

Kent County Council and Kent Pension Fund

Audit progress report and sector updates

January 2026



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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:

[Local government | Grant Thornton](#)

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 as at January 2026

Financial Statements Audit

2024/25 Audit – Kent County Council

We signed our opinion on the financial statements for the year ended 31 March 2025 on 4 November 2025. We were unable to issue a completion certificate at this point as we still had to complete Whole of Government Accounts (WGA) procedures.

WGA procedures are ongoing and we hope to issue our completion certificate in the coming months.

2025/26 Audit – Kent County Council

We have had initial planning discussions with the finance team regarding the 2025/26 audit. Audit fieldwork is due to begin at the end of January, with our plan for the 2025/26 audit being issued to the March Governance and Audit Committee.

Our IT Audit team have been engaged to perform specific procedures on the data migration from Oracle EBS to Oracle Fusion, which was implemented by the Council in August 2025.

2025/26 Audit – Kent Pension Fund

We intend to issue our plan for the 2025/26 audit of Kent Pension Fund to the March Governance and Audit Committee.

Audit planning is at an early stage and will also take account of the fund's triennial valuation at 31 March 2025 and the additional work we are required to undertake.

Value for Money

We continue to have regular discussions with the Chief Executive and S151 Officer to deepen our understanding of the authority. Our planning work for Value for Money, will assess where we consider there are risks of significant weakness in the following areas:

- Financial sustainability
- Governance
- Effective use of resources

Our plan will be issued to the March Governance and Audit Committee

Progress at January 2026 (continued)

Other areas

Our work on Teachers Pensions certification claims over a number of years, continues. We continue to work with the Council to achieve completion of the outstanding claims.

Meetings

Since commencement of our work in respect of the audit year 2025/26 we have continued to have meetings with the Chief Executive and S151 Officer. We have also had a debrief meeting on the 2024/25 audit with the Chief Accountant and his team.

Audit Fees

PSAA published their scale fees for 2025/26: [2025/26 PSAA Scale Fees](#)

For Kent County Council these fees are **£475,501** for the Council audit and **£118,623** 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.

Events

We are holding a webinar for members of [Audit Committees on 10 February 2026](#). We will be discussing best steps to take “After the Backstop”, including:

- ❖ Adding value to the financial reporting function; and
- ❖ How to navigate the external audit process with success.

While Kent County Council is not directly impacted by the backstop arrangements, having produced financial statements that have been signed off with clean audit opinions, the webinar will provide members with background understanding of the backstop, which has impacted a number of Kent District Councils, in advance of Local Government Reorganisation.

We will also hold our Annual Local Government Accounts webinar for [preparers of accounts on 5 and 11 February 2026](#). Topics we will be discussing include:

- ❖ Aspects of financial reporting that are complex or challenging this year;
- ❖ Lessons from the implementation of IFRS 16, with good practice tips for Year Two;
- ❖ Avoiding pitfalls in financial instruments;
- ❖ Other common accounting and disclosure issues;
- ❖ Indexation for property, plant and equipment in 2025/26; and
- ❖ Revised statutory guidance affecting Minimum Revenue Provision

Invitations, with booking links have been shared with members and finance staff.

Audit Deliverables

Below are some of the audit deliverables planned for 2025/26

2025/26 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Governance and Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2025/26 financial statements.	25 March 2026	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the Audit Committee.	By 30 November 2026	Not yet due
Auditor's Report This includes the opinion on your financial statements.	By 30 November 2026	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	By 30 November 2026	Not yet due

The statutory deadline to issue our Auditor's Annual Report is 30 November 2026. Dates have not yet been set for Governance and Audit Committees beyond March 2026, and we will confirm in later reporting to the Governance and Audit Committee which meetings our reports will be presented to.

Audit Deliverables

Below are some of the audit deliverables planned for 2025/26

Audit related deliverables	Planned Date	Status
Teachers' Pensions Scheme – certification This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.	2021/22 – 16 February 2026	In progress
	2022/23 – 16 February 2026	In progress
	2023/24 – 16 March 2026	In progress
	2024/25 – 31 March 2026	Not yet started

Sector Updates

After the Backstop: Reset, recovery and reform in the audit of local authority accounts

- ❖ Our latest thought leadership report ‘After the Backstop: Reset, recovery and reform in the audit of local authority accounts’ is now available to read.
- ❖ Following the significant milestone of backstop legislation in September 2024, the backlog of unissued accounts has fallen dramatically. The challenge now is to rebuild assurance and secure a sustainable future for the system of local accounts production and audit. The reforms set out in the English Devolution and Community Empowerment Bill are essential to restoring trust and accountability to the local audit system.
- ❖ In our March 2023 publication ‘About time?’ we explored the reasons for delayed publication of audited local authority accounts and set out our recommendations for key stakeholders in the local audit system.
- ❖ The backlog of unissued audit opinions peaked some months after our report at 918, on 30 September 2023. The Department for Levelling Up, Housing and Communities (DLUHC) and subsequently the Ministry of Housing, Communities and Local Government (MHCLG) conducted consultations on reset and reform in the local audit system, leading to secondary ‘backstop’ legislation to clear the backlog. This was a necessary step, allowing auditors and authorities to focus on current periods of account, but it brought with it new challenges, as over 200 authorities received one or more audit disclaimers .
- ❖ In this report we explore the development and implementation of a ‘reset’ of the local audit system, the immediate and longer-term consequences of the ‘backstop’ before turning attention to the reform of the system, the challenges involved in returning to widespread and sustainable compliance with audit reporting timeframes and what, in our view, is needed next.
- ❖ The English Devolution and Community Empowerment Bill paves the way for the creation of a long-awaited and much-needed systems leader for local audit, the Local Audit Office (LAO).
- ❖ Key stakeholders including local audited bodies, the audit firms, the Ministry of Housing, Communities and Local Government (MHCLG), Public Sector Audit Appointments (PSAA), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Chartered Accountants in England and Wales (ICAEW) will need to support the successful establishment of the LAO to address the crisis in local public audit.
- ❖ All key stakeholders in the local audit system will need to continue their efforts to secure a return to high levels of compliance with timely publication of accounts with unmodified audit opinions. We explore the challenges to establishing and maintaining a sustainable future for local audit in this report. In our full report, we make several recommendations to secure that sustainable future.

The full report is available here:

[Local audit reset: What comes after the backstop? | Grant Thornton](#)



Changes at the top, but no sudden twists and turns

Key information for Audit Committees to be aware of:



Steve Reed replaced Angela Raynor as Secretary of State for Housing, Communities and Local Government on 5 September 2025.

Angela McGovern replaced Jim McMahon as Minister of State at the Ministry of Housing, Communities and Local Government on 6 September 2025.

With Mr Reed moving from the Department for Environment, Food and Rural Affairs, and Ms McGovern moving from the Department for Work and Pensions, it was hard not to wonder what the impact would be on the government's manifesto commitment to build 1.5 million homes by the end of this parliament.

Steve Reed assured Councillors at the September 2025 Labour party conference in Liverpool that there are going to be no "sudden policy twists and turns".

So far, for building homes, this seems to be holding true.



Key homebuilding developments since 5th September are:

On 12 September, Mr Reed met with key developers and housebuilders and issued a 'call to arms' to "build, baby, build".

On 28 September, the Ministry of Housing, Communities and Local Government confirmed it will progress work on 12 new towns.

On 18 November, the Government announced that Housebuilding around train stations will be given a default "yes" if the applications meet certain criteria.

Under the same 18 November measures, Councils are going to be required to inform government when they are inclined to block applications of 150 homes or more so that ministers can decide whether to step in and make the decision themselves instead.

Autumn Budget 2025

Key information for Audit Committees to be aware of:

Chancellor Rachel Reeves delivered her second Budget on 26 November 2025. Key elements that those in the local government sector need to be aware of are:

- ❖ A High Value Council Tax Surcharge (a “Mansion Tax”) will be charged on owners of homes valued higher than £2 million. Whilst collection will be the responsibility of councils, the revenues will flow directly to central government.
- ❖ Strategic Authority Mayors in England will be empowered to impose a tourist tax on overnight stays. New systems may be needed for compliance and enforcement.
- ❖ The two-child benefit cap will cease to apply from April 2026, which may mitigate some demand pressures for housing and social care.
- ❖ A new electric vehicle (EV) mileage tax will be introduced, with the promise of doubling future road maintenance funding, but new risks for net zero goals if the public turn away from using EVs.
- ❖ The Government commits to devolve at least £13 billion of funding to seven major combined authorities and to create £902 million over four years for local growth funds in 11 Northern and Midlands city regions.
- ❖ Future Special Educational Needs and Disabilities (SEND) costs are to be managed by government once the statutory override ends on 31st March 2028. Cumulative deficits at this point will remain with the relevant councils.

For the full Budget, with supporting documents, see: [Budget 2025 - GOV.UK](https://www.gov.uk/government/speeches/budget-2025)

For the Chancellor’s speech, see [Budget 2025 speech - GOV.UK](https://www.gov.uk/government/speeches/budget-2025-speech)



Local Government support and value

Key information for Audit Committees to be aware of:

The Local Government Association (LGA) wrote to the Chancellor of the Exchequer on 10 November, highlighting the key national policy issues currently being addressed by Councils; and the key financial challenges those Councils face.

LGA stated that key national policy issues addressed by Councils are:

- ❖ Building new homes;
- ❖ Unlocking economic growth;
- ❖ Improving the health and life chances of the most vulnerable in society;
- ❖ Supporting children with SEND;
- ❖ Sourcing temporary accommodation; and
- ❖ Working to develop sustainable asylum accommodation and support systems.



LGA stated that key financial challenges faced by Councils are:

- ❖ Rising levels of debt due to relaxing the financial framework:
 - 42 Councils have had to access £5 billion in exceptional financial support since 2020/21; and
 - At the start of 2025/26, 1 in 6 Social Care Councils (17 per cent) were dependent on exceptional financial support.
- ❖ Real cash deficits:
 - The national dedicated schools grant cash deficit is on track to reach £5 billion by 2025/26; and
 - As a result, substantial cash flow costs are being incurred. The forecast deficit of £5 billion in 2025/26 means Councils will lose £200 million in unearned income alone.

The LGA's letter commented that **"while councils have huge potential to support Government in delivering its objectives, we cannot shy away from the scale of the financial challenges the sector currently faces"**.

Fair Funding Review

Key questions for Audit Committees to ask officers:

- ❖ What impact will the Fair Funding Review 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 are net “losers” from the new arrangements?

Background:

The first multi-year Local Government Finance Settlement in a decade, together with the [Fair Funding Review response](#), was announced by the Government on 20 November 2025. Significant changes to be aware of are that:

- ❖ There will be a single settlement for [2026/27 to 2028/29](#);
- ❖ The government plans to use up to date English Indices of Multiple Deprivation, together with up-to-date services cost and demand data to calculate individual council allocations for 2026/27 to 2028/29; and
- ❖ The Children and Young People’s Services formula will use the latest index of deprivation affecting children.

Using new indices will inevitably lead to some Councils seeing increases in their allocations, whilst others see decreases. However, there are [transitional arrangements](#) to help with managing change:

- ❖ A Recovery Grant funding guarantee to upper tier authorities in receipt of Recovery Grant;
- ❖ Funding floors and phasing in of new allocations across the multi-year settlement; and
- ❖ Additional money in the national settlement for children’s social care and a new ring-fenced combined Homelessness, Rough Sleeping and Domestic Abuse grant over three years.

The benefits of using the new indices are expected to be greater transparency; and a reduced reliance on competitive bidding for funds. Reduced paperwork is also expected, as the Government announced it will simplify 33 funding streams, worth almost £47 billion over three years.

Ultimately though, the proof of the pudding will be in the eating. The overall national settlement will need to be fair to the sector as a whole if individual allocations within it are going to be fair as well.

For a full copy of the Ministerial Statement see: [Written statements - Written questions, answers and statements - UK Parliament](#)

Local government reorganisation – latest developments

Opportunity for Audit Committee members to contribute to consultations:

The Government is currently consulting on the proposals it received for local government reorganisation in six areas:

- ❖ East Sussex and Brighton and Hove;
- ❖ Essex, Southend-on-Sea and Thurrock;
- ❖ Hampshire, Isle of Wight, Portsmouth and Southampton;
- ❖ Norfolk;
- ❖ Suffolk; and
- ❖ West Sussex.

The consultations will run for seven weeks until Sunday 11th January 2026. The consultation documents are available on the Department's online platform "Citizen Space" and those responding to the consultations can use the online platform, email or post to submit their views.

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



Other information for Audit Committees to be aware of:

On 28th October, the Government announced the outcome of its consultation on local government reorganisation in Surrey: Two new unitary councils will be created for the county from 1st April 2027. To help prepare for this, the Government committed to repay in-principle £500 million of Woking Borough Council's debt in 2026/27.

Other Councils facing reorganisation are bound to look at Surrey for signs of what may be decided for their areas. It is significant to note that two proposals had been submitted for Surrey (one for two unitaries; and one for three unitaries). The Government confirmed that both proposals met all its criteria, but the two-unitary model was assessed as performing better against the financial sustainability criterion – and was selected for that reason.

When looking ahead at what may follow in other areas, although Surrey is not necessarily a precedent for other areas, it is possible that similar prioritisation may apply again. We note that twenty more areas were required to submit business cases by 28th November 2025 and Government decisions are expected in Spring 2026.

For a full copy of the Ministerial Statement on reorganisation in Surrey, see: [Written statements - Written questions, answers and statements - UK Parliament](#)

Preventative spending

Key questions for Audit Committees to ask officers:

- ❖ What do we spend on prevention?
- ❖ How do we identify and record that spend?
- ❖ How do we measure outcomes from the spend?
- ❖ How do our practices compare with other similar authorities?

Background:

CIPFA and the Health Foundation have developed new methodology for mapping and measuring public sector investment in prevention.

The methodology sets out a four-step approach that enables Councils and other public sector organisations to quantify their prevention spending, making it visible so that it can be protected and prioritised.

The framework has already been tested with four Councils in England and Wales:

- ❖ The London Borough of Merton;
- ❖ Three Rivers District Council;
- ❖ Wigan Metropolitan Borough Council; and
- ❖ Rhondda Cynon Taf County Borough Council.

The report from CIPFA and the Health Foundation sets out three recommendations for Councils and other public sector bodies looking to protect their preventative spending:

- ❖ Apply a consistent approach to map and measure preventative investment;
- ❖ Analyse demand drivers alongside financial data to inform priorities; and
- ❖ Embed prevention into strategies, budgets and governance structures.

For a full copy of the report, see [Understanding preventative investment](#)

Next step for Audit Committee members:

CIPFA is now seeking to build on the momentum of this work by establishing a community of practice on preventative investment, to be launched in early 2026. Anyone able to share their experiences and learning should contact: zachary.scott@cipfa.org.



Performance Trackers 2025

Audit Committees can help their Councils by asking officers what performance data they hold for demand led services; how they set realistic targets; how their Council's performance compares to peers and national trends; and what actions are planned when performance falls below a realistic target.

The Institute for Government (IFG) published its latest performance trackers for public services in October 2025. For demand led services run by Councils, the findings are consistent with other research in the sector.

Children's Social Care:

The IFG reports that costs are rising without outcomes improving in step. Shortages of foster carers and secure children's homes are exacerbating issues in the market.

[Performance Tracker 2025: Children's social care | Institute for Government](#)

The IFG's findings are consistent with findings from a separate report by the National Audit Office in October 2025, which also points to supply pressure in the market:

[Managing children's residential care.](#)

Homelessness:

The IFG report states that homelessness is costing more but delivering less. There has been an unprecedented "tsunami" increase in demand, fuelled partly by landlords leaving the housing sector. The government needs to shift from crisis response to prevention.

[Performance Tracker 2025: Homelessness | Institute for Government](#)

The IFG's findings are consistent with findings from Crisis in November 2025, which notes that demand is rising but it is becoming harder for Councils to access both social housing and private tenancies:

[Homelessness Monitor: England 2025 | Crisis UK](#)

Adult Social Care:

The IFG report states that the sector has been neglected by successive governments. Spending has increased but performance has declined.

[Performance Tracker 2025: Adult social care | Institute for Government](#)

The IFG's findings are consistent with a recent report by LGiU which points to demand increasing in scale and complexity, costs escalating, market instability, and workforce challenges:

[A national care service in England, Scotland and Wales: Briefing 1: the story so far - LGiUUK](#)

Special educational needs and disabilities (SEND)

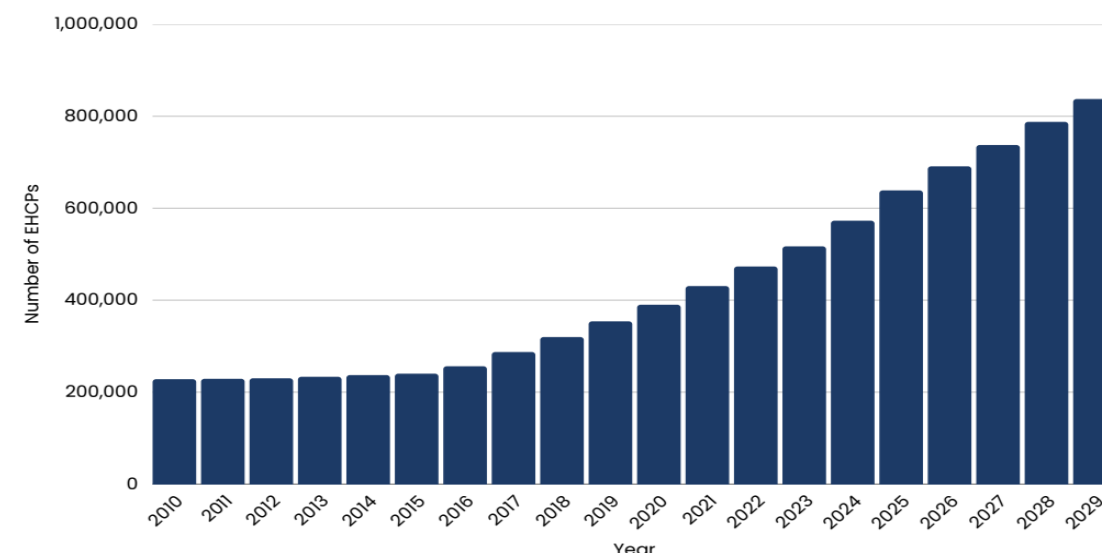
Key information for Audit Committees to be aware of:

Concern at the mounting costs of SEND continued to escalate across the local and central government sector in months leading up to the Budget:

- ❖ On 21 October, the National Audit Office's review of the [Department for Education 2024/25](#) highlighted that 43% of Councils are on track to have SEND deficits that are close to or exceed their total reserves by 31 March 2026;
- ❖ On 31 October, the National Audit Office reported that the increase in the number of children and young people assessed as having special educational needs has had spiralling implications for [Home to school transport](#), especially considering that travel costs per pupil are higher for children and young people with SEND
- ❖ On [6 November 2025](#), Grant Thornton issued the first ever statutory recommendation in respect of significant weaknesses in management planning for a dedicated schools grant deficit; and
- ❖ On 14 November, a new report from [the County Councils Network](#) highlighted that the number of children in the SEND system rises every year.

The 26 November 2025 Budget announcement that SEND will be financed centrally from 1 April 2028 will bring relief to Councils. However, clarity on the government's planned reforms will not be clear until the publication of the delayed white paper and confirmation of the next local government finance settlement.

Figure 1 – Number of children and young people with EHCPs (actual to 2025 and projected to 2029). Education, health and care plans, 2025, DfE and survey responses.



Source: [the County Councils Network](#)

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 LGA Senior Adviser, for more information.

CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector

[Global Internal Audit Standards in the UK Public Sector | CIPFA](#)

CIPFA Good Governance

[Delivering Good Governance in Local Government Addendum](#)

Code of Audit Practice for local auditors (NAO):

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

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>

Other CIPFA Guidance and Codes

The following are available from CIPFA but have a charge. We encourage you to make enquiries to determine if copies are available within your organisation:

- Audit Committees: Assessing effectiveness
- Financial Management Code
- Prudential Code
- Treasury Management Code



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