

# London Borough of Hillingdon

Draft Auditor's Annual Report  
Year ended 31 March 2025

**27 November 2025**



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**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

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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

# 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)	<p>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:</p> <ul style="list-style-type: none"><li>• Financial sustainability;</li><li>• The quality of Council information;</li><li>• The capacity of the Council's finance team; and</li><li>• The implementation of Oracle Fusion and Oracle EPM</li></ul> <p>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.</p> <p>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.</p> <p>We have included our value for money commentary in Section 03.</p>
Additional powers and duties	<p>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).</p> <p>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.</p>

# 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.)

<p>Going concern</p>	<p>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.</p> <p>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.</p> <p>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 &amp; 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.</p>
<p>Consistency of the annual governance statement</p>	<p>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.</p> <p>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.</p>
<p>Consistency of the other information published with the financial statements</p>	<p>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.</p>



# 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.

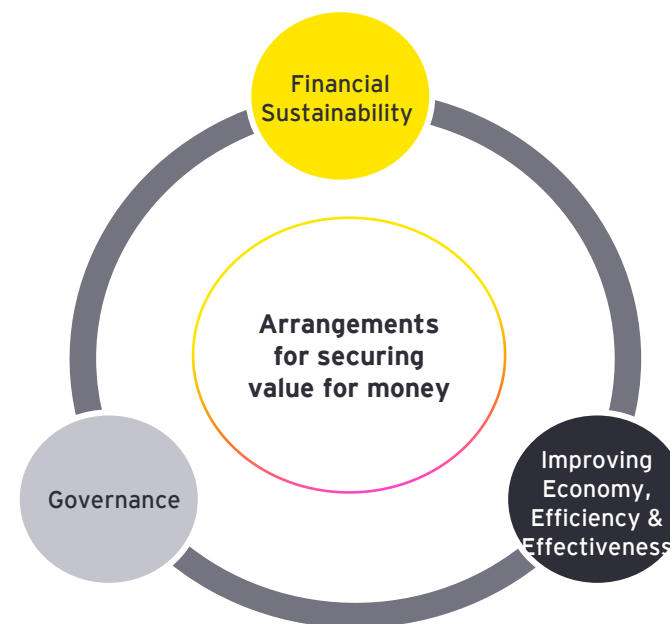
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

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?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	<ul style="list-style-type: none"> <li>Financial sustainability</li> </ul>	<b>Yes</b> <ul style="list-style-type: none"> <li>Financial sustainability</li> </ul>
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	<ul style="list-style-type: none"> <li>Quality of Council information</li> <li>Capacity of the finance team</li> <li>Implementation of Oracle Fusion and Oracle EPM*</li> </ul>	<b>Yes</b> <ul style="list-style-type: none"> <li>Quality of Council information</li> <li>Capacity of the finance team</li> <li>Implementation of Oracle Fusion and Oracle EPM*</li> </ul>
<b>Improving economy, efficiency and effectiveness:</b> 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.	<b>No additional weaknesses</b> 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			<p>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.</p> <p>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.</p>	-
Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement			<p>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.</p> <p>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.</p>	-

# 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			<p>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.</p> <p>Due to the agreed limitation of scope around the valuation of land and buildings, we have not reviewed evidence supporting these valuations.</p> <p>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.</p> <p>We have not yet received the supporting evidence for the Council's bad debt provisions.</p>	-
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.)

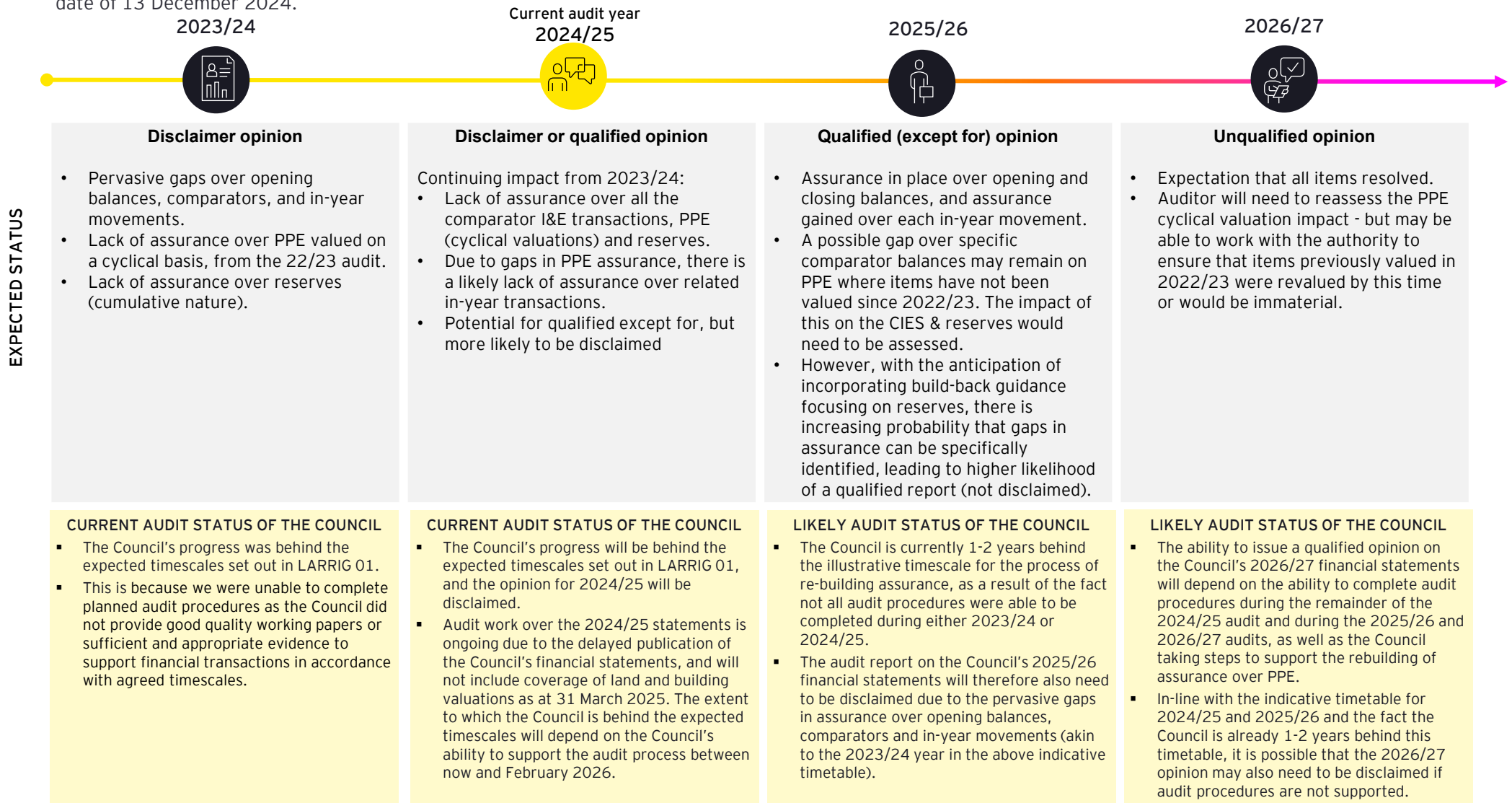
## Financial statement reporting assessment (cont.)

Area	Status			Explanation	Further detail
	R	A	G		
Volume and value of identified misstatements	Unable to conclude yet			Due to the delay in commencement of our audit, we have not yet completed sufficient audit work to conclude on the volume and value of identified misstatements.	-
Volume of misstatements in disclosure	Unable to conclude yet			Due to the delay in commencement of our audit, we have not yet completed sufficient audit work to conclude on the volume of identified misstatements in disclosures.	-

# 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
 <b>Financial sustainability</b> How the Council plans and manages its resources to ensure it can continue to deliver its services.	<ul style="list-style-type: none"> <li>Financial sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Financial sustainability</li> </ul>
 <b>Governance</b> How the Council ensures that it makes informed decisions and properly manages its risks.	<ul style="list-style-type: none"> <li>Quality of Council information</li> <li>Capacity of the finance team</li> <li>Implementation of Oracle Fusion and Oracle EPM</li> </ul>	<ul style="list-style-type: none"> <li>Quality of Council information</li> <li>Capacity of the finance team</li> <li>Implementation of Oracle Fusion and Oracle EPM</li> </ul>
 <b>Improving economy, efficiency and effectiveness</b> 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.	<b>No additional weaknesses</b> 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:

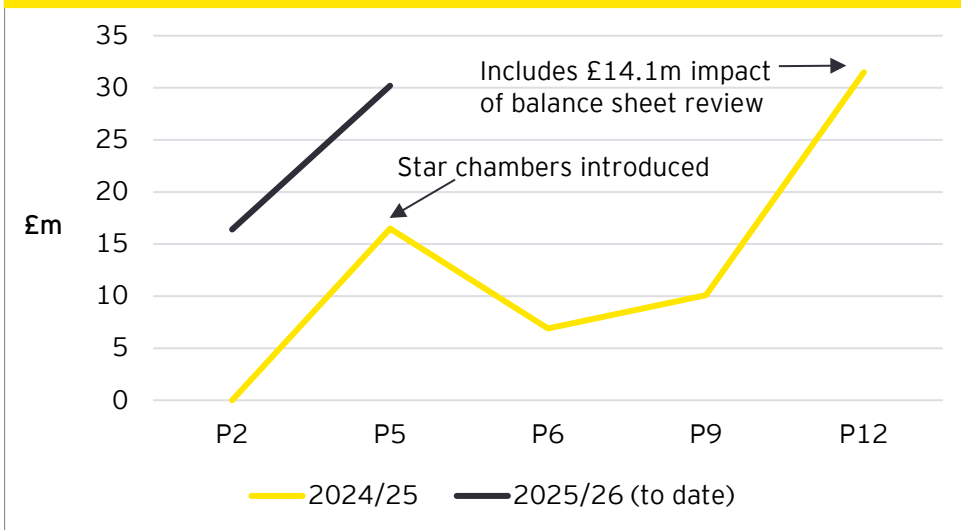
- 1. We recommend that the Council reassesses whether the assumptions and forecasts underpinning its 2025/26 budget were sufficiently robust to support the conclusion that the Council has set a balanced budget for the 2025/26 financial year. If the Council is unable to conclude that it has a balanced 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.



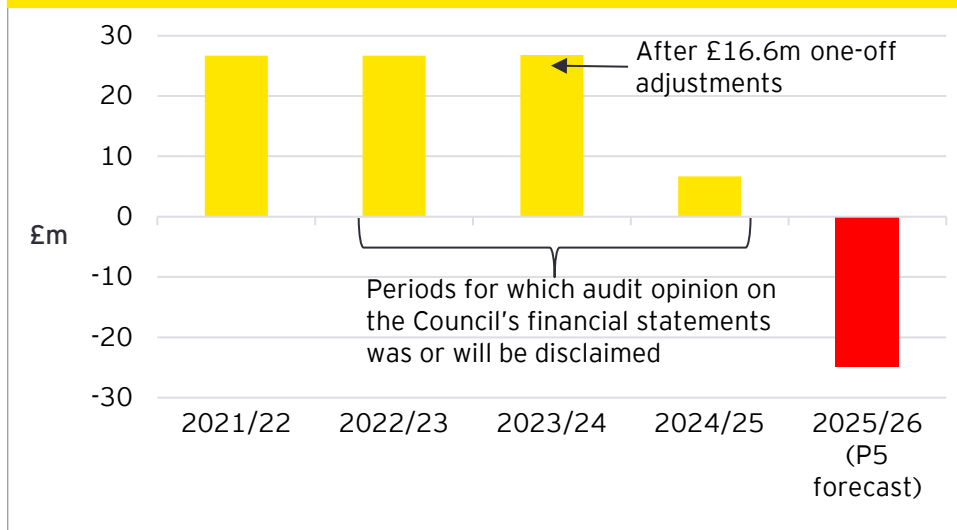
# Financial Sustainability considerations

**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



# 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.  Management have previously provided details of these responses to full Council and the Audit Committee.
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.	A copy of the Council's response can be found on the Council's website at <a href="#">Section 24 Notice Council</a> .
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 <a href="#">Section 24 Notice Council</a> .
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.	<p>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.</p> <p>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.</p>

# 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
<p><b>‘Go-live’ decision making</b></p> <p>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.</p> <p>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.</p>	<p><b>Actions to take now</b></p> <ul style="list-style-type: none"><li>• 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.</li></ul> <p><b>Actions to take with future system implementations</b></p> <ul style="list-style-type: none"><li>• 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.</li><li>• We recommend that a formal ‘go/no-go’ decision making process based on thorough assessment against the ‘go-live’ criteria is implemented.</li><li>• 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.</li><li>• 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.</li></ul>	<p>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.</p> <p>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.</p> <p>Part of this process included a regular review of the RAID log which is being reviewed and updated from the existing version.</p> <p>Board Meetings are scheduled monthly, with operational meetings on a weekly basis.</p>

# 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
<p><b>User acceptance testing</b></p> <p>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'.</p> <p>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.</p>	<p><i>Actions to take with future system implementations</i></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>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.</p>



# 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
<p><b>Monitoring of hypercare period</b></p> <p>Hypercare is a period of heightened customer support and attention immediately after a major system change.</p> <p>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.</p> <p>The absence of formal monitoring arrangements increases the risk that inappropriate changes were made to the system or data contained therein.</p>	<p><b>Actions to take now</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<p>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.</p> <p>Delivery of outstanding items will then be integrated into an initial set of objectives which will be set for delivery by the 31<sup>st</sup> March 2026</p>
<p><b>Resolution of hypercare period issues</b></p> <p>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.</p> <p>The Council has not been able to demonstrate that an agreed workaround or mitigation plan is in place for each of the open items.</p> <p>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.</p>	<p><b>Actions to take now</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>We recommend that mitigations are developed as a priority for any open items assessed by the above review as higher risk.</li> </ul>	<p>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.</p> <p>An initial set of objectives will be set for delivery by the 31<sup>st</sup> March 2026.</p>



# 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
<p><b>Cut-over plan and communications with users</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p><b>Actions to take with future system implementations</b></p> <ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li><li>• 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.</li><li>• We recommend the Council avoids the dual-running of systems, with a clean and clear cutover date between systems.</li></ul>	<p>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.</p> <p>As already set out, there is now a detailed governance process to follow for both large and smaller scale changes.</p>

# 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
<p><b>Project budget monitoring</b></p> <p>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.</p> <p>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.</p>	<p><i>Actions to take with future system implementations</i></p> <ul style="list-style-type: none"><li>• 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.</li><li>• We recommend that a formal process is established for the monitoring and reporting of costs over the project lifecycle, including comparison to original budget.</li><li>• We recommend that the above reporting is provided to the project's main governance forum to maintain transparency and accountability.</li><li>• We recommend that a project risk management framework is implemented to allow for timely identification and mitigation of potential drivers of increased cost.</li><li>• 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.</li></ul>	<p>A review will be taken, of end-to-end costs to date of the implementation. This will be delivered before Q4 2025/26.</p> <p>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</p>

# 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
<p><b>Benefits realisation</b></p> <p>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.</p> <p>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.</p>	<p><b>Actions to take now</b></p> <ul style="list-style-type: none"><li>• 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.</li></ul> <p><b>Actions to take with future system implementations</b></p> <ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li></ul>	<p>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.</p> <p>This assessment will the form a template for future benefit tracking.</p>

# 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
<p><b>Privileged user access</b></p> <p>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.</p> <p>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.</p> <p>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.</p>	<p><b>Actions to take now</b></p> <ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li><li>• We recommend that a formal IT access management policy is developed, including periodic review of the policy itself.</li></ul>	<p>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.</p> <p>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;</p> <ul style="list-style-type: none"><li>• 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.</li><li>• All managers are responsible for implementing the Security Policies within their areas, and for adherence thereof by their staff.</li></ul>

# 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
<p><b>Enforcement of security settings</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>• Time periods before enforcement of password changes</li> <li>• Re-use of previously used password</li> <li>• Permitted number of unsuccessful login attempts</li> <li>• Duration of any account 'locks' applied</li> </ul> <p>In addition, whilst the policy sets out a minimum password length of 14 characters the system is configured to accept passwords of 12 characters or more therefore the policy is not being enforced.</p> <p>Weak security settings increase the risk of inappropriate system access occurring, including by outside parties.</p>	<p><b>Actions to take now</b></p> <ul style="list-style-type: none"> <li>• We recommend the Council updates its security settings policy to include consideration of password age, password histories, invalid login attempts and lockout durations.</li> <li>• 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.</li> </ul>	<p>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.</p> <p>The councils <u>Information Governance Policy</u> (last reviewed in 2023 and due for review this year) also sets this out in section 3.</p> <p>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.</p> <ul style="list-style-type: none"> <li>• Single Sign In with Entra ID which is managed by Technology and adheres to the <u>Password Guidance Policy</u> document on the intranet.</li> </ul> <p>This sets out the following:</p> <p>Time periods before enforcement of password changes - every 72 days</p> <p>Re-use of previously used password - not allowed</p> <p>Permitted number of unsuccessful login attempts - 5</p> <p>Duration of any account 'locks' applied - 30 minutes</p> <p>Single sign-on is what the majority of LBH users use to log in.</p>

# 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
<p><b>User rights and segregation of duties</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p><b>Actions to take now</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>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.</p> <p>Part of this work will include the development of a segregation of duties matrix and its use on ongoing operational access decisions.</p>

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