

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

Reporting Officers: Head of Democratic Services & Corporate Director of Finance

Introduction

1. On 24 July 2025, the Council's External Auditors issued the Council with a Value for Money Update and Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 (S24 Report) – **attached as an appendix**.
2. The Act requires that Council must consider the recommendations in the Value for Money Update at a meeting held in public, before the end of the period of one month beginning with the day on which their report was sent to the Council, unless the local auditor is satisfied that it is reasonable to allow more time for the relevant authority to comply with this requirement.
3. Officers requested an extension of the period to hold the meeting in the week commencing 8 September 2025 in order to avoid the August summer holiday period and increase the probability of Members being able to attend. The external auditor confirmed that they were satisfied that this request was reasonable.
4. At the Council meeting Members will, therefore, be asked to decide if the External Auditor's recommendations are to be accepted and what, if any, action to take in response to these recommendations.

OFFICER RECOMMENDATIONS: That:

- a) **the recommendations of the external auditor contained within the report issued under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014, be accepted.**
- b) **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.**
- c) **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.**

The S24 Report

5. The S24 Report reiterates the previous recommendations in the External Auditors' report dated 18 March 2025, emphasising the crucial nature of the work that the Council has been undertaking for some time in implementing those recommendations, particularly noting, and further recommending, that the Council must continue working at pace with its Governance Review Improvement Plan (GRIP), the Finance Modernisation Programme (FMP) and, as part of the FMP, addressing issues with the implementation of the Oracle EPM budget management system.

6. These two programmes of work, amongst a wider continuous improvement approach, address all of the External Auditor's recommendations.
7. The FMP and GRIP emerged from the Council's ongoing approach to improve and transform services and have been previously presented to the Audit Committee, with a resolution that that committee will track their progress.
8. The FMP is a significant transformation initiative by the London Borough of Hillingdon to review and strengthen the Council's financial systems, processes, and structures. It was initiated to address budget challenges and to modernise the Council's financial infrastructure. With the appointment of Grant Thornton in April 2025 to support this work and with the Local Government Association (LGA) providing objective oversight, it's aim is to assist the Council in modernising its financial processes, strengthen its financial management, develop a modern finance function, and embed processes and controls in the Council's financial system, Oracle. Whilst this programme is closely aligned with the Council's wider GRIP, it is recognised as a distinct and equally critical stream of work.
9. The GRIP is Hillingdon Council's strategic approach to enhancing its governance and implementing learning from related reviews presented to earlier Audit committees. It aims to strengthen internal controls, clarify internal decision-making, and improve accountability, ensuring the Council operates a continuous improvement approach to being well-governed corporately, financially resilient, and transparent. The programme was launched in March 2025, led by the Corporate Governance Group. The GRIP is structured around three workstreams - financial governance, directorate governance, and constitutional/democratic governance - each with defined actions and leadership.

The S24 Report Recommendations

10. The external auditor makes 7 formal statutory recommendations to the Council under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014:
 - a) That the Council ensures it has detailed implementation plans supporting all of the planned savings included within its 2025-26 budget and future medium-term financial strategy and identifies and develops implementation plans for further savings which can be pursued should additional budgetary pressures emerge, or the Council fails to achieve all of its currently planned savings.
 - b) That the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.
 - c) That the Council should balance its schools' budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Council should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2028.
 - d) That the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, emerge and ensure future forecasting reflects the lessons learned.
 - e) That the Council urgently establishes a clear understanding of its current financial position, including the extent to which that position has diverged from the assumptions

underpinning the 2025-26 budget and may require immediate action to prevent further depletion of reserves during 2025-26.

- f) That the Council urgently addresses the issues it has encountered with implementation of Oracle EPM to ensure that, at both individual budget holder and overall Council level, decision makers are able to access accurate and complete budgetary information to inform decision making.
 - g) That the Council continues at pace with the development and implementation of its Financial Modernisation Programme, as well as the wider Governance Review Improvement Plan, and ensures that the scope of these programmes addresses all of the weaknesses in current arrangements highlighted by the various internal and external reviews the Council has received.
11. The External Auditor has recognised that the Council has already been taking steps to implement these recommendations. They do, however, consider it appropriate to highlight the actions the Council should take to ensure appropriate transparency and pace of improvement.
12. The Council has already progressed this work in an open and transparent manner through updates on the GRIP and FMP presented to Audit Committee meetings on 24 July and 28 August 2025.
13. The External Auditor also highlights where the Council is in the current democratic cycle, with Council elections taking place in May 2026, and the fact the Council will need to take firm action to address the recommendations above, prior to and following the next election cycle.

The Council's Response / Progress On the Recommendations

14. It is recommended that Council welcome the recommendations contained in the S24 Report, particularly as they recognise and emphasise the actions the Council has already progressed (before the report was issued) to address these concerns. As stated above, the Section 24 Report reiterates the previous recommendations in the External Auditor's report, dated 18 March 2025, emphasising the crucial nature of the work that the Council currently has underway in implementing those recommendations.
15. The Council began both the FMP and GRIP work prior to the issuing of even the draft Section 24 notice to officers, with Cabinet first approving a recommendation for a financial review in Cabinet in February 2025. Since this date, progress has been made against the FMP and GRIP work, with updates included in the finance report to Cabinet as well as updates to the Audit Committee in July and August.
16. Both Members and officers fully accept the crucial nature of the work underway and welcome the emphasis in the Section 24 report in recommending that the improvement work, as set out in the GRIP and FMP, must continue at pace and address issues with the implementation of Oracle EPM.

The Role of the Audit Committee

17. The Audit Committee on 28 August also considered the contents of the S24 Report and, in recognising the significance of the recommendations contained in the report, welcomed the action that had been taken to date (and prior to the issuing of the S24 Report) to address those recommendations. The Committee were keen to continue to monitor the action and

provide Member oversight of the pace of implementation.

18. Therefore, it is recommended that Council continue to address the S24 Report's recommendations through the urgent implementation of the key programmes highlighted above and request the Audit Committee to monitor progress via updates to each meeting – ensuring Member oversight of the progress.
19. Audit Committee will then update Council as required and, in any case, submit a full update report in one year's time to ensure that all 'decision makers', as identified in the report, are fully appraised of the progress made.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

21. The legal implications of this report are set out in paragraphs 2-4 above.
22. A copy of the report has been sent to the Secretary of State for Housing, Communities and Local Government.

BACKGROUND PAPERS:

- Appended - Value for Money Update and Issuance of Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014
- Financial Modernisation Programme update, Governance Review Improvement Plan update and S24 Recommendations report to Audit Committee of 28 August 2025