Teignbridge District Council

Audit progress report and sector updates

November 2025

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: 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 at November 2025

Financial Statements Audit

We presented our audit plan for 2024/25 to the Council's Audit Committee on 10 June 2025.

The expectation was that all Local Authorities would publish their unaudited accounts for 2024/25 by 30 June 2025. The council published their accounts on 4th July and started their inspection period on 7th July prior to detailed work commencing in October.

This update includes an indicative timetable for the 2024/25 audit, and we will keep this under review as our work progresses. The 2021/22, 2022/23, and 2023/24 audits were subject to a disclaimer of opinion on both opening and closing balances due to the backstop. Our work in 2024/25 aims to focus on rebuilding assurance over in year transactions and closing balances.

The backstop publication date for the audited 2024/25 financial statements is Friday 27 February 2026.

This report therefore sets out our progress against the significant risk areas of the audit. As at the 19th November 2025.

Value for Money

Under the 2020 Code of Audit Practice, we are required to undertake sufficient work to satisfy ourselves that the Council "has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources."

The NAO's Code of Audit Practice sets out the framework for this work as follows:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

We will report findings to the Audit Committee in our interim Auditor's Annual Report which is included in the December committee papers alongside this report.

Progress at November 2025 (cont.)

In the table below we have set out the status of our audit work undertaken in the significant risk areas which we set out in our audit plan.

Significant Risk Area	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. 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.	We have started: • evaluating the design and implementation of management controls over journals; • analysing the journals listing and determined the criteria for selecting high risk unusual journals; • identifying unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • gaining an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness The audit strategy has been determined, and initial evidence has been obtained. Detailed testing will be undertaken in accordance with our planned audit timeline.
Valuation of land and buildings The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date. In the 2020/21 audit opinion we disclaimed the valuation of land and buildings valuations due to little evidence being provided to support the valuation calculations.	We have started: • evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluating the competence, capabilities and objectivity of the valuation expert • writing to the valuer to confirm the basis on which the valuation was carried out • challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • testing revaluations made during the year to see if they had been input correctly into the Authority's asset register; and • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value (fair value for surplus assets) at year-end. The audit strategy has been determined, we are awaiting audit evidence on the revalued assets selection.

Progress at November 2025 (cont.)

Significant Risk Area	Commentary
Valuation of pension liability The Authority's share of the pension fund net liability, as reflected in its Balance Sheet as the pension liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£17.3m in the Authority's Balance Sheet at 31 March 2025) and the sensitivity of the estimate to changes in key assumptions.	We have started: • updating 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; • evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessing the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessing the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaking procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtaining assurances from the auditor of the Worcestershire 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. Our audit review in this area is still in progress.

Progress at November 2025 (cont.)

As part of our work at the respond to risks stage we have reassessed our risk assessment and have identified two further significant risks to those identified in our Audit Plan.

Significant Risk Area	Commentary
SANGS The council purchased land to use as Suitable Alternative Natural Green Space (SANGS). This transaction was entered into in 21/22 and treated as capital, in our 21/22 Audit Findings Report we reported that we believed SANGS did not meet the definition of capital expenditure. In 24/25 the council have agreed this should have been treated as a revenue transaction. The council is therefore doing a prior period adjustment to ensure SANGS is appropriately recorded in the accounts. There is a risk that the adjustment is not appropriately accounted for.	We have: • evaluated the design and implementation of the SANGS adjustments; • analysed the rationale for the adjustment; • reviewed the adjustments in the prior year figures to ensure that all adjustments have been made appropriately; • reviewed the third balance sheet to ensure this is appropriately presented. From our work performed, we identified that the Prior Period Adjustment (PPA) note was not disclosed in line with the CIPFA Code and IAS 8 requirements. Initially, management prepared workings for a third balance sheet following discussions with us, as they understood this might be required. However, due to a misunderstanding of our earlier communication, management concluded that a third balance sheet was not necessary and reverted to presenting two balance sheets. The necessary adjustments have since been made.
Cash and cash equivalents While officers have invested significant time into the bank reconciliation work, the council was not able to fully reconcile the bank reconciliations from October to February; this is primarily due to personnel shortages and the introduction of the new IMS system. We have therefore determined this as a significant risk due to the nature of cash and cash equivalents being fundamental to an organisations financial position.	We have started: • obtaining an understanding of the bank reconciliation process; • reviewing reconciling items on the bank reconciliation; • agreeing year end cash balance back to third party bank letters and • reviewing the third balance sheet to ensure this is appropriately presented. Our audit review in this area is still in progress.

Audit Fees

Audit Fees

PSAA have published their scale fees for 2024/25 2024/25 audit fee scale – PSAA

For Teignbridge District Council these fees are £159,588 for the Council audit. 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.

Audit Deliverables

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

2024/25 Deliverables	Planned Date*	Status
Audit Plan We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2024/25 financial statements.	June 2025	Issued
Audit Findings Report The Audit Findings Report will be reported to the Audit and Standards Committee.	February 2026	In Progress
Auditors Report This includes the opinion on your financial statements.	February 2026	In Progress
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	December 2025	In Progress

Sector Updates

Grant Thornton

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.

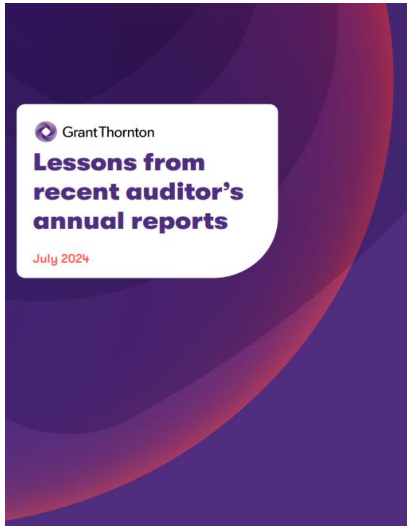
Common challenges for councils include gaps in risk management; high vacancy rates in internal audit; de-centralised contract management; under-supported project management; and the need for stronger, timelier data on performance. For Councils with Housing Revenue Accounts, there are also significant 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
Identification	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.	• How have you ensured that all financial instruments, including less obvious or complex arrangements, have been identified? What controls are in place? • Have any new or unusual arrangements been reviewed for potential financial instrument implications?
Classification	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.	• 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? • Have any instruments been classified differently this year, and if so, why?
Measurement	Once identified and classified, financial instruments must be measured appropriately. Measurement affects reported balances and income, and errors can lead to misstatements.	• What valuation methods are used for financial instruments, and how are they validated? Were any experts required during this process? • Do changes in assumptions or market conditions require remeasurement?
Disclosure	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.	• 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? • Are disclosures complete, clear, and free from unnecessary detail?
Other Considerations	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.	• 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? • Are expected credit losses / impairments reflected in the financial strategy?

The Local Authority Backstop

Key information for Audit Committees to be aware of:

On 5th June 2025, the National Audit Office published Local Audit Reset and Recovery Implementation Guidance (LARRIG 06l). This followed on from the fact that on 28 February 2025, approximately 40% of local authorities received an unqualified opinion on their financial statements for 2023/24; and the remaining 60% of audits were disclaimed as auditors had not been able to conclude work by the deadline.

We are pleased to report that Grant Thornton issued unqualified opinions on 65% of our local authority audits, well ahead of the national average. Nevertheless, all Audit Committees need to be aware of work currently ongoing across the sector to help rebuild assurance for stakeholders.

How you can support us

Timely preparation of draft accounts and high quality supporting working papers is fundamental to the success of audit closedown. We look for all local authorities to prioritise this in enabling the sector to return to balance. In addition, agreeing timescales for build back work will also be key.

An audit approach to build back assurance on financial statements

The LARRIG provides principles as well as indicative procedures which, with the application of professional judgement, enable the auditor to regain assurance in respect of opening balances. These include a framework for auditors to:

- ❖ Assess risk at an entity wide level
- ❖ Assess risk at a line-item level including in respect of specific balances and reserves
- ❖ Determine a response to risk, including appropriate testing of prior year transactions.

This will enable auditors to undertake audit work in respect of old year transactions (e.g. years which were not subject to an audit). Without that work, there would be uncertainty as whether reserves are properly accounted for.

Grant Funding for build back

The first priority at all audited bodies which have previously been backstopped is to gain assurance regarding in year transactions and closing balances for the current audit year. This is the approach which we will adopt over the coming months for your audit for 2024/25.

The Council has received grant funding of £42,388 under a Section 31 Grant Determination to support build-back. The government has set out its expectation that local authorities and audit firms work closely together to enable this build back to happen. We are currently piloting an approach at other local authorities which is intended to remove the disclaimer from future audit reports. We have begun discussion with the Chief Finance Officer about how re-assurance can be best achieved at your authority, including the appropriate timing of further audit work.

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 9th 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 202324 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 – 11th June 2025

The Spending Review on 11th 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 19 and 20 of this update.

Simplified local structures – 24th June 2025

The Minister of State for Housing, Communities and Local Government announced on 24th 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 – 11th August 2025

Seven Council pension funds announced plans to join the Border to Coast pool on 11th 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 10th July 2025; and its second reading on 2nd September 2025. With ayes of 365 and noes of 164 on 2nd 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 18th 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 20th 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.

House of Commons

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 12th 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 1st 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 (I(CBs), 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 2nd 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 29th 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 21st 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 27th 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 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

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