the CFT to verify the eligibility of service users before accessing a particular scheme. These verification workstreams are embedded into processes within Housing and Social Care. This type of work is the core function behind the CFT's preventative measures.
- **Proactive Projects** – A series of projects conducted throughout the financial year, targeting the highest risk areas within the Council to drive down fraud, loss and error.
- **Data Matching** – Exercises designed to identify fraud, loss or error by matching internal and external data sets. Returned matches are analysed to verify the veracity of the potential outcomes identified.
- **Consultancy Work** – Upon request the CFT can carry out a review of service processes highlighting recommendations to improve fraud controls.

- 4.3 Another key feature of the 2026/27 plan is for the continued collaborative approach to risk between Internal Audit (IA) and the CFT. The CFT will work in conjunction with Internal Audit to identify areas of fraud risk and control weaknesses. Both teams can then deploy resources effectively to improve risk through mitigation and activity.

5. COUNTER FRAUD SKILLS & RESOURCES

- 5.1 Every member of staff in the Counter Fraud Team is either professionally qualified in counter fraud or is actively studying for a relevant professional qualification supported by the Council. This helps to ensure that the CFT provides a fully professional and effective service. A skills matrix approach is also used as part of monthly one to one meeting as well as at 6 monthly performance reviews.
- 5.2 In 2025/26 the HCF has reviewed the resources required for the CFT to operate effectively to meet its strategic objectives and deliver the operation work plan for 2026/27. The service has been operating under a new structure since April 2025 with new technology to improve the effectiveness of the team. The HCF believes the current structure is adequately resourced to achieve its work plan and the outcomes associated.

6. COUNTER FRAUD REPORTING

- 6.1 The CFT reports its progress to Corporate Management Team (CMT) and the Audit Committee (AC) on all matters of counter fraud activity on a quarterly basis. These reports provide an update on performance against KPIs, strategic and operational objectives and delivery against the financial loss prevention target for the year. In addition to this, an annual report is presented to CMT and AC providing a summary overview of counter fraud activity for the financial year including a detailed analysis on team performance and outcomes. This enables CMT and the AC to hold the Head of Counter Fraud to account.
- 6.2 The CFT also liaises with services managers on an ongoing basis to ensure regular dialogue in relation to counter fraud activities (where appropriate) as well as delivery of service level agreements. This high level of engagement plays a significant part in the CFT meeting its core principles set out in the Counter Fraud Strategy.

7. MEASURING COUNTER FRAUD PERFORMANCE

- 7.1 As the CFT is a support function that works closely with the majority of service areas across the Council, there are a wide range of stakeholders to satisfy, as well as key stakeholders such as CMT and the AC.

- 7.2 To monitor counter fraud performance across service areas, outcomes and objectives a suite of KPIs were refreshed and agreed in the Counter Fraud Strategy 2025-28. Regular updates on performance against these KPIs will be provided in each quarterly progress report and are updated yearly and set out in **Appendix C**.
- 7.3 The Counter Fraud Strategy 2025-28 sets out nine strategic objectives for the CFT to pursue, which includes the **financial loss prevention target for the year**. Taking into consideration the change in fraud landscape and the team's performance in 2025/26 and the methodology used to calculate outcomes (**Appendix D**), **the financial loss prevention target for 2026/27 has been set at £9.4m**. This target is subject to resourcing arrangements being agreed for the continuation of debt recovery visits. It is also worth noting the VOA have a backlog of cases which in turn, is slowing outcomes for revenues maximisation.

8. ACKNOWLEDGEMENT

- 8.1 The CFT would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the Council's management as part of the risk-based planning process.

Alex Brown APCIP

Head of Counter Fraud

31st March 2026

APPENDIX A – FRAUD, LOSS & ERROR RISK ASSESSMENT

The fraud risks specific to LBH are set out below, which is a summary of the organisational Fraud Risk Assessment (the Fraud Universe) for the Council.

Fraud Risk Area	Fraud, Loss & Error Risk Assessment
General Fraud Risks	- Increased financial pressure associated with the rise in the cost of living on individuals and concerns over money and fear of redundancy due to economic climate leading to higher likelihood and pressure to commit fraud by those internally and externally. - Increased demand within services leading to reduced due diligence over operational matters and overriding of controls creating a greater opportunity for fraud. - An increase in vacancies due to a challenging recruitment market leads to lack of resources and impacts the operation of preventative controls, decreased monitoring activity and increasing risk of fraud going undetected. - Decreased face-to-face meetings with service users, less verification of original documentation with reliance on scanned or copies of documentation. More provision of services remotely leading to higher likelihood of fraud not being detected. - An inflated recruitment market, leading to a higher number of vacancies with a heavy reliance on agency. A lack of due diligence with a priority of meeting resourcing demands, leaving the organisation exposed to recruiting unsuitable candidates. - The negative impact of the rise in the cost of living and inflation on residents and businesses, leads to a greater risk of non-payment for services, increasing the Council's debt and reduces the opportunity for recovery. - Decrease in support from back-office services due to lean operating models requiring front lines services to perform additional tasks leading to reduced resources to carry out due diligence within processes creating a greater opportunity for fraud to thrive. - Fast pace and significant transformational change to meet budget pressures and provide efficient modern services sees process change with limited consideration to fraud risk and control. - Poor data quality in services used for decision making at a strategic or operational level can leave departments susceptible to fraud or loss.
IT & Procurement of Goods and Services	- An increased need to win government contracts because of financial pressures on businesses due to the cost of living leading to the fraudulent manipulation of procurement processes. - Higher financial pressure on Council contractors creating increased desire to maximise profit from contracts leading to higher likelihood of misrepresentation of services, goods and materials supplied. - Increased cyber-crime activity nationally and globally and the higher likelihood of a cyber-attack against the Council such as ransomware, malware, viruses, tap jacking, quishing and a continually adapting external cyber-threat environment.

Fraud Risk Area	Fraud, Loss & Error Risk Assessment
	• Demand to shift more of Council activities onto online platforms to access services can expose the organisation to programmed bots that break into user accounts to redirect payments/refunds, steal contact information and other harmful activities that could also lead to negative GDPR and reputational ramifications. • A reduction in oversight for contract management due to front line demand led pressures, creating an environment for contractors to commit fraud through claiming additional income and sub-standard services, goods or materials.
Port Authority	• Higher numbers of Unaccompanied Asylum Seekers (UAS) approaching the Council compared to non-port authorities, leading to greater levels of fraudulent approaches to the Council for services. • Increases in services used by individuals where service provision is subject to immigration status, leading to more likelihood of misrepresentation of circumstances to access services where there is No Recourse to Public Funds (NRPF).
Statutory Duty to Provide Social Housing	• Higher levels of housing need and homelessness claims in the borough linked to ongoing cost of living pressures, leading to increased levels of fraud within housing. • Public perception of availability of low-cost social housing leads to greater numbers of individuals seeking housing from the Council and the opportunity to misrepresent circumstances within the process to obtain housing fraudulently. • Increased pressure on housing services requiring greater use by the Council of temporary accommodation. With the likelihood of the accommodation used being outside of the borough which in turn reduces the ability to monitor use and occupation and increases likelihood of misuse going undetected.
Social Care Provider	• High costs of social care provisions lead to greater pressure to misrepresent circumstances in relation to assets and income in the financial assessment process. • Inability of vulnerable individuals to properly manage Direct Payments meaning greater involvement of family members and third parties to manage payments, leading to increased risk of opportunistic misappropriation of funding by a third party. • Absence of appropriate financial controls or appropriate monitoring, leading to the increased risk of unwarranted Direct Payments expenditure and misappropriation of funding. • Access to Council services by individuals subject to immigration status checks leads to risk of misrepresentation of status to access services where there is NRPF.
Revenue Collection Authority	• High cost of rateable value of business premises leads to the risk of fraudulent misrepresentation of circumstances to take advantage of reliefs. • Pressure to reduce individual costs against the cost of Council Tax leads to the wrongful claiming of single person discount and/or other exemptions and discounts, leading to lost revenue across a large number of residential addresses.

Fraud Risk Area	Fraud, Loss & Error Risk Assessment
	- Increases in the cost of living leads to residents misrepresenting their circumstances in order to qualify for the Council Tax Reduction scheme. - Council Tax and Business Rates costs leads to the risk of deliberate avoidance of completion of new build properties by developers and owners meaning lost revenues for the Council.

Appendix B - Counter Fraud Annual Operational Work Plan 2026/27

Set out below is the draft Counter Fraud Annual Operational Work Plan for the key proactive projects and investigative work due to be conducted in 2026/27.

Counter Fraud Activity	Planned Work	Outcomes 2025/26	Risk
Tenancy Fraud & Housing Investigations	The CFT will continue to detect illegal sub-letting and non-occupation of Council properties as referred by colleagues and residents. This also includes false applications for housing, assignment and succession. The CFT will also recover properties in cases where Housing Services have faced challenges in their investigations to gain lawful possession of Council properties.	114 properties recovered, £7,160k notional savings	HIGH
Social Housing & Temporary Accommodation Residency Checks	A risk-based approach to tenancy residency checks working with the Housing team and using tenancy fraud data to identify hotspots. This will be delivered as part of proactive projects work.		
Social Housing & Temporary Accommodation In-House Data Matching	Proactive project work utilising data from internal systems to identify instances of illegal sub-letting and non-occupation of Council properties.		
Housing Right to Buy (RTB)	The CFT will continue to provide a risk-based verification service of all RTB applications to identify fraud and where appropriate actively investigate applications found to contain suspected misrepresentation.	5 applications closed, 1 criminal prosecution	HIGH
B&B Residency Checks	The CFT will continue with proactive residency checks on all emergency B&B accommodation. The checks will identify suspected non-occupation and sub-letting of emergency housing, and false applications.	27 cases closed, £725k in loss prevention savings	HIGH
Social Care S.17 Emergency Funding	Desk based checks to confirm eligibility of applicants requiring emergency accommodation and support from Social Care. An annual proactive project identifying suspected subletting or non-occupation of accommodation provided by the Council.	3 Placements Closed, £52k financial savings	HIGH
UASC Project	An annual proactive project identifying suspected sub-letting or non-occupation of accommodation provided by the Council. A referral process is in place for cases of misrepresentation to be passed to the CFT for investigation.	N/A	HIGH
Direct Payments	Proactive project work utilising data to identify instances of funds not being used appropriately, and or misrepresentation of circumstances in order to access funding towards care costs.	N/A	HIGH

Counter Fraud Activity	Planned Work	Outcomes 2025/26	Risk
Commissioned Care	Proactive project work utilising data to identify instances of services not being provided and overpayments.	N/A	HIGH
Revenues Inspections and Investigations	In 2025/26 the CFT will continue to deliver all inspections for Business Rates and Council Tax and develop an investigative approach to Business Rates and Council Tax avoidance and illegal evasion.	4412 inspections conducted in 2025/26	HIGH
Revenue Maximisation	Proactive project work utilising data to identify previously unlisted or modified domestic or commercial properties that are not paying the correct amount of tax or rates.	£2.3m of previously uncollected NNDR identified	HIGH
Council Tax Discounts & Exemptions	A proactive desk top data review of discounts and exemptions utilising data matching and in-house data. All discounts found to be fraudulent will be referred to the Revenues Team for removal of discounts/exemptions and investigated for fraud where appropriate by the CFT. Joint working with the Department for Work and Pensions to identify and pursue Council Tax Reduction fraud investigations.	£294k in loss prevention savings	HIGH
Social Care Financial Assessments	The CFT will continue to verify all applicants who apply for Social Care funding via Financial Assessments to ensure eligibility. The CFT will conduct a proactive project with the Financial Assessment Team to identify loss prevention savings during the annual review process and review all NRPF service users immigration status to assess eligibility to access public funds.	£137k of loss prevention identified	HIGH
Debt Recovery Visits	The CFT uses its out of hours visiting function and utilises officers training in communication and engagement, to encourage those that owe money for services to pay. This includes one off payment and negotiated payment plans across a variety of different service areas.	c£164k of payments	HIGH
London Counter Fraud Hub	Working in conjunction with other London based local authorities to create proactive data matching exercises to identify fraud and error in known risk areas leading to loss prevention outcomes.	13 properties recovered, (included in the property recovery total above)	MEDIUM

Counter Fraud Activity	Planned Work	Outcomes 2025/26	Risk
'Beds in Sheds' - Unregistered Residential Dwellings	The Revenues Investigations Unit will identify unlawful and unregistered residential dwellings in order that properties are brought within Council Tax banding and evasion pursued as investigations. Any enforcement action on planning issues will be referred to Planning Enforcement and Housing Standards.	52 cases identified, revenue of £59k	MEDIUM
Blue Badge Referrals	As part of the CFT's reactive capabilities, allegations of Blue Badge misuse will be risk assessed, and CFT resources deployed where appropriate.	13 Criminal prosecutions. £4.4k in fines issued and £14k in prosecution costs awarded	LOW
Fraud Awareness & Engagement	The CFT will continue to provide a program of fraud awareness internally to champion a counter-fraud culture and encourage service provider engagement over fraud risks. This will include a refreshed fraud awareness campaign including whistleblowing, money laundering and bribery concerns. This will also include periodic social media communications released to the public to promote awareness and raise the profile of counter fraud activity within the borough.	Delivered 3 awareness sessions	N/A

APPENDIX C – Counter Fraud Team KPI's 2026/27

The updated KPI's for the CFT are set out in the table below. The KPI's have been reviewed and updated to ensure team performance can be measured against all key areas of the service delivery.

CFT KPIs 2026-27	Actual 2025/26 Performance	2026/27 Annual Target
1. Percentage of fraud referrals risk assessed within 3 working days	100%	95%
2. Verification work timescales for completion:		
a. Right to Buy case completed within 28 working days	99%	95%
b. Financial Assessments completed within 2 working days	100%	95%
c. Section 17 reviews completed within 7 working days	97%	95%
3. Investigation plans completed within 5 working days of case allocation	100%	95%
4. Tenancy fraud referrals received resulting in property recovery	73%	40%*
5. Investigations resulting in loss prevention/financial saving outcome	40%	40%
6. Revenues Inspections completed within 10 working days of referral date	95%	95%

* = An increase in KPI target compared to 2025/26

APPENDIX D – Counter Fraud Team Outcomes Methodology

The latest Fraud valuations are set out in the table below. All fraud valuations have been reviewed to ensure they are proportionate, justifiable, reasonable, are following a sound methodology and give key stakeholders quantifiable data on the team's performance.

Service Area	Counter Fraud Activity	Methodology of Loss Prevention Valuation
Housing	Homeless applications and/or emergency accommodation closed	Average cost of accommodation per night x average length of stay*
	Council property or temporary accommodation recovered	Tenancy Fraud Forum calculation**
	Right to Buy application closed	Value of the discount offered during the Right to Buy process
	First time Buyer Grant recovered	Value of the grant received
Social Care	Section 17 application and/or accommodation closed	Average cost of accommodation per night x average length of stay*
	Financial assessment application closed or amended	Value of the amendment to the financial assessment or the value of the contribution for 1 year for any closed financial assessments
	Disabilities Facilities Grant application closed or amended	Value of the grant received
	Unaccompanied Asylum Seeker accommodation and/or application closed	Cost of accommodation and/or subsistence to the Council for 1 year***
	Direct Payment amended or closed	Value of the amendment or the value of the direct payment for 1 year plus any backdated calculations
Revenues	Council Tax Reduction amended or closed	Value of the amendment or value of 1 year's benefit plus any backdated calculations
	Council Tax discount or exemption cancelled	Value of 1 year's discount/exemption plus any backdated calculations
	Housing benefit overpayment	Value of overpayment
	Bed in Shed or Annexe identified	1 year's value of additional Council Tax income plus any backdated billing

	Identification of unlisted business or residential property	1 year's value of additional income plus any backdated billing****
All service area's	Debt Recovery	The value of the debt collected or the value of the payment plan up to 12 months.

* = Average weekly cost against average length of support. This figure fluctuates but has been provided by the Council's Business Performance Team.

** = A national formula to calculate the value of tenancy fraud which takes into consideration cost of emergency accommodation, court costs, investigator costs, void costs and length of time the fraud has been committed.

*** = Cost of accommodation and subsidence per week for one year. This figure is a prudent estimate as the Council can and does often support asylum seeking children until they are 25 years old.

**** = NNDR operates under a business rates retention model with the Council keeping 30% of income.

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WORK PROGRAMME

Committee name	Audit Committee
Officer reporting	Ryan Dell, Democratic Services
Papers with report	Work Programme
Ward	All

HEADLINES

This report is to enable the Audit Committee to review planned meeting dates and the work programme.

RECOMMENDATIONS

That the Audit Committee:

1. Notes the dates for Audit Committee meetings; and
2. Makes suggestions for future agenda items, working practices and/ or reviews.

SUPPORTING INFORMATION

The meeting on 28 May 2026 will start at 17:10.

Meetings	Room
28 May 2026	CR5
12 August 2026	TBC
30 November 2026	TBC
10 February 2027	TBC
26 May 2027	TBC

BACKGROUND PAPERS

NIL.

APPENDICES

Appendix A – Work Programme

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	WORK PROGRAMME	2025/26		2026/27				
Service area	Audit Committee		2026				2027	
		Nov	Feb	May	Aug	Nov	Feb	May
		18	10	28	12	30	10	26
	Member training							
	Pre-meet (17:00-17:10)	Head of Internal Audit	Corp. Dir. of Finance	Head of Counter Fraud	EY	Head of Internal Audit	Corp. Dir. of Finance	Head of Counter Fraud
Democratic Services	Appointment of Chair			X				
	Appointment of Vice-Chair			X				
	Interviews for Independent Chair of the Audit Committee							
Corporate Services/ Finance	Governance Review Improvement Plan	Update	Update	Update	Update	Update	Update	Update
	Financial Modernisation Programme	Update	Update	Update	Update	Update	Update	Update
	Council response to statutory recommendations report issued by the Council's external auditors							
	Report back to full Council on s24 reports recommendations				X			
	Summary of responses to Staff Survey	X						
	REQUEST BY CTTEE: Transformation, Digital & Technology Risk							
External Audit	External Audit item	Update on Accounts EY's ViM update	Update on Accounts					
			Draft 24/25 Auditors Annual Report 24/25 Audit Results Report	Update on Accounts	Update on Accounts	Update on Accounts	Update on Accounts	Update on Accounts
Accounts	Statement of Accounts & Annual Governance Statement (AGS)		DRAFT 2024/2025 STATEMENT OF ACCOUNTS & AGS			DRAFT 2025/2026 STATEMENT OF ACCOUNTS & AGS		
Internal Audit	Audit Committee Annual Report	24/25 (Updated)			25/26			
	Risk Management Annual Report			X				x
	Risk Management Report	25/26 Q2	25/26 Q3		26/27 Q1	26/27 Q2	26/27 Q3	
	Strategic Risk Report	25/26 Q2	25/26 Q3	25/26 Q4	26/27 Q1	26/27 Q2	26/27 Q3	26/27 Q4
	Internal Audit Annual Report			25/26				26/27
	Internal Audit Progress Report	25/26 Q2	25/26 Q3		26/27 Q1	26/27 Q2	26/27 Q3	
	Internal Audit Charter		X				X	
	Internal Audit Plan		26/27				27/28	
	Internal Audit Strategy							
Counter Fraud	Counter Fraud Annual Report			25/26				25/26
	Counter Fraud Progress Report	25/26 Q2	25/26 Q3		26/27 Q1	26/27 Q2	26/27 Q3	
	Counter Fraud Operational Work Plan		26/27				27/28	
	Counter Fraud Strategy 2025-2028							

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