The Chartered Institute of
Public Finance & Accountancy

Hillingdon Council

External Assurance Review

May 2026

A Report by:

The Chartered Institute of Public Finance and Accountancy

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

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1 Executive Summary

1.1 Summary of Findings, Issues, Evidence and Analysis

Hillingdon council has historically sought to keep its council tax low but past weaknesses in financial management have led to increased costs and as a consequence it has become heavily reliant on Exceptional Financial Support (EFS). The overall level of support requested for 2025-26 was £88 million (of which £40 million is to replenish reserves), with a further £62 million in 2026-27. The medium-term plan forecasts the potential need for further EFS requests in subsequent years unless savings can be found. EFS is only a temporary measure that will not resolve the underlying issue. Instead, the council's proposal to fund these amounts from borrowing compounds the problem in future as the principal and interest repayments will also need to be paid over the next 20 years.

There was no increase in council tax in Hillingdon between 2009-10 and 2018-19. Although this began to lead to the steady use of general fund usable reserves, it was managed to an extent by the council keeping within the budgets set. Since 2024-25, however, spend has exceeded budgets and the pressure on reserves increased. In 2024-25, there was an overspend of £31.5 million which utilised virtually all available reserves, and there is a further forecasted overspend in 2025-26 of £36.1 million. The 2026-27 budget has only been balanced by the request for EFS.

Council Tax levels are 14.5% lower than the mean average for outer London. If the Council were at the median level this would generate an additional £247.87 per Band D Property. At this average outer London level, an additional £26.6 million of Council Tax income would have been generated. In addition, Hillingdon's fees and charges show below average income for fees and charges as they have not been increased in line with other outer London Boroughs.

A culture of weak financial management and governance has built up that will make it more difficult for the council to extricate itself from the reliance on EFS. The council has a poor record historically in delivering savings, and the achievement of a balanced budget for 2026-27 will require 100% delivery of savings of £21.1 million in that year. There has been significant churn in senior finance posts, and external and internal audit have raised significant concerns over poor data quality, limited capacity at a senior management level and the need to urgently strengthen financial planning and controls.

The new s151 officer, appointed in September 2025, is focused on addressing such issues and the council is developing a Finance Modernisation Programme (FMP) and Governance Review Improvement Plan (GRIP) programme to deal with the governance and financial management issues. As these plans are still being refined, it is too early for us to be confident that they will deliver the changes required.

The council is not yet demonstrating sufficient ambition to resolve its budget gap. The council has entered into an agreement with the LGA to set up an assurance board which has subsequently been retitled an improvement board recognising the fundamental need for change., the terms of this still need to be agreed, including its ability to advise or caution. There are several areas where the council has chosen not to review either discretionary services, or to review service levels of statutory services. It is understood that these will be discussed with the administration post the May 2026 elections, but we would have expected some of these areas to have already been subject to review. The council has no corporate strategy, or council wide policies on procurement and transformation. In addition, there is no Asset Management Strategy or thematic review of assets to facilitate capital receipts.

Until Hillingdon identifies and delivers the savings required and embeds a much more robust culture of financial management the council will have to continue to rely on EFS. Much will depend on the role of the assurance board in driving this financial recovery.

1.2 Key Risks and Recommendations

This table provides the improvement plan and roadmap that we recommend the council follows with priority actions indicated by the RAG rating and the recommended timeline included with the recommendations.

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
On the quality of financial management and processes		
1. The council does not address the matters raised in the Section 24 notice in a timely and complete manner. The changes being implemented through the GRIP and FMP processes, are superficial and do not address underlying cultural and systemic weaknesses within the council and that the GRIP and FMP processes are not undertaken at pace.	9	1. The council ensure that statutory recommendations are responded to and actioned upon. Delivery should be informed and supported by GRIP and FMP processes. Transparent and detailed reporting should identify progress, at pace, and key risks to their achievement. Immediate action
2. The council is not in compliance with the CIPFA Financial management code.	6	2. The council should undertake a formal review against the CIPFA Financial Management Code. Complete by end of Q3 2026-27
3. The Finance function restructure does not address the underlying weaknesses previously identified and that the council is unable to recruit to the new structure. The restructure of Finance and the implementation of Oracle are resource intensive and potentially demotivating for Finance staff limiting or lengthening implementation. The Oracle system is delayed and/ or is ineffective and that the implementation of Oracle is not fully understood or managed effectively by Budget Holders..	9	3 Strengthen the finance restructure by: (a) Ensuring the FMP process accurately reports on both the Oracle reimplementation arrangements and Finance restructure and that corrective action is undertaken where required. (b) Ensuring that the terms of reference for the Assurance Board are suitably robust, ensuring challenge and oversight of all council activity, but particularly that related to financial management and transformation. (c) Ensuring that adequate earmarked resources are applied to the Oracle implementation whilst the

		Finance restructure is undertaken Restructure complete – end Q4 2026/7 Oracle - ongoing
4. Risk management is process driven and fails to effectively identify and address the council's exposure to risk.	**4**	4. As part of the GRIP programme, undertake a risk maturity exercise to determine the quality and impact of its risk strategies and processes. By Q3 2026-27
	On financial sustainability and risk	
5. The council does not control expenditure and the reserves replenished via EFS are rapidly diminished.	**9**	5. Financial performance is a standing item for the proposed Assurance Board and that this Board holds officers to account for delivery, In addition budget holders will need to be publicly accountable for performance Now ongoing following initial board meeting
6. The council is unable or unwilling to increase council tax above any referendum limit. The council does not deliver savings as required by the MTFS in a timely manner. The council is unable or unwilling to deliver future savings or fees and charges increases required to balance future years' budgets.	**6**	6. All savings options, including those that may be politically challenging, are explored with the cabinet. Immediate
7. The council fails to achieve its capital receipts target, increasing borrowing and revenue costs.	**9**	7. That the council as part of a new asset management strategy, has a strategic asset disposals policy which details both how assets are identified for disposal and then once assets are identified are disposed of at maximum benefit By end of Q3 2026-27
8. The proposed lending to Hillingdon Care company does not generate savings.	**4**	8. The council should assure itself that the proposed lending to Hillingdon Care is affordable by stress testing the model.

		Prior to confirming lending
9. The capital programme overspends or is unaffordable due to revenue costs.	6	9. The council should review its approved capital programme to determine those schemes that can be either deferred or removed to reduce revenue funding costs. By end of Q2 2026-27
On service reform, delivery and transformation		
10.The proposed restructure and service reconfiguration of the Housing team is not as effective as suggested and is not aligned to any corporate transformation.	4	10. Ensure service transformation aligns with corporate transformation programme and priority outcomes. By end of Q2 2026-27
11.The absence of a corporate transformation policy will lead to a lack of coordination and a fragmented approach to service change.	6	11. Develop an outcome focused transformation plan, that links strategic outcomes and priorities to deliver financial stability and improved services for residents. By end of Q3 2026-27
12.There is no golden thread linking the council's overarching strategies with the MTFS and service plans.	9	12. That the council should implement a high level corporate plan, reflecting the ambitions of the new administration but working within a balanced budget framework. So that the plan reflects available resources. By end of Q3 2026-27
13.Through its current approach to procurement, the council is unable to evidence and deliver best value.	4	13. That the development, communication and implementation of the proposed Procurement Strategy is supported by a clear performance and reporting framework that enables oversight and challenge. By end of Q2 2026-27
On governance, culture and leadership		
14.That the Assurance Board lacks rigour and challenge and fails to drive positive performance improvement	9	14. Ensure that the terms of reference for the Assurance Board are suitably robust, ensuring challenge and oversight of all council activity,

across council structures and service delivery.		but particularly that related to financial management and transformation. Q2 2026-27
15.In the potential absence of political will to undertake some difficult strategic decisions/service changes post-election, that the council remains reliant on exceptional financial support/borrowing.	**9**	15. Immediately post-election, all savings options, including those that may be politically challenging, are explored with the Cabinet. Immediate
16.With no clear strategic or transformation plan the council remains siloed and operational with little contribution to outcomes.	**6**	16. A credible set of alternative savings proposals is devised, costed and planned for in the absence of political support for the primary list of options. Immediate
17.The political will or differences stifles the organisation's opportunities to deliver meaningful change and the absence of a strategic plan/transformation plan exacerbates silo working, so that outcomes are not delivered or have little positive impact on residents.	**9**	17. That the council develops a council wide council strategic plan including transformation to drive transformation across the council By end of Q2 2026-27
18.Senior officers fail to engage staff at all levels, limiting buy-in to change/transformation programmes resulting in poor motivation, capacity, and/or capability issues.	**4**	18. Exploit existing communication channels and platforms to respond to staff survey and ensure employees are engaged, understand the constraints under which the council is operating and have an opportunity to make a positive contribution to address it. By end of Q2 2026-27

2. Introduction

2.1 Background

Hillingdon has applied for Exceptional Financial Support (EFS) for both 2025-26 and 2026-27 (£88 million and £62 million). The EFS request has been awarded in principle and is to meet both in-year budget deficits and to restore the General Fund working balance to £40 million.

The leadership of the council has remained broadly stable. With the Conservative party being the majority party since 2006. Prior to the May 2026 local elections, the council consisted of 30 Conservatives ,16 Labour, 5 independents and 1 Green Councillors. After the 2026 elections, the make-up was 30 Conservatives, 16 Labour, 4 Reform UK and 1 Green, with one ward to vote in June.

2.2 Requirement

As a result of receiving EFS, the Ministry of Housing, Communities and Local Government (MHCLG) is seeking deeper assurance around the plans included in the business case for the 2026-27 financial year. In line with that expectation, CIPFA adopted the approach of looking to provide an assessment of the council's financial resilience, financial management, governance arrangements, capital programme, debt position, and service delivery, with a view to providing recommendations for improvement.

The details of the analysis required by MHCLG, and the methods applied by CIPFA are contained in Annex 1.

3 Areas Reviewed

3.1 Review Area 1: Quality of Financial Management and Financial Processes

Hillingdon Council has faced significant weaknesses in its internal control environment, governance, and financial management. These are evidenced by the failure to complete the 2024–25 draft accounts by the statutory deadline. Internal audit issued a ‘no assurance’ opinion, while the external auditor raised urgent concerns through a Section 24 notice regarding weak financial planning, poor forecasting, deficiencies in the implementation of Oracle Fusion, and broader weaknesses in oversight and governance. Additional concerns relate to unsupported accounting adjustments, limited challenge from the Audit Committee, weak scrutiny arrangements, capacity and capability issues within the finance function, and inconsistent governance and risk management practices. The council initiated improvement activity through its Finance Modernisation Programme and Governance Review Improvement Plan, prior to the Section 24 notice being published and the internal audit no assurance opinion recognising the need for change. Progress has slipped and it remains too early to conclude whether these actions will be sufficiently embedded or whether the council has the capacity to deliver the necessary improvements in 2026–27.

The following sections outline the basis of this assessment in more depth.

a) The local authority’s financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.

Key findings and analysis

There were significant weaknesses in the internal control environment, governance and financial management practices in Hillingdon council. The council’s draft accounts for 2024-25 were not completed by the statutory deadline and will again be disclaimed. There are several issues, and in particular there is uncertainty on asset valuations which were excluded from the 2024-25 audit at the request of the council.

In April 2025, internal audit provided a ‘no assurance’ opinion for 2024-25 with regard to the council’s internal control arrangements. Common themes arising from their audits included 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 June 2025, Hillingdon Council’s external auditor, Ernst & Young (EY), issued a Section 24 notice under the Local Audit and Accountability Act 2014, highlighting urgent concerns about the council’s financial management and governance. Their concerns focused on the need to urgently strengthen financial planning and controls, improved forecasting and addressing the issues that arose with the implementation of the finance system, Oracle

Fusion; and to accelerate the financial and governance improvement programmes to address the underlying weaknesses in financial management and oversight.

The auditors also noted that the council highlighted £14.1 million of one-off impacts in 2024-25 arising from a balance sheet review performed as part of the council's Financial Modernisation Programme. It 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".*

The audit report disagreed with the categorisation of these items, as they were not fully evidenced and had occurred during the period when the accounts were disclaimed and did not comply with accounting standards. These adjustments reflect the rectification of poor past financial practice.

There are also concerns over the functioning of both the Audit Committee and the Overview and Scrutiny committee. The Audit Committee has an independent chair, but the committee is not particularly challenging. The auditors' report that was issued prior to the statutory deadline of November 2025 was not reported to the Audit Committee until February 2026 despite there being adverse comments, on the council's value for money arrangements. The Scrutiny Committee also appears to act more on the basis of party-political lines rather than on trying to determine whether policies or decisions reflect good governance or value for money. Overall, from observing meetings and from interviewees there appears to be a lack of depth in the scrutiny arrangements.

The council has sought to address such issues by adding them to the Finance Modernisation programme (FMP), and Governance Review Improvement Plan (GRIP) which it had established in May 2025. Examples of this include Corporate Governance Arrangements Training where a Governance masterclass session has been given to the Senior Management members, a wider corporate "governance toolkit" intranet site has been launched, and a Directorate Business and Financial Plans internal audit exercise has been presented to CMT. But it is too early to tell whether these changes have become both systemic and embedded into the culture and processes of the council.

There has been some slippage in the programmes, however, and it remains debatable whether the council has the capacity and capability to remedy the issues in 2026-27.

Risks and Recommendations

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
1. The council does not address the matters raised in the Section 24 notice in a timely and complete manner. The changes being implemented through the GRIP and FMP processes, are superficial and do not address underlying cultural and systemic weaknesses within the council	**9**	1. The council ensure that statutory recommendations are responded to and actioned upon. Delivery should be informed and supported by GRIP and FMP processes. Transparent and detailed reporting should identify progress, at pace, and key risks to their achievement.

and that the GRIP and FMP processes are not undertaken at pace.		Immediate action

b) The capacity and capability of the local authority to deliver an effective finance function to the authority commensurate with the complexity of its particular circumstances, the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.

Key findings and analysis

The external audit report for 2024-25 raised concerns about the capacity of the council's finance function. In particular they were concerned over the high churn rate at section 151 officer level and the technical capacity of the staff.

The council appointed a permanent section 151 officer in September 2025, however the tier of staff below that post is largely interim or fixed term posts. It is understood that there are plans to revise the staff structure early in 2026-27 and then permanently recruit to the new structure. Work on designing the new structure has been externally commissioned. Until the new staff structure is implemented and staffed, this will create a hiatus and a degree of uncertainty. Due to the number of staff involved, the restructure will require full statutory consultation and thus is unlikely to be completed this calendar year. In the interim, the retention of existing staff who are knowledgeable of the council's arrangements and with the ability to produce good clear working papers, particularly during account closure, will be key to addressing the External Auditor's concerns in this area.

External audit have raised concerns about systems, in particular the council's implementation of Oracle Fusion. Successful implementation is key to the provision of timely and accurate budget information to budget holders and managers, as well as providing timely information to members. A common observation during meetings was that until recently financial information was not timely and, in some instances, not clear and sufficiently intelligible to those who were in receipt of it.

The roll out of the Oracle system includes training modules for managers both in the use of the system and financial forecasting. As the system is not fully rolled out to users, it is too early to tell whether the system will provide better forecasting and better budget management tools for budget holders.

The council has not carried out a self-assessment against the CIPFA FM code or had an external assessment made. Ideally this should have been undertaken as part of the drafting of the FMP.

The council is drafting a training programme for new members for implementation after the May 2026 elections. It is understood that the proposed course for members is at the end of June. In the light of the council's financial circumstances, the need to attend this should be highlighted to all members.

Risks and Recommendations

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
2. The council is not in compliance with the CIPFA financial management code.	6	2. The council should undertake a formal review against the CIPFA Financial Management Code. Complete by end of Q3 2026-27
3. The finance function restructure does not address the underlying weaknesses previously identified and that the council is unable to recruit to the new structure. The restructure of Finance and the implementation of Oracle are resource intensive and potentially demotivating for Finance staff limiting or lengthening implementation. The Oracle system is delayed and/ or is ineffective and that the implementation of Oracle is not fully understood or managed effectively by Budget Holders.	9	3 Strengthen the finance restructure by: (a) Ensuring the FMP process accurately reports on both the Oracle reimplementation arrangements and Finance restructure and that corrective action is undertaken where required. (b) Ensuring that the terms of reference for the Assurance Board are suitably robust, ensuring challenge and oversight of all council activity, but particularly that related to financial management and transformation. (c) Ensuring that adequate earmarked resources are applied to the Oracle implementation whilst the Finance restructure is undertaken Restructure complete – end Q4 2026/7 Oracle - ongoing

c) The local authority's approach to financial risk management including identification, management and treatment of risk.

Key findings and analysis

The council uses JCAD software to manage its corporate and operational risk registers. The risk management process is managed and delivered by the Chief Operating Officer, with the Head of Internal Audit having responsibility for risk assurance.

Comprehensive risk management reports at both operational and strategic level are reported to each meeting of the Audit Committee and provide an overview of existing and emerging risk, cause and effect, escalation to the corporate register, and mitigation. Whilst there is some evidence of member challenge, particularly around cyber threats, the presentation of the reports allows little opportunity to drill down into specific risks and this may limit oversight and challenge. Although risk management is becoming more embedded, the council has recognised the need for greater consistency in its application across all services.

The council has developed an app to review and monitor budgets and savings proposals. The app is designed to provide early warning on variation and overspend. It is unclear whether the app itself is driving the management of financial risk or merely supporting the financial reporting process.

There is no evidence of a recent review of risk management and a review could form part of a wider assurance framework review.

Risks and Recommendations

Key Risk	**Risk rating (see details in Annex 2)**	**Recommendation (including Timeline)**
4. Risk management is process driven and fails to effectively identify and address the council's exposure to risk.	**4**	4. As part of the GRIP programme, undertake a risk maturity exercise to determine the quality and impact of its risk strategies and processes. By Q3 2026-27

3.2 Review Area 2: Financial Sustainability And Risk

Hillingdon's general fund reserves were, prior to the EFS request, only £1.45 million and the budget over the past two years has moved from no overall overspending to significant overspends each year. The Band D Council tax has fallen from near parity to 15% below that of its peers over the past 15 years. The 2026-27 budget has been rebased by £61.389 million, after savings of £21.176 million. This reflects largely historic and predicted demand pressures, of which the former had not been fully reflected in previous budgets. Hillingdon has a poor history of savings achievement, and it is too early to tell whether recent initiatives to improve control will be effective in terms of budget management. There are areas of discretionary expenditure that could be reviewed.

The council proposed to meet the 2025-26 and 2026-27 EFS through borrowing. There is no flexibility to meet the capitalisation direction from reserves or from capital receipts. Hillingdon has no current asset management strategy, or comprehensive disposals programme. The absence of an asset management means that it is not possible to see what level of receipts could be generated by consolidating the estate. Hillingdon has a general fund capital programme which is majority funded from borrowing. Part of this is to fund its recently founded care company. With the requirement to fund EFS this significantly increases the proportion of revenue budget allocated to funding capital to 14% of net revenue stream.

The following sections outline the basis of this assessment in more depth.

a) The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

Key findings and analysis

In the past, Hillingdon has sought to keep expenditure low and to minimise the need for council tax increases. A benchmarking exercise by Grant Thornton confirms that total net expenditure by the council in 2024-25 was low in comparison to its statistical neighbours and other London boroughs.

Since 2010-11, Hillingdon's Band D Council tax compared to the rest of Outer London has gone from being only £6 below its comparators to £234 below, largely due to no increases in the ten years from 2009-10 to 2018-19. The disparity between the council and its comparators equates to a 15% increase in Council tax.

Fees and Changes, as set out in the 2024/25 Revenue Outturn Report, show an income level excluding education, of £71m. The average income level of outer London boroughs including Hillingdon is £87.3m and without Hillingdon £88.3m. Hillingdon is circa £15.5m below the average.

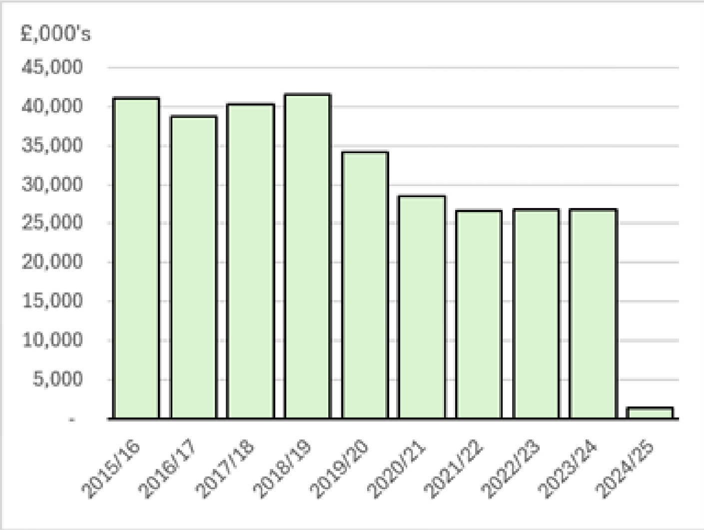
Local authority	Sum of Highways and transport services - Sales, Fees and Charges (C4)	Sum of Children Social Care - Sales, Fees and Charges (C4)	Sum of Adult Social Care - Sales, Fees and Charges (C4)	Sum of Public Health - Sales, Fees and Charges (C4)	Sum of Cultural and related services - Sales, Fees and Charges (C4)	Sum of Environmental and regulatory services - Sales, Fees and Charges (C4)	Sum of Housing services (GFRA only) - Sales, Fees and Charges (C4)	Sum of Planning and development services - Sales, Fees and Charges (C4)	Sum of Central services - Sales, Fees and Charges (C4)	Sum of Other services - Sales, Fees and Charges (C4)	Sum of Total Service Expenditure - Sales, Fees and Charges (C4)
Barnet	20,885	3,227	21,855	0	3,985	8,413	0	6,621	11,973	0	76,959
Bexley	13,720	5	16,850	0	3,078	8,087	5,221	1,715	1,130	0	49,806
Bromley	14,575	243	25,239	0	885	9,334	74	2,665	4,053	479	57,547
Croydon	30,744	35	31,197	0	915	12,202	42,662	6,082	30,139	0	153,978
Ealing	44,123	4,587	27,880	0	5,082	13,280	64,754	4,497	14,571	7,069	185,842
Enfield	20,155	488	28,748	0	4,764	14,219	774	3,338	16,935	105	89,526
Greenwich	16,377	260	17,287	0	4,107	5,526	1,216	4,394	18,492	0	67,659
Harrow	13,845	1,021	16,225	0	3,096	9,192	15,422	5,776	56,744	0	121,321
Havering	20,679	796	8,822	0	3,974	8,494	169	2,537	4,821	0	50,292
Hillingdon	14,172	753	373	0	2,217	13,046	10,234	5,242	25,798	0	71,835
Hounslow	19,016	1,584	13,877	0	11,839	7,892	6,767	3,268	9,019	0	73,262
Kingston Upon Thames	18,184	0	11,638	0	289	6,249	10,835	2,053	27,259	0	76,507
Merton	23,707	589	11,830	0	4,170	5,378	751	8,939	14,845	938	71,147
Redbridge	25,005	319	22,156	0	254	11,397	36,902	1,130	3,396	324	100,883
Sutton	7,755	936	15,957	60	2,301	5,285	6,344	2,345	8,074	0	49,057
Waltham Forest	31,251	688	13,550	0	4,492	7,067	21,671	4,249	18,209	0	101,179
Grand Total	334,194	15,531	283,484	60	55,447	145,061	223,796	64,853	265,458	8,915	1,396,799

There has been a marked increase in costs in recent years (see table), however, that have contributed to the financial fragility. The council has sought to mitigate such pressure, but with little success. In 2024-25 the council had proposed savings of £21.5 million of which only 32% were achieved. In the current year, based on the latest forecast at month 10, expected savings of £38.8 million or 48% is forecasted to be achieved. The failure to deliver savings in previous years was indicative of the culture of weak financial management and governance at the time. It should be noted that the 2024-25 overspend includes £14.1 million relating to one off adjustments following a balance sheet review.

	Budget	Actual	Difference
	£m	£m	£m
2025-26	272.1	308.2	36.1
2024-25	284.4	316.1	31.5
2023-24	263.3	263.3	0.0
2022-23	251.0	250.9	-0.1

As a consequence, the council has for a number of years run down its General Fund unearmarked reserves. This was gradual until 2023-24, and then for 2024-25 these reserves were virtually extinguished, as shown in the chart below. The reduction in reserves in 2024-25 was due to the need to meet the overspending in that year which was also part financed from earmarked reserves. Reserves at the end of 2024-25 level are unsustainable and further budget pressures in 2025-26 necessitated the EFS application to bridge the gap and to replenish reserves to some £40 million.

	General Reserves (£,000's)
2015/16	41,050
2016/17	38,738
2017/18	40,323
2018/19	41,620
2019/20	34,240
2020/21	28,517
2021/22	26,712
2022/23	26,839
2023/24	26,845
2024/25	1,450



The 2026-27 budget includes net growth of £61.389 million and leaves an underlying budget gap of £48.3 million in 2027-28. The Council due to its underlying low cost base is unlikely to be able to meet the budget gap by efficiency savings alone and it is highly likely that an application to increase council tax above the current referendum threshold will be required in the future

Risks and Recommendations

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
5. The council does not control expenditure and the reserves replenished via EFS are rapidly diminished.	9	5. Financial performance is a standing item for the proposed Assurance Board and that this Board holds officers to account for delivery, In addition budget holders will need to be publicly accountable for performance Now ongoing following initial board meeting
6. The council is unable or unwilling to increase council tax above any referendum limit. The council does not deliver savings as required by the MTFS in a timely manner. The council is unable or unwilling to deliver future savings or fees and charges increases required to balance future years' budgets.	6	6. Immediately post-election, all savings options, including those that may be politically challenging, are explored with the cabinet. Immediate

b) An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back

Key findings and analysis.

The council as part of its 2026-27 budget has saving proposals amounting to £21.176 million of which £14.073 million are in Residents' Services. These net off growth proposals to give an overall increase in budget compared to 2025-26 of £61.389 million. There are detailed individual savings plans for each directorate which include some elements of transformation, but there is no overall transformation programme for the council.

The savings plans as set out appear credible although significantly below that needed to budget the balance without recourse to EFS. However, the council's previous history on delivering savings is weak, creating some doubt on the achievability of the savings, unless there has been a cultural change at both officer and member level. It is too early to say whether the cultural changes intimated through the GRIP and FMP have been transformative enough and embedded to ensure that required savings will be delivered. This will become clearer over the course of the year.

Overall after net growth of £61.389 million (24.5%) has been added to the budget for 2026-27 (see table below) there should be no pressure on budgets as previous years areas of overspend and current years demand increases appear to have been taken into account. The MTFS assumes further growth each year to 2028-29. However, the impact of geopolitical events and legislative changes may not have been accurately forecast and are outside the council's control. This remains a future risk.

	2025/26 Budget (£,000's)	2026/27 Budget (£,000's)	2027/28 Budget (£,000's)	2028/29 Budget (£,000's)
Children and Young People's Services	57,231	66,782	66,700	68,486
Adult Services and Health	100,893	116,382	126,503	140,752
Residents Services	52,149	72,034	74,553	75,600
Chief Operating Officer	22,695	27,398	26,214	25,793
Finance	11,090	13,672	12,835	12,188
Chief Executive	6,455	6,642	6,482	6,552
Total Service Areas	250,513	302,910	313,286	329,370
Corporate Budgets	(250,513)	(241,521)	(264,971)	(284,907)
Net Budget Gap before EFS	-	**61,389**	**48,316**	**44,464**
Use of 2026/27 EFS		(61,389)		
Remaining 2026/27 Gap after EFS		-		

The re-implementation of Oracle is key to the council being able to manage budgets and forecast accurately, and any significant slippage in the implementation of this system places at risk the council's ability to manage its financial arrangements. It is recognised that there is a need to ensure that the system operates as intended, however the council needs to ensure that this is implemented as quickly as it reasonably can do and that adequate resources are employed to do this effectively.

The council still provides a number of discounts or discretions to residents -such as the Hillingdon First card and discounts to older persons on council tax, that are the type of discretionary spend other authorities have made efficiencies on. The council has commissioned an external review of fees and charges based on the CIPFA Financial Resilience Index indicating the council's income from fees and charges is lower than its comparators.

Risks

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
The council does not deliver savings as required by the MTFS in a timely manner.	9	See recommendation 1.
The council is unable or unwilling to deliver future savings or fees and charges increases required to balance future years' budgets.	9	See recommendation 1.

c) An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use / seek a capitalisation direction.

Key findings and analysis.

In the absence of a clear plan for asset disposal, the council has no flexibility to meet the capitalisation direction from reserves or from capital receipts. It has set a balanced budget for 2026-27 assuming that a final capitalisation direction will be granted and there is no scope to reduce in-year expenditure at this stage. However, there are areas of discretionary expenditure that could be reviewed.

The council will need to either underspend the 2026-27 budget or fully achieve savings to avoid utilising reserves, which have only been replenished as a result of the 2025-26 EFS request. Although there appears to be a greater awareness of the council's position and the need for action to implement savings, the council would benefit from practical support and oversight until it is able to balance future budgets without requesting EFS.

The council has put measures in place to review fees and charges and will also need to further review discretionary expenditure in a range of service areas before setting the 2027-28 budget, this will need to commence immediately in order for savings to be made in full for 2027-28. It is possible that some in-year savings may be achievable within 2026-27 but these would be relatively small due to the need to consult in some areas, and in-year costs incurred in amending service level delivery.

d) *An assessment of how the council expects to finance capitalisation (i.e through external / internal borrowing or through capital receipts), the viability / risks of their proposed approach.*

Key findings and analysis

The council is proposing to meet the 2025-26 and 2026-27 EFS through borrowing, which has been built into the MTFS. The cost of EFS included in the MTFS is £0.204 million in 2025-26, £6.387 million in 2026-27, £10.695 million in 2027-28 and £12.467 million in 2028-29.

There is no scope to utilise capital receipts as these are already earmarked for capital purposes and there is already a shortfall between receipts identified and those required to fund the capital programme of £22.5 million.

Risks and Recommendations

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
7. The council fails to achieve its capital receipts target, increasing borrowing and revenue costs.	9	7. That the council as part of a new asset management strategy, has a strategic asset disposals policy which details both how assets are identified for disposal and then once assets are identified are disposed of at maximum benefit By end of Q3 2026-27

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e) *An assessment of the council's current asset base and planned asset disposal strategy, and scope for the council to utilise planned receipts and generate to fund expenditure capitalised under exceptional financial support.*

Key findings and analysis.

Hillingdon has no current asset management strategy, or comprehensive disposals programme.

The council does not have a current asset management strategy; it is understood that an asset management plan is being developed during 2026-27. There is a list of sites identified for disposal, but no overarching corporate arrangements enabling the disposal of sites to either fund capital expenditure or reduce the borrowing requirement of EFS.

The current five-year capital programme indicates an assumption that over the period £49.5 millions of receipts will be required. The current forecast is that £27 million has been identified of which £5.2 million has been generated for the General Fund. The current shortfall at best is £22.5 million, in the event of the council not generating these receipts and the planned capital spend.

The lack of a clear asset management strategy, including the need to operationally review all sites owned by the council to see if their usage is being optimally utilised, is a deficiency in the council's arrangements. The council have acknowledged this, and resources are available to produce this review in 2026-27 with an increase in the staffing resource of £975,000.

Risks and Recommendations

See Risk 9 and Recommendation 9

f) A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity / capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance / following best practice in regards to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.

Key findings and analysis.

Hillingdon has a general fund capital programme which is majority funded from borrowing. Part of this is to fund its recently founded care company. With the requirement to fund EFS, this significantly increases the proportion of revenue budget allocated to funding capital. The 2026-27 budget approved a five-year capital programme amounting to £268.5 million.

The table below identifies the main programme areas and sources of funding.

Corporate & Directorate	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	2030/31 £'m	5-Year Total £'m
Major Projects						
Residents Services	19.8	16.3	19.6	3.2	0.1	59.0
Adult Social Care and Health	10.0	10.0	0.0	0.0	0.0	20.0
Children's & Young Peoples Services	12.7	0.6	0.0	0.0	0.0	13.3
Major Projects Total	**42.6**	**26.9**	**19.6**	**3.2**	**0.1**	**92.3**
Programme of Works						
Residents Services	20.2	25.3	22.3	23.3	19.7	110.9
Children's & Young Peoples Services	9.2	3.0	3.0	3.4	3.4	22.0
Adult Services & Health	4.0	4.0	4.0	4.0	4.0	19.9
Corporate Services	4.2	4.0	0.1	0.2	0.0	8.4
Programme of Works Total	**37.6**	**36.3**	**29.3**	**30.8**	**27.1**	**161.2**
Contingency						
Development & Risk Contingency	7.0	2.0	2.0	2.0	2.0	15.0
Contingency Total	**7.0**	**2.0**	**2.0**	**2.0**	**2.0**	**15.0**
Grand Total	**87.1**	**65.2**	**50.9**	**36.0**	**29.2**	**268.5**
Funded By:						
Prudential Borrowing	(51.1)	(38.4)	(26.8)	(18.6)	(11.9)	(146.8)
Other Funding	(36.0)	(26.8)	(24.2)	(17.5)	(17.2)	(121.7)
Grand Total	**(87.1)**	**(65.2)**	**(50.9)**	**(36.0)**	**(29.2)**	**(268.5)**
MTFS December 2025	74.8	48.9	44.6	34.6	25.9	228.8
Change	12.3	16.3	6.3	1.4	3.3	39.7

The capital budget shows an increase of £39.5 million over the previously approved programme; of which £26.7 million will require additional borrowing. The additional borrowing is largely required to fund long-term 'spend to save' schemes in respect of care homes and supported housing.

The impact of the borrowing requirement for the capital programme and the EFS support compared to net revenue stream is shown in the table below.

	2025/26 Forecast £m	2026/27 Budget £m	2027/28 Budget £m	2028/29 Budget £m	2029/30 Budget £m	2030/31 Budget £m
Financing Costs Capital GF (£m)	19.7	26.5	30.9	33.4	35.0	36.4
Financing Costs EFS (£m)	0.0	6.4	10.7	12.5	12.6	12.8
Proportion of Net Revenue Stream*	6%	10%	13%	14%	14%	14%

*Net revenue stream is the general fund budget requirement, which is funded through Council Tax Business Rates and Government Grants.

The combination of both EFS and the financing cost of the Capital programme shows that by 2030-31 the level of financing costs expenditure rises from 6% to 14%. In light of this, as the level of costs arising from EFS is broadly fixed, the council should review its approved capital programme to see which schemes can be either deferred or removed to reduce revenue funding costs, particularly due to the lack of identified capital receipts.

The council owns two companies: Hillingdon First, which is a housing development company, and the Hillingdon Care Company limited, which recently incorporated to provide residential and nursing care. Overview of both companies is through the council's shareholders committee.

Hillingdon First was incorporated in 2018. Its most recent business plan was approved in 2024 and the most recent published accounts (March 2025) show no council loans and council equity of £3.52 million. From interviews, it is unclear as to the council's intentions with regard to this company.

Hillingdon Care Company acquired an existing care home in the past year, and the capital programme includes £20 million of investment into the company over the years 2026-27 and 2027-28 in the provision of new care facilities. The company operates under the Teckal exemption arrangements, under which only 20% of its turnover can be externally procured without the council having to openly procure places from the company. This is recognised in the business plan which states that the company is unable to be a highly profitable enterprise. From a financial perspective, the Business Plan aims to manage costs efficiently and recover all valid costs, while generating profits from commercial activities to reinvest in the care home. It is unclear from the business plan approved in January 2026, that the proposed extended care facilities provide value for money to the council.

The council has very limited commercial investment properties, which in March 2025 were valued at £4.035 million. The income from these properties was £0.252 million, representing 0.06% of net revenue stream.

The council's arrangements for calculating and charging MRP appear to be reasonable and in line with the statutory guidance.

Risks and Recommendations

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
8. The proposed lending to Hillingdon Care company does not generate savings.	**4**	8. The council should assure itself that the proposed lending to Hillingdon Care is affordable by stress testing the model. Prior to confirming Loan
9. The capital programme overspends or is unaffordable due to revenue costs.	**6**	9. The council should review its approved capital programme to determine those schemes that can be either deferred or removed to reduce revenue funding costs. By end of Q2 2026-27

3.3 Review Area 3: Service Delivery, Reform and Transformation

Hillingdon is low cost compared to its peers in all service areas apart from cultural and related services. In housing, its main service pressure, Hillingdon has reviewed its arrangements regarding General Fund housing services moving towards best practice for the sector in key areas such as homelessness. The council has no overall transformation plan or strategy that links the overall transformation streams that may exist in service departments. It also has no published overall corporate strategy and no corporate procurement strategy.

The following sections outline the basis of this assessment in more depth.

a) The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics.

Key findings and analysis.

Based on work undertaken by Grant Thornton on behalf of the Society of London Treasurers in 2025, the council is a low-cost council in most areas compared to its near neighbours. This is shown in the table below.

Service line	£000s	Unit cost	Benchmark comparison	
			London Boroughs context	NN Context
Housing Services (GFRA Only)	£30,926	£93.95	Low	Average
Children Social Care	£72,701	£962.62	Very Low	Low
Highways & Transport Services	£7,108	£21.59	Average	Low
Environmental & Regulatory Services	£19,502	£59.24	Very Low	Low
Cultural & Related Services	£13,962	£42.41	Average	High
Central Services	£8,832	£26.83	Very Low	Very Low
Adult Social Care	£106,714	£420.70	Very Low	Very Low
Planning & Development Services	£96	£0.29	Very Low	Very Low
Education Services	£255,379	£3,205.66	Very Low	Low
Public Health Services	£17,888	£54.34	Low	Average
Total Services	£533,108	£1,619.48	Very Low	Low

Source: Grant Thornton Data & Insights report, November 2025

The exception is in cultural and related services where the council has a relatively high unit cost.

The council has received good inspection results recently with regard to adult social care and a 3.2 rating from the social housing Regulator implying overall good levels of service.

Risks and Recommendations

None

b) Assessment of the extent to which the council's service delivery model particularly in General fund housing services financial pressure reflect current best practice and guidance on service effectiveness and efficiency.

Key findings and analysis

The council, in common with many other London boroughs, has experienced pressure on its homelessness prevention and rehousing services. The Homes and Communities service has a forecast net expenditure in 2025-26 of £16.3 million, compared to a net budget of £7.7 million. The net budget growth for the housing service in 2026-27 is £15.415 million. The council is proposing to restructure the service to reduce caseloads and to attempt to increase prevention activity. Overall, the service has been moving towards best practice in this area and the service plan appears to be robust. However, recent regulatory changes around renters' rights may cause a higher than anticipated growth in demand, without additional supply coming on stream.

The service budget has been fully rebased to reflect current demand levels and costs, and reflects estimates of predicted growth. Savings reflect changes in operational practice and do not appear to be based on over optimistic assumptions.

The council is taking a proactive approach to housing and tenancy fraud that includes data analysis, close working with the counter fraud team and a programme of accommodation visits.

Risks and Recommendations

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
10. The proposed restructure and service reconfiguration of the Housing team is not as effective as suggested and is not aligned to any corporate transformation.	4	10. Ensure service transformation aligns with corporate transformation programme and priority outcomes. By end of Q2 2026-27

c) Identification of opportunities to reform / transform delivery in these areas to support both improved outcomes and manage financial pressures.

The council has no overall transformation plan or strategy that links the overall transformation streams that may exist in service departments. The reliance on individual departments to transform their own areas without an overall corporate strategy or approach must be regarded as a key weakness. With the budget gaps for 2027/28 and 2028/29, without a co-ordinated council wide approach to transformation there is a significant risk that the council will not be able to balance its budget for both of those years without further recourse to EFS.

The savings proposals in areas such as waste and children in care include detailed costed proposals for the delivery of long term savings involving service redesign and new facilities, together with timescales. These will need to be closely monitored to ensure delivery. The use of dashboards is a positive step in monitoring.

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
11. The absence of a corporate transformation policy will lead to a	6	11. Develop an outcome focused transformation plan, that links strategic

lack of coordination and a fragmented approach to service change.		outcomes and priorities to deliver financial stability and improved services for residents. By end of Q3 2026-27

d) A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.

Key findings and analysis

Hillingdon has no published overall corporate strategy, although not unique it is highly unusual and the absence of such a strategy can impact a council's ability to transform linked services. Individual services have their own service plans but there is no overall corporate strategy linking these and the MTFS together. Individual service plans in some areas show linkages to the MTFS, but this is not uniform and is patchy. A range of service plans have been examined and the quality varies. They reflect in general changes to the MTFS but is not possible to see from them or say from current practice that good financial management is embedded within service area practices and culture. As the GRIP and FMP processes are still ongoing, it is too early to tell whether the changes introduced by these programmes have become embedded. The absence of a clear link between service plans and the MTFS will adversely impact the council's ability to readily identify areas for efficiency and service transformation.

Risks and Recommendations

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
12. There is no golden thread linking the council's overarching strategies with the MTFS and service plans.	9	12. That the council should implement a high level corporate plan, reflecting the ambitions of the new administration but working within a balanced budget framework. So that the plan reflects available resources By end of Q3 2026-27

e) A consideration of the effectiveness of the chosen approach in delivering services (i.e in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.

Key findings and analysis

There is no overall corporate procurement policy, the council's position is as follows:

> "*The council does not currently operate under a single consolidated procurement policy document. Instead, procurement activity is governed through a combination of Contract Standing Orders, statutory requirements under the Procurement Act 2023, and an established procurement programme which sets out planned activity, governance routes and controls. Together, these components form the council's procurement policy framework and ensure compliance, transparency and value for money. As part of the ongoing review of the Target Operating Model for procurement, the development of a formal procurement policy will form part of the future governance framework further strengthening clarity, consistency and accessibility across the organisation. The council is currently developing a new Procurement Strategy for publication later in the year."*

Although there is evidence of overall management of the pipeline, there is a view that until recently contract extension and procurement without reviewing specifications was the more likely route to be taken, rather than a more fundamental review of the service to be provided. There is no preference for in-house or external service delivery.

Risks and Recommendations

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
13. Through its current approach to procurement, the council is unable to evidence and deliver best value.	**4**	13. That the development, communication and implementation of the proposed Procurement Strategy is supported by a clear performance and reporting framework that enables oversight and challenge. By end of Q2 2026-27

3.4 Review Area 4: Governance, Culture and Leadership

Hillingdon has recognised weaknesses in governance arrangements and programmes are in place to improve arrangements, but it is too early to tell if these have been effective. Hillingdon is at risk of not being able to achieve the level of transformation needed due to a lack of buy-in at all levels. The absence of agreed terms of reference for the Assurance Board creates uncertainty as to how effective this body will be.

The following sections outline the basis of this assessment in more depth.

a) The adequacy of the local authority's decision making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.

Key findings and analysis

In their annual report for the year ended 31 March 2025, the External Auditor indicated that they had obtained assurance on the governance arrangements at the council but had highlighted risks and weaknesses associated with the quality of council information, capacity within the finance team, and the implementation of Oracle.

The council had established both the Governance Review Improvement Programme (GRIP) and the Finance Modernisation Programme (FMP) to address these areas of concern, with Grant Thornton commissioned to support specifically with the FMP.

GRIP is structured over three workstreams: financial governance of which FMP is part, directorial governance and constitutional governance. Updates on both GRIP and FMP are reported at each Audit Committee and the update report to the February Committee highlighted progress that included the implementation of additional spending controls, improved forecasting and the completion of detailed delivery plans for savings proposals. As referenced elsewhere it is too early to tell whether the GRIP and FMP programmes have been effective in terms of improving governance but the implementation of both shows that there is a recognition of past failures and a willingness to move forward.

The council advise they are in the process of establishing an independently chaired Assurance Board. The Board will not hold its first meeting until after the May elections and, at the time of writing, the terms of reference are in draft. We would expect the Board to be particularly challenging on all aspects of the council's financial and wider performance management and provide practical support, advice and comment. We would expect the council to be accountable to the Board and held accountable by it for its delivery of services, transformation and savings proposals and its ability to deliver a balanced budget over the term of the MTFS. We can provide no further comment on the Assurance Board at this time, although in light of some of the recommendations in this report, consideration might need to be given to more formal oversight by the board of the implementation of this report's recommendations.

During interviews there were some concerns about both the effectiveness of scrutiny and transparency of governance arrangements. As an example, a number of key interviewees were unaware of the proposed assurance board.

Risks and Recommendations

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
14. That the Assurance Board lacks rigour and challenge and fails to drive positive performance improvement across council structures and service delivery.	**9**	14. Ensure that the terms of reference for the Assurance Board are suitably robust, ensuring challenge and oversight of all council activity, but particularly that related to financial management and transformation. Q2 2026-27

b) The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the local authority and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the local authority is present throughout operational implementation or whether it exists in 'name only'.

Key findings and analysis

As previously stated, the council lacks an overarching plan and transformation strategy, the absence of which exacerbates silo working and fails to identify priority outcomes with the voice of the resident also absent. Change programmes and initiatives are happening in individual services with restructures recently completed or planned, including within Finance. There is no joined up approach to service change and initiatives appear operational rather than strategic. The strategic direction of the authority is not clear or understood.

The council's financial situation requires a strategic approach to address it and officers have devised an options list of politically challenging savings proposals such as fortnightly waste collection, delivering a revised culture offer including reviewing library footprint and its three theatres, and an above referendum council tax increase. These options and others have been under review over many months. However, there appears to be no political will to take these decisions and, perhaps more importantly, if not the measures on the list then no credible alternative. Although the Leader believes that there are further service efficiencies to be realised, it is not clear how a balanced budget can be delivered without recourse to some potentially unpalatable decisions.

Risks and Recommendations

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
15. In the potential absence of political will to undertake some difficult strategic decisions/service changes post-election, that the council remains reliant on exceptional financial support/borrowing.	9	15. Immediately post-election, all savings options, including those that may be politically challenging, are explored with the Cabinet. Immediate
16. With no clear strategic or transformation plan the council remains siloed and operational with little contribution to outcomes.	6	16. A credible set of alternative savings proposals is devised, costed and planned for in the absence of political support for the primary list of options. Immediate

c) A view on the effectiveness of local authority leadership including the stability of senior leadership, their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.

Key findings and analysis

Following elections on 7 May 2026 the Conservative ruling administration has a 14-seat margin over the Labour opposition, and 9 over all opposition parties. It will be important for the council's officer leadership team to support a returned administration under new leadership, to maximise the benefit of savings proposals and the options that the administration will need to consider early in the new municipal year.

The former Leader and Deputy Leader were both critical of transformation within the council and believe that it has yet to derive the optimum benefit from service efficiencies and delivery. This they feel has to be undertaken first before addressing the services that residents value. However, there is little urgency. The opposition claim not to have heard of the Assurance Board or to have faith that savings would be delivered.

Our discussions with senior officers suggest that they are aligned and working together effectively. A number of officers were keen to praise the S151 officer, suggesting that his arrival in September 2025 has coincided with a stronger grip on financial management, reporting and budget setting.

The Audit Committee has an independent chair, which is positive, although it is unclear how challenging the Committee is in holding officers to account.

In the 2025 staff survey, employees felt that the corporate management team was more visible than the previous year but at 59% remains relatively low. Staff also suggested that changes in their area were not always managed in an open and transparent way, again 59%, a slight reduction on the previous year.

The Chief Executive has introduced all council briefings on a monthly basis. This should provide an opportunity to, where appropriate, brief staff on all financial and transformation performance and progress.

Risks and Recommendations

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
17. The political will or differences stifles the organisation's opportunities to deliver meaningful change and the absence of a strategic plan/transformation plan exacerbates silo working. So that outcomes are not delivered or have little positive impact on residents.	9	17. That the council develops a council wide council strategic plan including transformation to drive transformation across the council By end of Q2 2026-27

d) A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority's capacity and capability improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority's ability to identify early warning signs and take action to address potential failures at the earliest opportunity.

Key findings and analysis

The outcomes of the staff survey results for 2025 suggest an improving picture for employees in the workplace. The response rate was higher than in the previous year and all but one of the questions showed an improvement. There is still work to do as results suggested that the council needed to do more to engage hard to reach colleagues, to show employees that they are valued and appreciated, and to be more open and transparent on matters related to service change.

The establishment of the Assurance Board should introduce some external, independent challenge to the council and coupled with improved financial reporting, forecasting and savings delivery planning should help identify budgetary pressures early enough to take mitigating actions.

Feedback suggests that member/officer relationships were difficult under the previous administration and the opposition suggest there is little transparency across the political divide.

A review of savings proposals and options, early into the new municipal cycle, is required to ensure that budgetary assumptions can be analysed and revised where necessary.

Risks and Recommendations

Key Risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
18. Senior officers fail to engage staff at all levels, limiting buy-in to change/transformation programmes resulting in poor motivation, capacity, and/or capability issues.	4	18. Exploit existing communication channels and platforms to respond to staff survey and ensure employees are engaged, understand the constraints under which the council is operating and have an opportunity to make a positive contribution to address it. By end of Q2 2026-27

Annex

A1. Requirement and Methodology

The Requirement

To provide this assessment, four key themes were investigated:

1. **Quality of financial management and financial processes**

   An assessment of the local authority's financial management and management of risk., covering:

   a. The local authority's financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.

   b. The capacity and capability of the local authority to deliver an effective finance function to the authority commensurate with the complexity of its particular circumstances, the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.

   c. The local authority's approach to financial risk management including identification, management and treatment of risk.

2. **Financial sustainability and risk**

   An assessment of the local authority's overall financial resilience and sustainability, the identification of specific financial risks and a view on the authority's capital and debt position and approach to assets (with a view on the sustainability, Value for Money and risk exposure of the local authority in this space). Specific factors have included:

   a. The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

   b. An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back.

   c. An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use / seek a capitalisation direction.

   d. An assessment of how the council expects to finance capitalisation (i.e through external / internal borrowing or through capital receipts), the viability / risks of their proposed approach,

   e. An assessment of the council's current asset base and planned asset disposal strategy, and scope for the council to utilise planned receipts and generate to fund expenditure capitalised under exceptional financial support.

   f. A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity / capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance / following best practice in regard to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.

3. **Service delivery, reform, and transformation**

An examination of high cost service pressures and an assessment of specific opportunities for savings, innovation, and reform to support the local authority to move to financial sustainability with named service areas. This assessment has made use of recognised best practice models and guidance for delivering quality and cost-efficient services that put prevention first, and the council's alignment with this good practice. The specific factors examined have included:

a. The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics.

b. Assessment of the extent to which the council's service delivery model particularly in Adults and Children's Social Care Services areas of high demand / financial pressure reflect current best practice and guidance on service effectiveness and efficiency.

c. Identification of opportunities to reform / transform delivery in these areas to support both improved outcomes and manage financial pressures.

d. A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.

e. A consideration of the effectiveness of the chosen approach in delivering services (i.e in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.

Additional points for service specific issues in this authority have also been examined, as required.

4. **Governance, culture, and leadership**

An assessment of the local authority's approach to ensuring robust overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the local authority is operating in line with the Nolan Principles and in a way to secure continuous improvement. Factors that have been investigated include:

a. The adequacy of the local authority's decision making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.

b. The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the local authority and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the local authority is present throughout operational implementation or whether it exists in 'name only'.

c. A view on the effectiveness of local authority leadership including the stability of senior leadership, their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.
d. A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority's capacity and capability improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority's ability to identify early warning signs and take action to address potential failures at the earliest opportunity.

Methodology

In our approach, we were mindful of the four broad areas for review, and the specific areas of focus, as set out above.

The approach taken comprised the following elements:

Desktop analysis

MHCLG provided appropriate background. We reviewed the material and made supplementary document requests to the council. The team has analysed substantial numbers of documents together with other records that have been shared by the council as being relevant for the review. A list of documents reviewed is shown in Appendix 2. We also examined relevant comparator material. We would like to record our thanks to officers for their ready compliance with our request for reports and data.

Specialised inputs

Some comparative data analyses were conducted on issues such as revenue spend, and indebtedness. These are based on analysis undertaken by CIPFA using the CIPFA resilience index, published data such as the Revenue Account (RA) and Revenue Outturn (RO) forms. Service performance data has been extracted from a wider range of sources including the council's own surveys of residents and staff, and other appropriate benchmarking reports.

Interviews

The bulk of the fieldwork comprised of interviews. These provided the invaluable triangulation of our analysis. Council members and officers were invited to give views and respond to queries provoked by documentary evidence. We would like to thank everyone involved for their courtesy and constructiveness. A list of interviewees is shown in Appendix 3.

Report drafting, feedback and fact-checking

The above inputs were then analysed and subjected to our professional and expert judgement. The result is this report.

This report was fact checked as far as possible and is based on the fieldwork completed within the time frame for the review. It is not a comprehensive audit of the council's finances or its governance arrangements. Consequently, the conclusions do not constitute an opinion on the status of the council's financial accounts. Our review of the council's Minimum Revenue Provision (MRP) considers the reasonableness of the council's MRP policy and does not constitute an audit of the full application of the policy. Similarly, our review of the council's productivity does not constitute an audit of the council's productivity plan but represents an overview of the arrangements in place to consider productivity and take account of any publicly available information on historic or relevant performance.

CIPFA's review team consisted of an experienced finance consultant and relevant technical expertise.

CIPFA would like to take this opportunity to thank the council for being so amenable and open to meeting with the review team and for the considerable effort that has been expended in collating and sharing key documents with CIPFA. We also thank everyone involved for the openness, tact, and honesty in what is a sensitive issue for the council.

The information and data within this report are accurate as at the time of the initial data gathering and interviews that took place in April 2026, and unless otherwise stated reflect the position at that time.

Report Structure

The key findings and analysis, together with supporting evidence, are set out under each of the review areas requested (as detailed in the commission). Risks and recommendations are detailed under each of the review areas.

A2 Risk Assessment – Method

Likelihood:

- Improbable – possible, but unlikely to happen.
- Occasional – might happen, might not happen, in the order of 50/50
- Probable – most likely will happen.

Impact:

- Marginal – some minor, possible minor operating difficulties largely contained within the council, some awareness / action may be required by members.
- Moderate – notable financial and operational impact/ losses / costs operating impacts hitting services for some of the community, a significant issue for members to deal with
- Critical – major operating impact/ financial losses / costs requiring subsequent intervention by MHCLG or other 3rd parties, reaches national press interest, major political embarrassment for members.

A3 Documents Reviewed

Hillingdon Council- Externally available documents

- Cabinet meetings: February 2026, July 2025, February 2025, July 2025 February 2025, June 2024, June 2023 (for budget, outturn & monitoring reports)
- Audit Committee February 2026, November 2025, August 2025, July 2025, May 2025, February 2025 (for external audit reports, accounts, GRIP, FMP, risk management, and internal audit)
- Constitution, Financial regulations.
- Risk management policy & monitoring reports
- Internal audit annual plan & report

Hillingdon Council- Internal documents

- Detailed Savings plans for 2026/7 directorates and service areas
- Business plans and service plans by directorate or service area,
- Shareholders meeting agendas – Hillingdon first,
- Company business plans- Hillingdon first and Hillingdon Care,
- Monitoring documents for expenditure and capital receipts covering 2025/26
- Staff Job descriptions,
- Balanced score card performance measures samples for 2025/26
- Structure charts for current structure.
- Corporate Complaints Procedure.
- Staff survey results

Other documents

- Inspectorate reports regarding Housing and social care.
- Grant Thornton insight report- November 2025
- Hillingdon First Ltd – Companies house returns- 2021-2025

A4 Interviewees

Chief Executive

Corporate Director of Finance, S151 Officer

Director of Legal, Governance & Monitoring Officer

Corporate Director of Children's Services

Corporate Director of Adult Social Care & Health

Corporate Director of Residents Services

Head of Internal Audit

Chief Operating Officer

Leader of the council

Deputy Leader of the council

Cabinet member for Finance and Transformation

Leader of the Labour group

Deputy Leader of the Labour group

Partner- EY

Senior Audit Manager - EY

NB with regard to member level interviewees posts relate to those occupied before the May 2026 elections.

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