

# Kent County Council

Audit progress report and sector updates

September 2025



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# Audit Progress Report

# Introduction



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This paper provides the Governance and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of emerging issues which the Committee may wish to consider.

Members of the Governance and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress in September 2025

## Financial Statements Audit

The Council published their draft Statement of Accounts on 30 June 2025, meeting the statutory deadline for publication. The draft Annual Governance Statement was published shortly thereafter, meeting publication requirements as set out in the Local Audit and Accountability Act.

Audit fieldwork began in earnest on 1 July 2025, following receipt of the draft financial statements. Audit work at this point is ongoing and approaching completion, but with audit work on areas of significant risk of material misstatement not yet fully complete, we are issuing a progress report to this Committee and will bring our Audit Findings Report to the Governance and Audit Committee in October 2025.

Upon receipt of the draft financial statements, the audit team reassessed the materiality levels applied to the audit. Materiality assessed at planning was £55.5m, based on 1.8% of prior year gross expenditure. Applying the same benchmark to the current gross expenditure did not significantly increase the materiality level, and as such, it is unchanged from the levels set out in our audit plan.

The draft financial statements have been fully reviewed and compared to Code requirements. There were no notable omissions from this review and small changes requested by the audit team have been accepted and made by management.

We have reviewed the significant estimates and judgements in the financial statements, engaging with a valuation expert on assumptions used for the valuation of the Council's land, buildings and investment properties. We have also engaged with an actuarial expert, PwC, who have reviewed the work of all actuaries providing valuation services to local government. No issues have arisen from the experts' work that we require to bring to the attention of those charged with governance.

Audit work to date has not identified material misstatements that we would require management to adjust the financial statements for.

The following tables set out the substantive testing that we have completed to date and progress against the significant risks of material misstatement identified at the planning stage. We have identified no further significant risks of material misstatement.

# Progress in September 2025 – significant risks

Risk identified	Audit progress to date	Key observations
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p>We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We have completed our work on journal entries, including evaluating the design and implementation of management controls over journals and selecting and testing high risk, unusual journal entries.</p> <p>We have gained an understanding of the accounting estimates and critical judgements that have been applied by management in the production of the financial statements. As work is not yet complete on all significant estimates and judgment, we are unable to conclude on the significant risk.</p>	<p>Audit work to date has not identified any issues in respect of management override of controls.</p>
<p><b>Valuation of land and buildings (including investment property)</b></p> <p>The valuation of land, building and investment property represents a significant estimate by management in the financial statements due to the large values involved and the sensitivity of estimates due to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	<p>We have completed our evaluation of managements processes and assumptions for the calculation of the value of land and buildings. We have engaged with management's expert, Wilks, Head and Eve, who have valued the assets at 31 March 2025. We have also engaged an auditor's expert to confirm the reasonableness of assumptions used by management's expert.</p> <p>Detailed testing and reperformance of the valuation calculations is ongoing and we are unable to conclude on the significant risk at this point.</p>	<p>Audit work to date has not identified any issues in respect of the valuation of land and buildings, including investment property.</p>

# Progress in September 2025 – significant risks

Risk identified	Audit progress to date	Key observations
<p><b>Valuation of net pension liability/asset</b></p> <p>The Authority's share of the pension fund net liability, as reflected in its Balance Sheet as the net liability arising from defined benefit obligation, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£29m in the Authority's Balance Sheet at 31 March 2025, falling from £38m at 31 March 2024 and £62m at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions.</p>	<p>We have updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls.</p> <p>We have assessed the competence, capabilities and objectivity of the Council's actuary and the reasonableness of the assumptions applied by the actuary, using an auditor's expert, PwC.</p> <p>We have not yet obtained assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</p>	<p>Audit work to date has not identified any issues in respect of the valuation of the net pension liability/asset</p>
<p><b>Valuation of leased assets and rebasing of PFI liabilities</b></p> <p>The implementation of IFRS 16 – Leases, which requires the value of leased assets to be shown on the balance sheet, with a corresponding lease liability. This includes leases on a peppercorn rental which require to be shown at market value. Existing PFI liabilities require to be restated.</p> <p>The implementation of IFRS 16 is a significant change to the disclosures made by the Council in their financial statements with regard to leases.</p> <p>The draft financial statements recorded a right of use asset of £36.7m, which is not material to the financial statements</p>	<p>We have documented our understanding of the processes and controls put in place by management to ensure that the Council's lease assets and liabilities are not materially misstated.</p> <p>We have performed work on the completeness of the Council's lease register, ensuring that all leases have been included.</p> <p>We are in the process of reviewing and re-performing calculations on the future lease liabilities using present value calculations.</p> <p>We are in the process of reviewing and re-performing calculations on the Council's PFI liabilities to ensure they meet requirements of IFRS 16 and the Code</p>	<p>Audit work to date has not identified any issues in respect of the valuation of the implementation of IFRS 16</p>

# Progress in September 2025 – audit testing

## Balance Sheet

Area	Sample selected	Sample completed
PPE additions	15	15
PPE disposals	5	5
PPE AUC	9	9
PPE revaluations	20	20
Investment property	5	5
Debtors	19	15
Receipts in advance	7	0
Creditors	104	82
Right of use assets	8	0
Capital grants received in advance	9	7

## Comprehensive Income and Expenditure Statement

Area	Sample selected	Sample completed
Fees and charges income	17	11
Grant income	23	14
Employee benefit expenditure	36	9
Agency staff costs	5	0
Operating expenditure	70	37
Support service recharges	5	5
Schools income and expenditure	45	42
Commercial services income and expenditure	10	5
Journal entries	29	29



# Progress in September 2025 (continued)

## Pension Fund audit

Our audit of the Kent Pension Fund is now complete. Our Audit Findings Report for the audit of the pension fund is presented alongside this report to the September 2025 Governance and Audit Committee.

## Value for Money

Our value for money work is now complete. Our detailed commentary on the Council's arrangements are set out in our Auditor's Annual Report, which is presented alongside this report to the September 2025 Governance and Audit Committee.

## Other areas

Work continues to progress on the Teachers Pensions certifications for all years since 2020/21.

## Events

On 4<sup>th</sup> June 2025 we hosted a webinar on devolution and local government re-organisation, and lessons from our 2023/24 value for money audits. The recording can be accessed here: [Audit committee webinar](#).

The next event taking place shortly will be:

- ❖ 27 January 2026 – webinar providing updates on managing local authority debt; and on preparing for local government reorganisation.

Invitations will be available shortly on our website or can be obtained from your Engagement Lead or Audit Manager.

## Audit Fees

PSAA have published their scale fees for 2024/25 [2024/25 audit fee scale – PSAA](#)

For Kent County Council these fees are £462,551 for the Council audit and £116,779 for the Pension Fund. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

# Local Audit Reform

On 9 April 2025, the government published [Local audit reform: Government response to the consultation to overhaul local audit in England - GOV.UK](#)

Recognising that a backlog in local audit sign off of nearly 1,000 audits had impacted on local accountability and transparency, the purpose of the consultation was to rebuild a system of local audit, ensuring that audited accounts are published on time and that trust and confidence in how councils are spending their money is restored. Grant Thornton welcomes the reforms which we believe are much needed.

The key outcome of the consultation is the decision to proceed with the establishment of a new Local Audit Office (LAO) with effect from 1 April 2026. Further details are set out below.

## Local Audit Office – Core Principles

**Value for Money:** providing confidence for stakeholders that proper arrangements are in place

**Transparency** of the sector's financial health and VfM arrangements

**Capacity and capability:** A sustainable and resilient audit market with access to the right expertise

**External scrutiny** which challenges and drives improvement

**Professionalism:** building a sector attractive to auditors

**Proportionality:** local audit that is proportionate and relevant, from regulations to governance

**Stronger accountability:** high standards of financial reporting to promote public accountability

**Timely:** High quality accounts which are produced on a timely basis.

## Impacts for local authorities

- A mandatory requirement for at least one independent Audit Committee member at each authority
- Mandatory reporting of the Auditor's Annual Report to full Council
- The introduction of a Local Public Accounts Committee, following the central government model
- The strengthening of Internal Audit capacity.

# Audit Deliverables

Below are some of the audit deliverables planned for 2024/25

2024/25 Deliverables	Planned Date	Status
<b>Audit Plan</b> We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2024/25 financial statements.	July 2025	Completed
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the Audit Committee.	October 2025	Not yet due
<b>Auditors Report</b> This includes the opinion on your financial statements.	October 2025	Not yet due
<b>Auditor's Annual Report</b> This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	September 2025	Completed

# Audit Deliverables

Below are some of the audit deliverables planned for 2024/25

2024/25 Audit related deliverables	Planned Date*	Status
<b>Teachers Pensions Scheme – certification</b> This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.	2020/21 – 30/09/2025	In progress
	2021/2022 – 30/09/2025	In progress
	2022/23 – 30/09/2025	In progress
	2023/24 – TBC	Yet to start
	2024/25 - TBC	Yet to start

# Sector Updates

# Lessons from 2023/24 auditors' annual reports

## Recommended reading for Audit Committees:

In August 2025, we published a review of 100 Auditors' Annual Reports (AARs) produced by Grant Thornton for our local government audited bodies across England. This represents about a third of all councils in the country. The AARs offer a wealth of insights on what works, and what doesn't, when it comes to value for money and governance.

The reports in our sample showed that financial sustainability remains the major challenge for the majority of councils. Poor governance has led to some councils depleting their reserves and others incurring excessive borrowing, which current government policies around exceptional financial support and statutory override for dedicated schools grant deficits are not helping.

Common challenges for councils include gaps in risk management; high vacancy rates in internal audit; de-centralised contract management; under-supported project management; and the need for stronger, timelier data on performance. For Councils with Housing Revenue Accounts, there are also significant challenges with identifying, costing and managing high volumes of backlog repairs and maintenance work needed to meet regulatory standards.

However, with this being the second year of reporting on lessons from AARs, we also charted notable examples of cases where arrangements have been strengthened since 2022/23, yielding benefits. As well as good practice questions and reminders, the report includes case studies showing better: Control over transformation planning; approach to internal audit; project management; key performance indicator reporting; and rightsized workforce.

AAR findings in August 2025 can be compared to those from one year earlier by accessing the two years of full reporting here:

[Lessons from 2023/24 auditors' annual reports](#)

[Lessons from recent auditor's annual reports](#)



# Financial Instruments in Local Government Accounts (1)

## Recommended reading for Audit Committees:

Financial instruments are contracts that give rise to a financial asset for one party and a financial liability or equity instrument for another. In local government, these include a wide range of arrangements such as cash, loans, trade receivables and payables, pooled investments, financial guarantees, and more complex instruments like derivatives or loans with embedded features.

These instruments are governed by accounting standards and can significantly influence how a council's financial position and performance are presented in the accounts. Proper identification and treatment of these instruments are essential to ensure that financial statements reflect the true nature of the authority's financial commitments and exposures.

The accounting for financial instruments is not just a technical exercise. It has real implications for financial planning, risk management, and public accountability. Misclassification or incorrect measurement can lead to material misstatements, unexpected financial impacts, or audit challenges. Financial instruments can affect key areas such as the General Fund, usable reserves, and statutory reporting.

Ensuring that these instruments are correctly accounted for supports transparency, compliance with professional and statutory requirements, and the safeguarding of public resources.

We have recently released a thought leadership report, "Local authority accounting: Avoiding pitfalls in financial instruments" which covers financial instruments in detail.

Our full report includes insight about some of the potential pitfalls relating to financial instruments that can occur in local authority accounts. In addition, each section includes a range of challenge questions for authorities to consider.

The table on the next page highlights key areas of focus in accounting for financial instruments, along with explanatory context and suggested questions that Audit Committee members may wish to raise with management.

The full report is available here:

[Local authority accounting: Avoiding pitfalls in financial instruments | Grant Thornton](#)



# Financial Instruments in Local Government Accounts (2)

Key areas of focus in accounting for financial instruments, along with explanatory context and suggested questions for Audit Committees to ask:

Area of Focus	Description	Challenge Questions
<b>Identification</b>	Proper identification ensures that all relevant instruments are captured in the financial statements and assessed for risk and impact. While some items like loans and investments are obvious, others may be less visible.	<ul style="list-style-type: none"> <li>How have you ensured that all financial instruments, including less obvious or complex arrangements, have been identified? What controls are in place?</li> <li>Have any new or unusual arrangements been reviewed for potential financial instrument implications?</li> </ul>
<b>Classification</b>	Financial instruments must be classified based on how they are managed and the nature of their cash flows. Classification determines how movements are reported in the financial statements and can influence the volatility of reported results.	<ul style="list-style-type: none"> <li>What process is followed to determine the classification of financial instruments, and how do you ensure that the classification reflects the nature of the financial instrument, including both business purpose and characteristics?</li> <li>Have any instruments been classified differently this year, and if so, why?</li> </ul>
<b>Measurement</b>	Once identified and classified, financial instruments must be measured appropriately. Measurement affects reported balances and income, and errors can lead to misstatements.	<ul style="list-style-type: none"> <li>What valuation methods are used for financial instruments, and how are they validated? Were any experts required during this process?</li> <li>Do changes in assumptions or market conditions require remeasurement?</li> </ul>
<b>Disclosure</b>	Disclosures help users of the financial statements understand the nature, significance, and risks of financial instruments. Disclosures should be tailored to your specific circumstances, avoiding unnecessary complexity or boilerplate language.	<ul style="list-style-type: none"> <li>How do you ensure that disclosures are tailored to reflect the authority's specific financial instruments and risks, and are any additional disclosures required for unusual or complex financial instruments, or for particular risks?</li> <li>Are disclosures complete, clear, and free from unnecessary detail?</li> </ul>
<b>Other Considerations</b>	Other considerations include soft loans, capital treatment of financial assets, statutory overrides, and the requirement to make prudent revenue provisions (MRP) for certain losses. These adjustments can have a direct impact on financial planning and budget setting.	<ul style="list-style-type: none"> <li>Have all relevant statutory overrides and adjustments been correctly applied and disclosed, and what impact have these adjustments had on the General Fund or other usable reserves?</li> <li>Are expected credit losses / impairments reflected in the financial strategy?</li> </ul>



# Reorganisation update



## Key reorganisation dates for Audit Committees to be aware of:

Key dates that Audit Committees need to be aware of for Councils other than Surrey (whose deadline was 9<sup>th</sup> May 2025) are listed below. :

**26th September 2025:** Deadline for areas in the Devolution Priority Programme to submit final proposals for reorganisation.

**28th November 2025:** Deadline for all other areas to submit final proposals for reorganisation.



## Comments from Unison for Audit Committees be aware of, June 2025:

Reorganisation “poses a risk for thousands of local government jobs. Crucial services on which some of society’s most vulnerable people rely could also be disrupted”. The union called for workers to be protected and for the support of residents and staff to be engaged.



## August 2025: [Lessons from 2023/24 auditors annual reports](#)

Among the 100 AARs we reviewed in August 2025, were eight AARs for relatively new unitary authorities formed during or since the local government reorganisation of 2019. Our report analyses recommendations made to these councils in 2023/24 for insights that will be useful to others as they embark on their reorganisation journey.



## Other recommended materials to support Audit Committees:

September 2024: [Learning from the new unitary councils](#)

March 2025: [Navigating the future: The dual challenge of local Government reorganisation and devolution | Grant Thornton](#)

June 2025: [Audit committee webinar](#)

**May 2025:** We also directly shared a technical briefing on reorganisation with statutory officers in May 2025. Audit Committees can obtain a copy of the briefing note now from their Section 151 officer, or from their Audit Engagement Lead or Audit Manager.

# Other structural changes

Key information for Audit Committees to be aware of:



## Multi-year allocations – 11<sup>th</sup> June 2025

The Spending Review on 11<sup>th</sup> June 2025 committed to multi-year allocations through the upcoming 2026/27 Local Government Finance Settlement. An assessment of each council's needs and resources was also committed to.

[Spending Review 2025 \(HTML\) - GOV.UK](#)

Additional information on the Spending Review and Fair Funding Review can be seen on pages 20 and 21 of this update.



## Simplified local structures – 24<sup>th</sup> June 2025

The Minister of State for Housing, Communities and Local Government announced on 24<sup>th</sup> June 2025 that Councils with a committee system will be required to transition to a leader and cabinet model. He also announced a ban on creating new directly elected council mayors.

[Written statements - Written questions, answers and statements - UK Parliament](#)



## Pensions pooling – 11<sup>th</sup> August 2025

Seven Council pension funds announced plans to join the Border to Coast pool on 11<sup>th</sup> August 2025. The government has committed to allow some “limited flexibility” to other administering authorities looking for new asset pools (moving away from Access and Brunel) but does expect all to conform as closely as possible to the 31 March 2026 deadline for meeting new minimum standards set for asset pooling.

[Pension Investment Review Final Report](#)



## English Devolution and Community Empowerment

The English Devolution and Community Empowerment Bill was presented to the House of Commons and given its first reading on 10<sup>th</sup> July 2025; and its second reading on 2<sup>nd</sup> September 2025. With ayes of 365 and noes of 164 on 2<sup>nd</sup> September, the Bill now moves to Committee stage.

[English Devolution and Community Empowerment Bill](#)

# Local government financial sustainability

## Key information for Audit Committees to be aware of:

On 18<sup>th</sup> June 2025, the Committee of Public Accounts reported that “MHCLG has implemented short-term and unsustainable approaches to keep local government afloat”.

As evidence, the Committee reported that :

- ❖ Forty-two local authorities had to receive exceptional financial support;
- ❖ Spending on special educational needs and disabilities has outstripped the money available from the Department for Education to pay for it.

Adding to concern, the Committee also reported:

- ❖ MHCLG does not know if the billions spent delivering services locally results in better outcomes for people;
- ❖ Neither MHCLG nor HM Treasury have assessed the impact that increases in national insurance contributions will have; and
- ❖ There is significant uncertainty around how the proposed local government finance reforms and reorganisation will be implemented.

Two days later, on 20<sup>th</sup> June 2025, the government announced that the statutory override for dedicated schools grant deficits will be extended by another two years, until 31 March 2028. There is no clarity yet about how the debt associated with the grant will be managed once this new period of statutory override ends.

For wider debt burdens, the [LocalGov daily bulletin 19th August 2025](#), reported that Freedom of Information request responses from 254 councils found that:

- ❖ There has been a 60% increase in Council debt over the last sixty years; and
- ❖ Roughly a fifth of council tax revenue is being spent on payments for debt interest.

For a full copy of the Committee of Public Accounts report see [Local Government Financial Sustainability](#).



# The Spending Review

## Key questions for Audit Committees to ask officers:

- ❖ Have we calculated what impact the Spending Review will have on the assumptions in our medium-term financial plan?
- ❖ If the impact is negative, what mitigation is planned?

## Background:

The Spending Review on 12<sup>th</sup> February 2025 did not directly address local government debt (other than that in some cases exceptional financial support increases the debt). However, the Spending Review did provide an additional £3.3 billion of grant funding in real terms for local authorities in 2028/29 compared with 2023/24. This included:

- ❖ Over £4 billion of funding available for adult social care in 2028-29 compared to 2025/26.
- ❖ £555 million to help more children stay with their families; and £560 million, between 2026/27 and 2029/30, to refurbish and expand children's homes and foster care placements.
- ❖ £39 billion for a successor to the Affordable Homes Programme over 10 years from 2026/27 to 2035/36.

- ❖ £100 million for a new community partnership approach to spending on adults with complex needs.

The Spending Review also announced a new £3.25 billion Transformation Fund to support the reform of public services so that they are focused on prevention, including for special educational needs and disability and homelessness.

The intention is that investment in digital technology and artificial intelligence transformation programmes will drive productivity improvements and help to deliver the government's missions.

[Spending Review 2025 \(HTML\) - GOV.UK](#)



# Fair Funding Review 2.0

## Key questions for Audit Committee to ask officers:

- ❖ What impact do we expect the Fair Funding Review to have on our medium-term financial plan?
- ❖ Have we calculated what level of support we will need from transitional arrangements?
- ❖ What mitigations are we planning if we don't receive transitional support?

## Background:

Between June and August 2025, the government ran a [public Fair Funding Review consultation](#) on how it should implement Fair Funding Review 2, including on how the local government grant system should be made fairer and how transitional arrangements should work.

Under the Fair Funding Review, significant changes to the grant funding system for English local government are now expected to take effect on 1<sup>st</sup> April 2026, for the 2026/27 financial year. It is expected that grant funding will be allocated to English local authorities using a three-part system, consisting of an assessment of relative need, based on socio-economic indicators; an area costs adjustment; and a resource assessment, measuring the capacity of each council to raise council tax.

It is expected that:

- ❖ There will be no further retained business rates revenue;
- ❖ Recent spending on social care and deprivation will influence the formula; and
- ❖ There will be reduced funding for Councils with higher capacity to raise council tax.

The new methodology will apply to the Revenue Support Grant, which will also swallow up several other smaller grants that Councils currently receive.

Because the existing system has been untouched for many years, and because no new money will accompany the review, there are likely to be some very large changes to some councils' funding allocations.

The [Local Government Information Unit](#) recently argued that “in many ways (the changes) will start to put England back onto its pre-2013 footing”; and a three-year transitional period has been proposed.

Nevertheless, the changes are going to be difficult for some Councils to absorb, especially those that already have other issues with their financial sustainability.



# Public procurement

## Key questions for Audit Committee to ask officers:

- ❖ How much do we currently spend per annum on contracts with small and medium-sized enterprises and voluntary, community and social enterprises?
- ❖ Do we test whether our suppliers pay their creditors within appropriate timescales?
- ❖ Which outsourced services, if any, have we assessed to test whether outsourcing is still the best solution?

## Background:

Between June and September 2025, the government consulted on public procurement. With an estimated £385 billion spent through public procurement every year, the consultation is intended to support implementation of the new National Procurement Policy Statement.



Cabinet Office

Proposals that are being consulted on include:

- ❖ Mandating large contracting authorities with procurement spend over £100 million per annum to publish their own 3-year target for direct spend with small and medium-sized enterprises and voluntary, community and social enterprises; and report against it annually;
- ❖ excluding suppliers from bidding for major contracts (over £5 million per annum) if they cannot demonstrate they pay their invoices within an average of 60 days;
- ❖ requiring contracting authorities to make a standard assessment before procuring a major contract to test whether service delivery should be inhouse or outsourced;
- ❖ mandating contracting authorities to carry out a public interest test prior to making a sourcing decision on major service contracts; and
- ❖ requiring contracting authorities to publish the results of the public interest test in the tender notice.

The government states that the proposals will “open up more opportunities for small and medium-sized enterprises (SMEs) and voluntary, community, and social enterprises (VCSEs), which are vital for driving the UK economy”.

For a full understanding of the proposals that were put forward, follow this link: [Public Procurement: Growing British industry, jobs and skills](#)

# Keeping fit for the future



## Key question for Audit Committees to ask officers:

- ❖ What changes to governance structures do we expect the new ten-year health plan to have on us?
- ❖ How are we preparing?

## Background:

On 3rd July 2025, the government outlined the new ten-year NHS plan [Fit for the future](#). The plan points to a closer working partnership between local government and Integrated Care Board (ICBs), stating that:

- ❖ The number of ICBs will be reduced from 42 and the remaining ICBs will then be encouraged to adjust their boundaries to match those of new combined authorities;
- ❖ the government's aim over ten years is that ICBs will be coterminous with strategic authorities wherever feasibly possible;
- ❖ Integrated Care Partnerships will be abolished but in future, a neighbourhood health plan will be drawn up by local government, the NHS and its partners at single or upper tier authority level under the leadership of the Health and Wellbeing Board, incorporating public health, social care, and the Better Care Fund;
- ❖ mayors are going to replace local government representatives on ICB Boards;
- ❖ local authorities are going to take up Local HealthWatch social care functions; and
- ❖ from 2026, every single or upper tier local authority will be required to participate in an external public health peer review exercise, on a 5-year cycle, with the results directly informing local plans.



# Keeping the leisure estate fit for the future

## Key question for Audit Committees to ask officers:

- ❖ How are repairs and maintenance and replacement costs for our leisure estate reflected in our medium-term financial plan?
- ❖ Are we on track to cover replacement costs for the leisure estate?

## Background:

Some £400 million was announced in [Fit for the future](#) for grassroots sports facilities, but it is not yet clear how much of that will be directed to local authorities. On 2<sup>nd</sup> August 2025, the [Local Government Association](#) reported that:

- ❖ Since 2010, 500 swimming pools have closed, representing a loss of over 34,000 square metres of water space. Nearly half of the closures occurred in the last five years.
- ❖ 63 per cent of main sports halls and 60 per cent of swimming pools are beyond their expected lifespans or in need of refurbishment.
- ❖ 24 per cent of council areas face the risk of reducing or closing leisure services due to rising energy and operational costs.

An early understanding of the condition of the estate will help to maximise the effectiveness of any funding that does become available to Councils.





# Asylum seekers update

## Key questions for Audit Committees to ask their officers:

- ❖ How do we capture and report accommodation costs?
- ❖ Have we calculated whether costs are matched by grant income received?  
How are we managing any difference?
- ❖ What are our safeguarding responsibilities? What assurance do we have that we are meeting them?
- ❖ What assurance do we have that we are meeting our duty of care to children and vulnerable adults?

## Background:

On 29<sup>th</sup> August 2025, the Court of Appeal ruled that The Bell Hotel in Epping Forest can continue to house asylum seekers, overturning an interim injunction that Epping Forest District Council had secured ten days previously to restrain the use of the hotel for such a purpose unless planning permission was granted. The Council was then denied the opportunity to appeal to the Supreme Court.

[Home Office data](#) published on 21<sup>st</sup> August 2025 shows that 115 other Councils currently have hotels within their areas that are housing asylum seekers. Those Councils may have been watching the outcome of The Bell Hotel case closely.

[The National Audit Office](#) recently estimated that it costs £15.3 billion per annum to house asylum seekers in hotels; and that hotel accommodation accounts for 76% of the annual cost of asylum contracts but houses only 35% of people in asylum accommodation system.

The [Spending Review 2025](#) committed to ending government use of asylum hotels during the current Parliament. The expectation is that these will be replaced by central government owned accommodation, probably delivered by purchasing tower blocks and former student accommodation. However, no timeline has been set for this initiative yet. Without a timeline, hotel costs are likely to be incurred and need managing for some time yet.



# Future Webinars for Audit Committee members



We plan to hold a webinar for members of Audit Committees on 27<sup>th</sup> January 2026. Invitations will be available shortly on our website or can be obtained from your Engagement Lead or Audit Manager.

Areas our webinar will help with include:

Managing debt:

Understanding the true level of debt across all sources;

Assessing the viability of plans for debt repayment;

Understanding and assessing current and future exposure to risk; and

Best practice for Councils managing debt.

Local government reorganisation:

Understanding and anticipating outcomes from the latest submissions;

Managing change whilst waiting for decision announcements; and

Preparing for next steps after decision announcements.

# Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

## LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email [ami.beeton@local.gov.uk](mailto:ami.beeton@local.gov.uk) LGA Senior Adviser, for more information.

## Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

## Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

## The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

## CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

### Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

### Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

### Financial Management Code

<https://www.cipfa.org/fmcode>

### Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

### Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crossectoral-guidance-notes-2021-edition>



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