



Tonbridge and Malling Borough Council

Audit progress report and sector updates

January 2026



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Audit progress report

Introduction

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 Sophia or Bheki.

Sophia Brown
Key Audit Partner
T: 020 7728 3719
E: Sophia.Y.Brown@uk.gt.com

Bhekithemba Dlamini
Manager
T: 020 7728 3359
E: Bhekithemba.Dlamini@uk.gt.com

Radoslaw Borzymowski
Assistant Manager
T: 020 7865 2014
E: Radoslaw.Borzymowski@uk.gt.com

Progress as at January 2026

Financial statements audit

We are currently developing plans for delivery of your 2025-26 financial statements audit, taking into account the statutory reporting deadlines of 31 January 2027 for 2025-26 financial statements and 30 November 2027 for the 2026-27 financial statements.

Whilst this may result in some adjustments to the timing of the Council's 2025-26 audit, we expect the schedule to remain broadly aligned our delivery of the 2024-25 audit.

We will share detailed logistics in the 2025-26 Audit Plan.

Value for money

The key dates for delivering our value for money work are as follows:

- Draft Auditor's Annual Report (AAR) to be shared with management for comments in **early September 2026**.
- Final AAR to be presented to Audit Committee in **September 2026**.

Audit fees

PSAA published scale fees for 2025-26: [2025/26 audit fee scale - Page 3 of 4 – PSAA](#)

The Tonbridge and Malling Borough Council 2025-26 audit fee will be communicated in our Audit Plan. The fee is derived from the procurement exercise carried out by PSAA in 2022, reflecting 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 a webinar for [audit committee members 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.

We also plan to hold the [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 for 2025-26;
- ❖ 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 for the all our webinars will be available shortly on our website or can be obtained from Sophia or Bheki.](#)

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 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

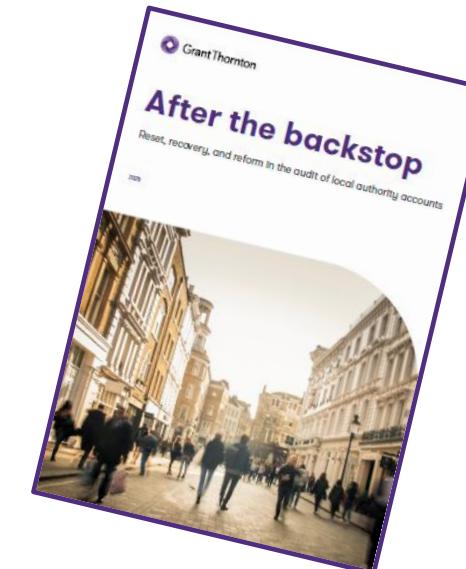
After the Backstop: Reset, recovery and reform in the audit of local authority accounts

- ❖ 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.

Alison 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](#)

For the Chancellor’s speech, see [Budget 2025 speech - GOV.UK](#)



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 11 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 28 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 1 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 28 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.



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.

The Inquiry found that the “importance of working together” was overlooked by the UK Government. Although the UK does have local resilience forums and partnerships for emergencies, the lack of formalised structure for central government to consult with councils meant that opportunities for benefitting from local knowledge were lost during the pandemic.

Examples of inadequate engagement with councils highlighted in the report for England included:

- ❖ The government’s decision to base a large test centre at Manchester Airport without consulting local leaders as to options that might have been more suitable and centrally located;
- ❖ not enough information being given to local leaders in enough time around the implementation of local lockdowns; and
- ❖ local leaders being left to find out information relevant to their communities via the media rather than from the UK Government, impacting on the design of schemes for shielding and contact tracing.

Two other Modules that will have a bearing on the work of councils have yet to conclude:

- ❖ **Module 6:** This module investigates the impact of the pandemic on the publicly and privately funded adult social care sector in England, Scotland, Wales and Northern Ireland. It considers the consequences of government decision-making, including restrictions imposed, on those living and working within the care sector; and
- ❖ **Module 8:** This module investigates arrangements during the pandemic for Children and Young People; Education and Early Years Provision; Physical and Mental Health; and Social Care and Support 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”.



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 27 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 1 May 2026.



Proposed new duty of candour and standards regime

Audit committees can prepare for change by asking themselves:

- ❖ When was our Code of Ethics last updated?
- ❖ Are our policies and procedures consistent with expected changes to guidance, and consistent with one another?
- ❖ Are we sufficiently candid and transparent?
- ❖ When was the effectiveness of our Standards Committee last assessed?
- ❖ Are our disciplinary arrangements working well?

Background:

A new Public Office (Accountability) Bill was introduced to Parliament on 16 September 2025 and is now at House of Commons Committee stage.

The Bill aims to impose a duty on “public authorities and public officials” to “at all times act with candour, transparency and frankness in their dealings with inquiries and investigations.” Breach of the duty would be a criminal liability.

The Bill is expected to apply not only to both core public bodies delivering public services (councils) but also private bodies delivering public functions such as those on a government contract.

Separately, the Bill also proposes:

- ❖ A new statutory duty on public authorities to promote and take steps to maintain high standards of ethical conduct, as defined by the Seven Principles of Public Life, or “Nolan Principles”, by adopting a code which sets out what is expected of their workforce. Many councils already do this, but it would become mandatory;
- ❖ Reforms that will make it easier to prosecute misconduct in public office; and
- ❖ Another new offence of misleading the public.

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

In addition, a separate statement by the Government on 11 November 2025 announced that there are going to be “sweeping reforms” to strengthen local government standards. These will include a new mandatory code of conduct and new powers to suspend councillors for serious misconduct.

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.

Webinar for audit committee members



We plan to hold a webinar for members of audit committees on 10 February 2026. Invitations are available on our website or can be obtained from Sophia or Bheki.

We will be hearing from two external speakers on best steps to take “After the Backstop”. With them, we will be discussing:

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

We will also be covering latest developments in proposed reforms to the audit framework; updates on the new Local Audit Office; and what best to focus on while waiting for new audit arrangements to be finalised.

Join us to welcome-in 2026 and to plan good habits for the financial years ahead.

To attend the event, please register here: [After the backstop | Grant Thornton](#)

We look forward to seeing you.

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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