

Herefordshire Council

Audit progress report and sector updates

July 2026

Agenda

1	Audit progress report	03
2	Introduction	04
3	Progress as at July 2026	05
4	Audit deliverables	06
5	Sector updates	07
6	Audit Committee Resources	15

Audit Progress Report

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.

Progress as at July 2026

Financial Statements Audit

We received the draft financial statements on the 29 May 2026, well ahead of the national deadline of 30 June 2026. The early receipt has allowed us to progress the audit in June. To date we have sent several samples to management including:

- Investment property valuations
- PPE Additions and REFCUS
- Cut off invoices and bank
- Grants received in advance
- Fees and charges
- Grants
- Hoople Ltd starters and leavers and changes in circumstances for payroll

In addition to the above, we have completed the trial balance mapping to the accounts. In the month of July, we hope to finalise all samples and progress the detailed testing.

Our significant risk areas remain the same as per our audit plan presented in March 2026, these are investment property and PPE valuations, management override and Pension IAS19 net liability.

Overall, the audit is progressing well, and we have not identified any significant issues to date.

Value for Money

Our work in this area is ongoing, and we will report our full findings within the Auditor's Annual Report. There have been no changes to the risks of significant weakness as communicated in our audit plan to date. The VFM work will initially focus on following up on the prior year issues identified to assess whether there have been improvements in the Councils arrangements.

Events

We provide a range of workshops and network events.

We recently held a webinar exploring the roles and responsibilities of Audit Committee Chairs and members, and how the Audit Committee functions within a wider governance landscape. This was attended by your Audit and Governance Committee Chair.

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.	24 March 2026	Completed
Audit Findings Report The Audit Findings Report will be reported to the Audit Committee.	29 September 2026	Not yet due
Auditor’s Report This includes the opinion on your financial statements.	29 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.	29 September 2026	Not yet due

Sector Updates

Devolution and local government reorganisation

Audit Committee are encouraged to review our good practice checklist and reach out for latest technical updates.

Latest key developments to be aware of:

- ❖ 25th March 2026 – Government decisions published on unitary structures for four of the six Devolution Priority Programme (DPP) areas. Next steps published for the remaining two areas. [Written statements - Written questions, answers and statements - UK Parliament](#)
- ❖ 29th April 2026 – Royal Assent given to the English Devolution and Community Empowerment Act, enhancing powers and responsibilities for strategic authorities; establishing combined authorities; and strengthening local audit arrangements. [English Devolution Bill receives Royal Assent - GOV.UK](#)
- ❖ 7th May 2026 – First shadow elections held in East and West Surrey. [Surrey Local Elections May 2026 results – Surrey LGR Hub](#)

Key future dates to be aware of:

Three councils have been reported as mounting legal challenges to reorganisation. Subject to the outcome of their challenges, remaining key dates to be aware of are:

- ❖ **April 2027** – Surrey shadow authorities' vesting day.
- ❖ **May 2027** – Shadow elections - all DPP areas except Sussex and Brighton; and reorganised new local government bodies.
- ❖ **April 2028** – Vesting day for all DPP areas except Sussex and Brighton; and reorganised new local government bodies.
- ❖ **May 2028** – Shadow elections Sussex and Brighton Devolution Priority Programme areas.

Recommended reading:

- ❖ A good practice checklist for councils embarking on LGR can be found in our report: [Learning from the new unitary councils](#).
- ❖ Audit Committees [can request updated technical guidance](#) reflecting latest developments from their Engagement Lead.



Latest changes to laws and regulations

For information: Recent legal and regulatory changes that Committees need to be aware of.

Changes that Audit Committees need to be aware of:	Dates	Further information
English Devolution and Community Empowerments Act	29 th April 2026 – Royal Assent	Enhanced powers and responsibilities for local government, and new local audit arrangements
Renter Rights Act	1 st May 2026 – Officially took effect	Introduces new duties for local authorities to take enforcement action for beaches and tenancy law by private landlords
Social Housing Renewal Bill	13 th May 2026 – King’s Speech	Changes to eligibility requirements, discount rules and exemptions planned for Right to Buy
Overnight Visitor Levy Bill	13 th May 2026 – King’s Speech	Mayors and potentially other local leaders to be able to change new tourist taxes
Education for All Bill	13 th May 2026 – King’s Speech	Planned changes to arrangements for young people with Special Educational Needs and Disabilities
Public Office (Accounting Bill)	13 th May 2026 – King’s Speech	Introduces new duties of candour for local authorities and other public bodies
Town and Country Planning (local Planning) (England) Regulations 2026	25 th March 2026 – Statutory Instruments	New system introduced for Local Plans
Combined Authorities (overview and Scrutiny Committees, Access to Information and Audit Committees) (Amendment) Order 2026	14 th May 2026 – Statutory Instruments	Provides a formal mechanism for setting commissioner allowances in Combined Authorities and Combines County Authorities
Sporting Events Bill	14 th May 2026 – Impact Assessment and DCMS Memorandum	Proposes new enforcement powers for local authorities in ticketing protection

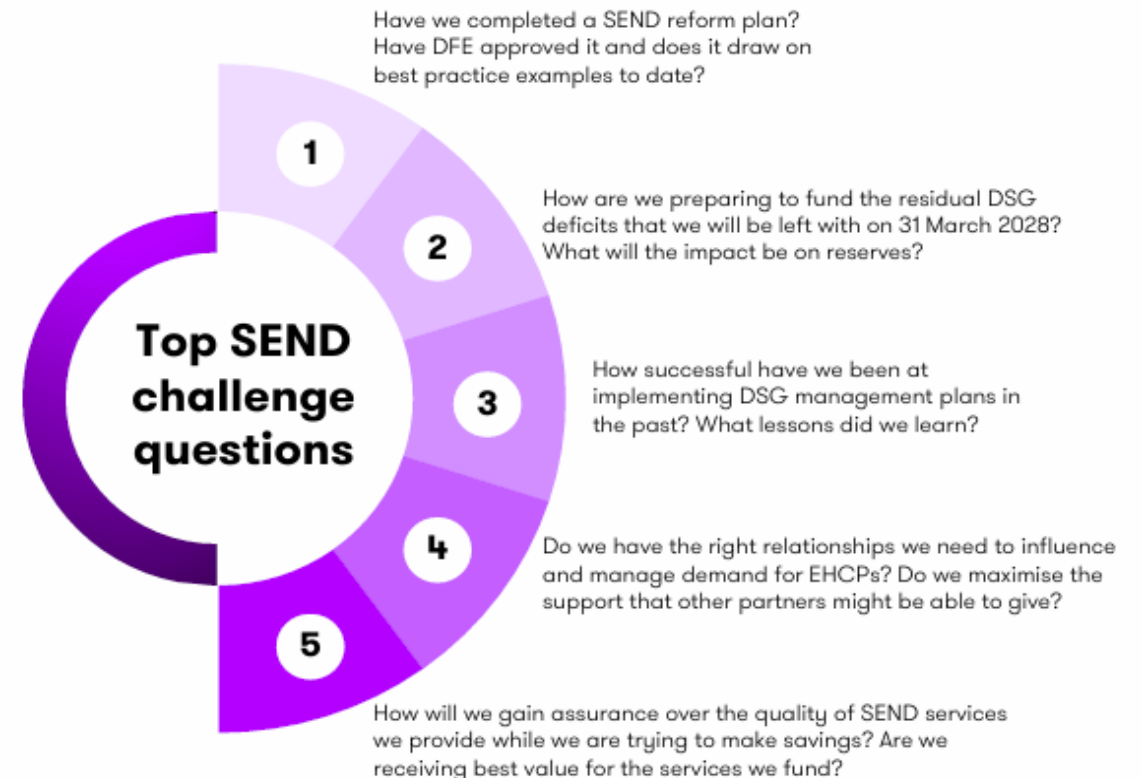
Lessons from Auditor's Annual Reports on Managing Dedicated Schools Grant Deficits

For information: Residual SEND related risks to be aware of, despite proposed reform.

Our latest report on Lessons from Auditors' Annual Reports, published on 20th May 2026, highlights lessons for [Managing Dedicated Schools Grant Deficits](#).

- ❖ New commitments by the government to fund up to 90% of Dedicated Schools Grant deficits on 31st March 2026, if Councils can agree SEND reform plans for their area with the Department for Education (due by 19th June 2026);
- ❖ The financial risks that councils will face once statutory override ends on 31st March 2028;
- ❖ Difficulties encountered so far by councils in effective planning for the management of DSG deficits;
- ❖ The benefits of working proactively with psychologists, teachers and families to make the most of current arrangements; and
- ❖ The importance of maintaining quality and efficiency in SEND service.

With the arrival of the Education for All Bill, Audit Committee members are encouraged to ask their councils:



CIPFA Bulletin 23 – Closure of the 2025/26 financial statements

CIPFA has issued Bulletin 23 (April 2026) to support authorities in preparing the 2025/26 Statement of Accounts. The bulletin covers key areas that authorities should consider for 2025/26.

Indexation of non-investment assets

The bulletin includes a useful list of answers to frequently asked questions on indexation for preparers of accounts.

Key reminders include:

- ❖ Authorities need to adopt a five-year revaluation cycle, with indexation in intervening years, replacing more frequent revaluations.
- ❖ It applies to most property, plant and equipment, excluding council dwellings, along with leased assets if measured at valuation.
- ❖ Indexation maintains asset values in line with market changes, and authorities should continue to review asset lives and indicators of impairment.
- ❖ CIPFA do not prescribe which indices authorities may use – authorities must select appropriate indices, justify choices, and use the latest available data.
- ❖ In rare cases where no index is available a desktop valuation is required in year three.

For a full copy of Bulletin 23, see [CIPFA Bulletin 23 – Closure of the 2025/26 financial statements | CIPFA](#)

More detailed guidance on indexation is available in CIPFA's [CIPFA Bulletin 22 Indexation application guidance | CIPFA](#)

Dedicated Schools Grant (DSG) high needs stability grant

The bulletin highlights that the grant is subject to conditions, including the requirement to obtain Department for Education approval of a local SEND reform plan.

Authorities will need to consider their specific facts and circumstances (which may vary) to determine the appropriate treatment within their own 2025/26 accounts, including:

- ❖ whether or not grant income should be recognised.
- ❖ whether disclosures are necessary (eg contingent assets, events after the reporting period).

Audit Committees can help by asking:

- ❖ What assurance is available that the indexation applied is appropriate for the authority's various assets within the scope of indexation, and is supported by sufficient external evidence and professional input?
- ❖ If applicable, does the treatment of high needs stability grant appropriately reflect the requirements of the CIPFA Code, including the timing of income recognition and transparency of disclosures?

Valuing people

For information: Audit Committees need to be mindful of workforce and people-related challenges facing the sector.

The Public Services People Manager's Association held their latest Annual Conference in Birmingham in April this year and heard thoughts on whether the time is right for Chief People Officer to become a statutory role, equivalent to Monitoring and s151 Officer.

With challenges around skills retention, and with local government reorganisation creating uncertainty and instability for those employed across the sector, the timing for this debate could perhaps never be better.

Local Government Association workforce data shows that:

- ❖ More than 1 million people are directly employed by councils across England, at a cost of £35.8 billion per annum; and
- ❖ More than one million additional people are employed in council-commissioned Adult Social Care through the private sector.

In addition to those formally employed across the local government sector, the Health Foundation recently estimated that 1 in 6 adults in the UK carry out unpaid care work, providing essential top up for public services that are the statutory responsibility of local authorities.

CQC is currently consulting on proposed changes to its regulatory process. The intention is to replace 34 “Quality Statements” with 24 “Key Lines of Enquiry”, looking at how local authorities deliver care and, amongst other things, lending greater weight to how local authorities work professionally with the unpaid carers whose work supports statutory provision.

Carers UK held an inaugural State of Caring conference in May 2026 hearing, amongst other things, about the tipping point unpaid carers can reach if not given the right support. CQC’s change of emphasis seems a well-timed recognition of the reality of how significant elements of social care are provided across England today.



Neighbourhood health frameworks

Audit Committees need to ask their councils what steps are being taken to prepare for changes in the way they work with the NHS.

A [new policy paper on Neighbourhood health frameworks](#) was published on 17th March 2026 – setting out plans to create a new “neighbourhood health service”. This:

- ❖ Builds on ambitions first [set out by the government in 2025](#) to move the focus of health care from hospital treatment to community prevention; and
- ❖ sets out expectations for neighbourhood level partnership working across the health and care system from 2027/28 onwards (with the NHS, local authorities and community and voluntary partners).

As the NHS is embarking on a period of restructuring, and local government is reorganising at the same time, councils will need to be clear about what their responsibilities are; how they will agree local neighbourhood health objectives with partners; and how they will measure progress.

Audit Committees can help by asking officers:

- ❖ What are the risks for our council, and how are these mitigated?
- ❖ How do we identify key public health partners and agree strategic objectives with them?
- ❖ How will we measure neighbourhood health achievements?



Fit for purpose - partnerships and procurement

Audit Committees need to ask their councils how robust their leisure partnerships and procurement are.

Whilst high profile government announcements in May on the Olympics and stadium regeneration highlighted the economic importance of sport for regeneration in local areas, councils are already doing an excellent job using leisure contracts to deliver health and social care impacts in their areas.

SOLACE and Alliance Leisure held a roundtable in April 2026 highlighting the role that local authority leisure centres are starting to play in the NHS ten-year plan's health prevention agenda, including:

- ❖ Co-locating libraries and community services with leisure centres; and
- ❖ Providing clinical deliveries such as health checks and rehabilitation at leisure centres.

To make the most of the opportunities their leisure estate provides, councils need to develop and maintain effective relationships not only with the NHS and community and voluntary groups, but also with the commercial contract partners that manage and operate the centres.



In April, one of England's largest outsourced leisure centre operators (Fusion Lifestyle), appointed administrators following multiple financial distresses built up in the wake of the Covid-19 pandemic; rising energy costs; and reduced government funding. Affected councils have had to take their leisure services back in house while they look for alternative providers.

Financial pressure is common across the sector, and there is a risk of disruption elsewhere in England.

Audit Committees can help by asking officers:

- ❖ Are our services for residents and schools at risk?
- ❖ When was the last time we checked the financial health of our contract operators?
- ❖ Do we have a register of community and voluntary sector partners that we are co-delivering social and health prevention impacts with?
- ❖ When was the last time our leisure estates strategy was updated? Are we optimising the use of the estates that we have?
- ❖ How are we measuring the performance of our leisure estates and leisure contracts?
- ❖ Where applicable, what oversight is the health scrutiny committee exercising?

Audit Committee resources

Commentary from Grant Thornton on recovering the accounts preparation and audit timetable:

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

Latest guidance and learning from Grant Thornton on local government reorganisation and devolution:

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

[Dual delivery - How can areas successfully reorganise local government and implement devolution at the same time?](#)

[Learning from the new unitary councils](#)

Grant Thornton learning on procurement and contract management:

[Local government procurement and contract management](#)

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](#)

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-ias-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>



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