Swale Borough Council

Audit progress report and sector updates

January 2026

Agenda

Audit Progress Report

Grant Thornton

Introduction

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This paper provides the 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 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.

Audit Progress

Financial Statements Audit 2025-26

As a firm, we are dedicated to maintaining high standards of audit quality and financial reporting in the public sector.

The financial statements audit for the Swale Borough Council for the financial year 2025-26 will be conducted in two phases:

- Risk assessment, planning and early field work; and
- Final accounts fieldwork

Planning and early fieldwork is scheduled for February and March 2026, with fieldwork scheduled between July and September 2026. We are aiming to complete the audit in advance of the statutory deadline of January 2027.

Following the constructive feedback received after the 2024–25 audit, we will enhance our approach for 2025–26 by implementing the following measures:

- commencing fieldwork earlier for agreed statement balances and providing regular progress updates against the audit plan.
- scheduling pre-audit meetings to clarify working paper requirements and expectations ahead of site visits.
- deploying UK-based team members to work on-site alongside your team, adopting a hybrid model that combines on-site and remote working for efficiency and flexibility.

Audit fees

PSAA published their scale fees for 2025/26: [2025/26 audit fee scale – PSAA]

For Swale Borough Council this fees is £189,479. The fees is 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 plan to hold the following webinars this quarter:

- **Audit Committees Webinar – 10 February 2026**

Primarily aimed at Audit Committee members, topics will include best steps to take ‘After the Backstop’ adding value to the financial reporting function and navigating the external audit process successfully.

- **Local Government Accounts Webinars – 5 and 11 February 2026:**

Aimed at your finance teams, topics will include complex financial reporting issues, lessons from IFRS 16 implementation, avoiding pitfalls in financial instruments, common accounting and disclosure issues, indexation for property, plant and equipment in 2025/26, and revised statutory guidance on Minimum Revenue Provision.

We will shortly send out invitations to the webinars. Details will also be available on our website.

Value for Money

Planning work is scheduled for February and March 2026, with final fieldwork planned between July to September 2026.

We will keep management and the Audit Committee updated on the outcome in our Audit Plan and Auditor’s Annual Report respectively.

Audit Deliverables

2025/26 Deliverables	Planned Date	Status
Audit Plan 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 2025-26 financial statements.	April 2026	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the Audit Committee.	September 2026	Not yet due
Auditor's Report This includes the opinion on your financial statements.	September 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.	September 2026	Not yet due

Sector Updates

Grant Thornton

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 20th 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

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:

Funding floors and phasing in of new allocations across the multi-year settlement; and

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.

These consultations run until Sunday 11 January 2026. Documents are available on the Department's online platform "Citizen Space", and responses can be submitted online, by email, or by post.

Written statements - Written questions, answers and statements - UK Parliament

GOV.UK

Other information for Audit Committees to be aware of:

Although Kent is not part of the current consultation, it is important to note:

On November 28, 2025, Kent County Council along with other Kent and Medway councils, submitted several proposals for Local Government Reorganisation (LGR) to the UK Government. A total of five distinct options were ultimately submitted for consideration. The five options submitted by the various Kent councils :

- Option 1a - Single Unitary Council
- Option 3a: Three Unitary Councils
- Option 4b: Four Unitary Councils (no boundary changes)
- Option 4d: Four Unitary Councils (with boundary changes)
- Option 5a: Five Unitary Councils (with boundary changes)

Government decisions on these business cases (including Kent's) are expected in Spring 2026. New unitary councils are anticipated to go live by April 2028, with shadow councils forming in 2027.

Learning from Surrey:

The Government recently announced the outcome of its consultation on Surrey:

- Two new unitary councils will be created from 1 April 2027.
- The decision was based on financial sustainability, with the two-unitary model chosen over three-unitary options.
- Surrey's case shows that financial resilience and efficiency are key criteria for approval.

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 framework uses a four-step approach to help councils quantify prevention spending, making it visible so it can be protected and prioritised.

This approach has already been tested with four councils:

- London Borough of Merton
- Three Rivers District Council
- Wigan Metropolitan Borough Council
- Rhondda Cynon Taf County Borough Council

Recommendations for Councils:

The report sets out three key actions for councils:

- Apply a consistent approach to map and measure prevention investment.
- Analyse demand drivers alongside financial data to inform priorities.
- Embed prevention into strategies, budgets, and governance structures so it becomes a core part of decision-making.

For a full copy of the report, see Understanding preventative investment

Next step for Audit Committee members:

CIPFA plans to launch a community of practice on preventative investment in early 2026.

- Swale should consider joining this initiative to share experiences and learn best practices.
- Anyone able to contribute can contact: zachary.scott@cipfa.org.

The Covid-19 Inquiry

Key information for Audit Committees to be aware of:

An enhanced role for Councils in national decision making for emergencies looks likely following the publication of Modules 2, 2A, 2B, 2C - Core decision-making and political governance - Volume II - UK Covid-19 Inquiry in November 2025.

Why This Matters for Swale:

The Inquiry found that the UK Government did not fully utilize local knowledge during the pandemic, due to the absence of a formal structure for consulting councils. This impacted the effectiveness of emergency responses and highlighted the need for stronger collaboration between central and local government.

Implications for Swale Borough Council:

Audit Committees should review Swale's emergency planning and resilience arrangements, ensuring lessons from Covid-19 are embedded.

Strengthen governance and communication protocols for future national emergencies.

Prepare for findings from upcoming Inquiry modules:

Module 6: Impact of the pandemic on adult social care, including consequences of government decisions and restrictions.

Module 8: Impact on children and young people, education, health, and social care services.

With the LGA having pointed out just how many key national policy issues are being addressed by Councils, there has perhaps never been a better time to focus on the "importance of working together".

UK
Covid-19
Inquiry

The Renter's Rights Act

Key questions for Audit Committees to ask officers:

- How well do we understand the new rules we will be enforcing?
- How many private rented sector properties do we have in our area?
- Do we have existing staff capacity to take on the new enforcement powers, and if not, how are we going to recruit?
- Do we have a strategy for working with partners under the new regime, including landlords, agents, tenants, advisory bodies, and the justice system?

Background:

The Renter's Rights Act became law on 27th October 2025. Under the Act, Councils are going to gain new powers to investigate landlords; act against rogue landlords; and ensure landlord compliance with new standards expected of them. Councils will be required to report on their enforcement activities.

Local housing authorities will receive £18.2 million in 2025/26 to support preparations for the implementation of the Renters' Rights Act 2025 and to build enforcement capacity. Funding will be allocated based on the number of private rented sector properties in each local area. The Government's "Roadmap for reforming the Private Rented Sector" indicates that there will be a further new burdens funding allocation for 2026/27.

Key points from the Roadmap that Audit Committees need to be aware of now are:

- Enforcement guidance for local Councils has been published on GOV.UK. The guidance provides the critical information that enforcement officers will need to know to carry out their work in line with the new legislation;
- There will be a bespoke programme of training, webinars and resources through 'Operation Jigsaw', a cross-local Councils initiative;
- Shelter will deliver training to local Council officers, covering different aspects of the Act, funded by government; and
- Changes will start coming into effect from 1st May 2026.

Proposed new duty of candour and standards regime

Key Questions for Swale Audit Committee:

- When was Swale's Code of Conduct last updated?
- Are policies and procedures aligned with expected changes and consistent across the council?
- Is Swale sufficiently transparent and candid in governance and reporting?
- When was the effectiveness of the Standards Committee last reviewed?
- Are disciplinary arrangements robust and fit for purpose?

The Public Office (Accountability) Bill, introduced to Parliament on 16 September 2025 and currently at Committee stage, will have implications for councils, including Swale Borough Council.

UK Parliament

The Bill proposes:

- A statutory duty on public authorities to act with candour, transparency, and frankness in dealings with inquiries and investigations. Breach of this duty would carry criminal liability.
- A mandatory code of conduct for councils to uphold the Seven Principles of Public Life (Nolan Principles).
- Reforms to make it easier to prosecute misconduct in public office.
- A new offence of misleading the public.
- Government plans for "sweeping reforms" to strengthen local government standards, including powers to suspend councillors for serious misconduct.

For a full copy of the Bill, see Public Office (Accountability) Bill - Parliamentary Bills - UK Parliament

For a full copy of the announcement, see Tough new powers to clean up local politics.

Business cases for net zero

Key questions for Audit Committees to ask officers:

- Do we have decarbonisation or net zero reporting? What format does it take, and is that format standardised?
- Can we map the link between decarbonisation and net zero spending and tangible outcomes such as job creation, economic resilience, and community wellbeing?
- Do we horizon scan for new funding mechanisms and new partnerships?
- Do we share good practice with other similar Councils?

Background:

Councils make significant contributions to the UK's journey towards net zero, generally working towards strategic aims that they (the Councils) voluntarily set for themselves. This could be seen as contradictory to work to promote economic growth and enable new housing.

However, the County Council's Network (CCN) commissioned research showing that business cases for net zero are strongest when they are connected to outcomes around the new jobs and community wellbeing that economic growth and new housing can bring.

CCN published a series of recommendations on how to root the journey to net zero in the broader context of economic growth and job creation.

The recommendations are aimed at rural County Councils, but with local government reorganisation on the horizon, and housebuilding targets affecting all areas of the country, they will be of wider interest as well:

- Optimise green transition strategies and plans;
- Ground climate policies in strong business cases;
- Leverage innovation, partnerships, and funding models; and
- Promote collaboration and community engagement.

For a full copy of the report, see Resources - County Councils Network

Healthy environments for resilient towns

Key information for Audit Committees to be aware of:

The Environmental Audit Committee (EAC) concluded in November 2025 that it is "lazy" to write-off nature as a blocker to housing delivery. Instead, the EAC argued that a healthy environment is not only not a luxury, but is in fact a necessity for resilient towns and neighbourhoods:

Environmental sustainability and housing growth.

The EAC made a series of recommendations that were mostly aimed at the UK Government. This included a recommendation to introduce mandatory training in ecology and the decarbonisation of buildings for people working now towards Chartered Town Planner status.

While we wait to see whether any of the EAC recommendations will be implemented, there are things that Councils can be doing now to help the environment in their towns :

- Ensure that the local plan and environmental policies are up to date and consistent with national environmental targets; and
- Encourage awareness of ecology and decarbonisation in the existing planning team whilst waiting for any mandatory training benefits in the next generation of town planners.

As Councils are coming under increasing pressure from the UK Government to approve new housing plans, mindfulness of the environment in the towns that Councillors represent is going to be more important than ever.

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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