

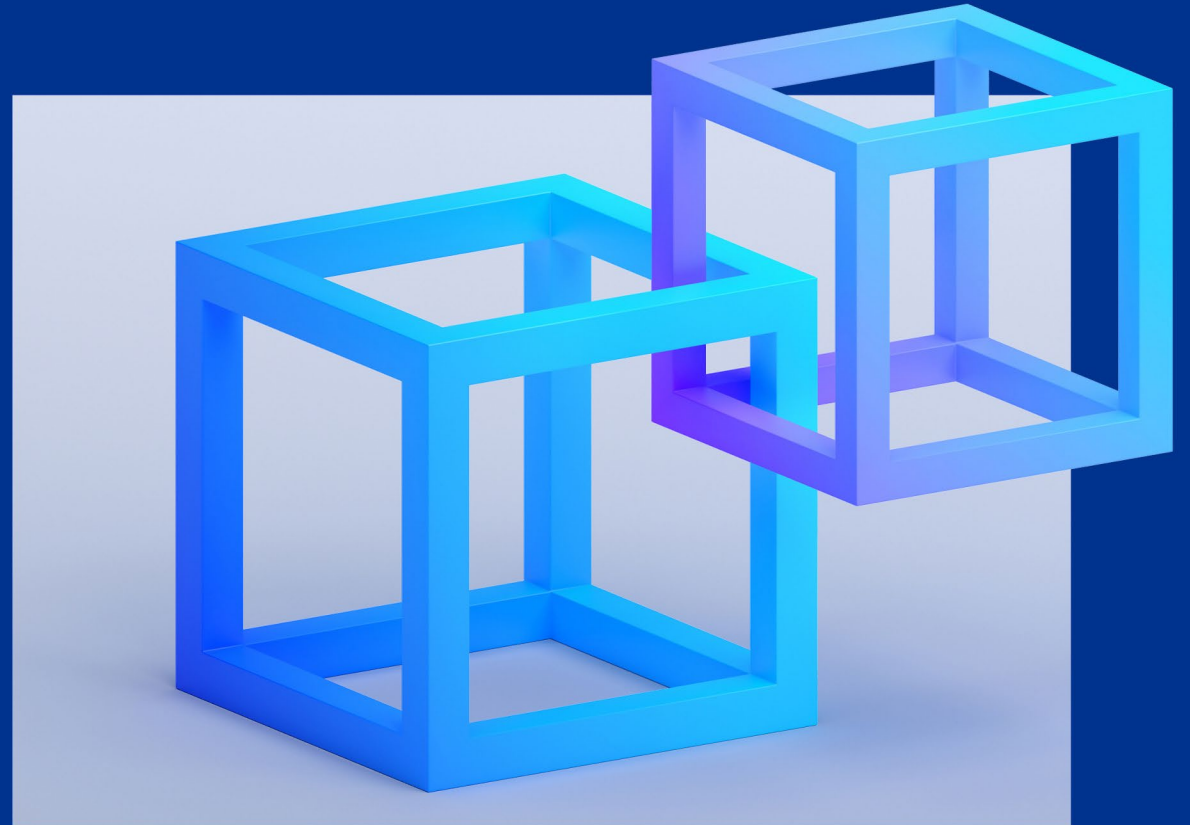


South Kesteven District Council

**External Audit plan and strategy for the year
ending 31 March 2026**

DRAFT

June 2026



Introduction

To the Governance and Audit Committee of South Kesteven District Council

We are pleased to have the opportunity to meet with you in June 2026 to discuss our audit of the financial statements of South Kesteven District Council as at, and for, the year ending 31 March 2026.

This report provides the Governance and Audit Committee with an opportunity to review our planned audit approach and scope for the 2025/26 audit. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and is carried out in compliance with the NAO's 2024 Code of Audit Practice, auditing standards and other professional requirements.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach subsequently.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

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The engagement team

Salma Younis is the engagement director on the audit. She has over 20 years experience in public sector audit. She shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include John Blewett (engagement manager) and Jordan Fulcher (in-charge) with 9 and 4 years of experience respectively.

Yours sincerely,

Salma Younis

Director - KPMG LLP

June 2026

Restrictions on distribution

This report is intended solely for the information of those charged with governance of the South Kesteven District Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when :

- An audit is executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls; and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well-planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner.

We aim to complete all audit work no later than 2 days before audit signing.

We are committed to providing you with a high-quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Salma Younis (Salma.Younis@KPMG.co.uk) the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler (tim.culter@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can raise your complaint as per the following process [Complaints](#).

Overview of planned scope including materiality

Our materiality levels

We determined materiality for the Council’s financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation, lack of shareholders when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £1.38m / 75% of materiality driven by our expectations of normal level of undetected or uncorrected misstatements in the period. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons

We will report misstatements to the Governance and Audit committee including:

- Corrected and uncorrected audit misstatements above £92.5k.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually and in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised in the previous year and management’s response to those findings.

Our reliance on group-wide controls will be limited to our review of the consolidation process.

Group Materiality

	Entity
Materiality for the financial statements as a whole	£1.85m (24/25: £1.85m 2% of Expenditure)
Performance Materiality	£1.38m (24/25: £1.38m)
Misstatements reported to the governance and audit committee	£92.5k (24/25: £92.5k)

Council Materiality

£1.8m

2% of Council Expenditure £89.7*m
(24/25: £89.7m)

**Actual expenditure in 24/25 Statement of Accounts*

Overview of planned scope including materiality (cont.)

Timing of our audit and communications

We will maintain communication led by the engagement partner and senior manager throughout the audit. We set out below the form, timing and general content of our planned communications:

- Kick-off meeting with management in March 2026 where we outline our audit approach and discuss management's progress in key areas.
- Governance and Audit committee meeting in June 2026 where we present our final audit plan.
- Status meetings with management in July to December 2026 where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues
- Closing meeting with management in November 2026 where we discuss the auditor's report and any outstanding deliverables.
- Governance and Audit committee meeting on 21st January 2027 where we communicate audit misstatements and significant control deficiencies.
- Biannual private meetings are also arranged with the Committee Chair.

The above timings are subject to change as the Council confirmed there is a risk it may not issue its draft statement of accounts by the deadline of 30 June 2026.

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
Internal Audit	We will review the reports prepared by Internal Audit to inform our risk assessment; however, we do not place reliance on this work.
KPMG Pensions Centre of Excellence (PCoE) and KPMG Actuaries	<p>The pensions audit team will perform all planning, risk assessment and substantive procedures over the LGPS account balances.</p> <p>The KPMG actuary will review and assess the underlying assumptions within the Council's year-end actuarial report.</p>
KPMG IT Audit Team	We will involve KPMG specialist IT Auditors to undertake walkthroughs and document relevant processes and controls with regard to the Council's General ledger migration, IT environment and any automated controls which could impact on the financial statements audit.

Significant risks, Higher assessed risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the industry and the wider economic environment in which the Council operates.

We also use our regular meetings with senior management to update our understanding and take input from teams and internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Governance and Audit Committee.

Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and will include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

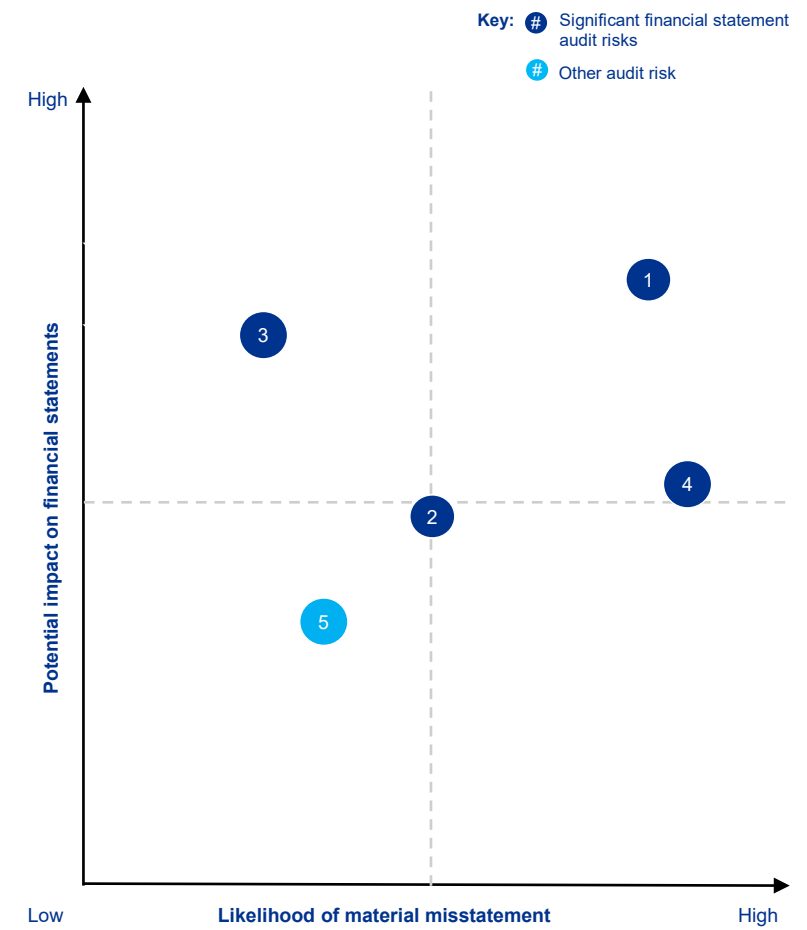
Our risk assessment is now complete and will be presented and reported separately at a future meeting of the Committee.

Significant risks

1. Valuation of land and buildings
2. Valuation of investment property
3. Management override of controls
4. Valuation of post retirement benefit obligations

Other audit risks

5. Ledger Migration



Audit risks and our audit approach

1a Valuation of land and buildings –rolling programme

The carrying amount of revalued Land & Buildings differs materially from the fair value

Change vs prior year 



Significant audit risk

The Code of Practice on Local Authority Accounting in the UK 2025/26 ('the Code') has introduced changes to asset revaluation. The Code requires revaluations for each class of PPE are undertaken using one of the following:

- A quinquennial revaluation, supplemented by annual indexation in intervening years.
- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.

The Authority has historically adopted a rolling revaluation model which sees all land and buildings revalued over a five-year cycle. We are in the process of understanding how the Authority's approach may change and therefore the risks and procedures are subject to change.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value as the indexation applied is not appropriate.

A further risk is presented for those assets that are revalued in year as valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied.

The total net book value of Land, Buildings & Surplus Assets in 24/25 was £68,452k.

We have focused our significant risk over the obsolescence and useful economic lives for land and buildings valued on a DRC basis (specialised assets) and the rental rate & yield assumptions used for the EUV valuations (non-specialist assets).



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the assets revalued in year:

- We will critically assess the independence, objectivity and expertise of the District Valuer, the valuers used in developing the valuation of the Council's properties at 31 March 2026;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach

1b

Valuation of land and buildings – rolling programme continued

The carrying amount of revalued Land & Buildings differs materially from the fair value

Change vs prior year 



Significant audit risk

The Code of Practice on Local Authority Accounting in the UK 2025/26 ('the Code') has introduced changes to asset revaluation. The Code requires revaluations for each class of PPE are undertaken using one of the following:

- A quinquennial revaluation, supplemented by annual indexation in intervening years.
- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.

The Authority has historically adopted a rolling revaluation model which sees all land and buildings revalued over a five-year cycle. We are in the process of understanding how the Authority's approach may change and therefore the risks and procedures are subject to change.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value as the indexation applied is not appropriate.

A further risk is presented for those assets that are revalued in year as valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied.

The total net book value of Land, Buildings & Surplus Assets in 24/25 was £68,452k

We have focused our significant risk over the selection and application of the indices used for the indexation exercises where assets have not been valued in year.



Planned response

In addition to those procedures on page 6, we will perform the following procedures designed to specifically address the significant risk associated with the assets subject to annual indexation in the intervening four years to the rolling revaluation:

- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the indices used and agree the indexations applied;

Audit risks and our audit approach

1c Valuation of land and buildings – Council Dwellings only

The carrying amount of revalued Land & Buildings differs materially from the fair value

Change vs prior year 



Significant audit risk

The Code of Practice on Local Authority Accounting in the UK 2025/26 ('the Code') has introduced changes to asset revaluation. The Code requires revaluations for each class of PPE are undertaken using one of the following:

- A quinquennial revaluation, supplemented by annual indexation in intervening years.
- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.

For council dwellings, the Authority has adopted a rolling revaluation model which sees all beacon properties revalued over a five-year cycle. This approach introduces a two-fold risk:

- For the dwellings that are revalued in the current year, there is a significant risk associated with the complexity of judgement and estimation uncertainty on the part of the valuer.
- For the dwellings that are not revalued but rather indexed, there is a risk that the correct indexation may not be applied.

The total net book value of Council Dwellings in 24/25 was £350,864k.

For valuation of Council Dwellings, we have identified a significant risk over the application of the methods, assumptions and data.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of District Valuer, the valuers used in developing the valuation of the Council's properties at 31 March 2026;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will assess the indexation applied to beacon groups that have not been revalued to determine its appropriateness and reasonableness;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

2 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value

Change vs prior year 



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. As at March 2025, the value of investment properties was £12.1m.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.

From our risk assessment of the elements within the valuations estimate we have focused our significant risk over the income approach methodology and the yield assumptions.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the District Valuer, the valuers used in developing the valuation of the Council's investment property at 31 March 2026;
- We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

3 Management override of controls(a)

Fraud risk related to unpredictable way management override of controls may occur

Change vs prior year



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.



Planned response

Our audit methodology incorporates the risk of management override as a default significant risk. Specific procedures include:

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the council's normal course of business, or are otherwise unusual.
- Identified journal entries and other adjustments with characteristics that indicate that they may be inappropriate or unauthorised and therefore may have been used to manipulate the financial statements (which we refer to as 'high-risk journals and other adjustments').

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our audit approach (cont.)

4 Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

Change vs prior year



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council. We therefore determine post retirement benefits obligation to have a high degree of estimation uncertainty.
- The results of the new Triennial Valuation as at 31 March 2025 will also be considered for accounting at 31 March 2026. This means re-basing their estimate models to allow for actual experience since 2022, which could result in corrections to the defined benefit obligation and asset valuations. Contributions payable are also updated, which could have an impact on the assessment of the asset ceiling applicable to the Council.
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and require actuarial involvement.



Planned response

We will perform the following procedures:

- Understand the processes the Councils have in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in light of the updated information and change of contributions following the completion of the funding valuation, and assess the sensitivity of the deficit or surplus to the assumptions made;
- Where applicable, assess the level of surplus that should be recognised by the entity; and
- Assess the impact of a new triennial valuation model and/or any special events.

Audit risks and our audit approach (cont.)

5 General Ledger Migration



Other audit risk

Risk: The data migrated from the old to new general ledger system are incomplete or inaccurate

The Council migrated its general ledger software in August 2025.

This migration poses a risk of incomplete or inaccurate data having been migrated over and therefore a risk of there being inaccurate ledger balances and inaccurate preparation of the year-end financial statements.

As the timing of the migration was during the financial year, there is also an increased risk relating to the control environment as different processes will have been in operation before and after the migration.



Planned response

We will perform the following procedures:

- We will understand and evaluate the design and implementation of controls in place around the migration to ensure the complete and accurate transfer of data;
- We will consider the impact the migration will have on our understanding of the business processes and perform additional risk assessment procedures to ensure that we have appropriately and sufficiently documented its impact;
- We will understand the changes to the IT environment and involve KPMG IT audit specialists where applicable;
- We will test the migration of data to ensure completeness and accuracy of the transferred data; and
- We will verify the accuracy of the opening trial balance of the new general ledger system and reconcile it to the closing trial balance of the old general ledger system to confirm that the ledger balances have accuracy transferred across.

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

Professional standards require us to presume, unless rebutted, that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
Council tax	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for this balance to be subject to fraudulent financial manipulation.
Business rates	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for this balance to be subject to fraudulent financial manipulation.
Fees and charges	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
Grant income	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

Expenditure – rebuttal of Significant Risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting from the manipulation of expenditure recognition is required to be considered. Having considered the risk factors relevant to the Council and the nature of expenditure within the Council, we have determined that a significant risk relating to expenditure recognition is not required.

Specifically, the financial position of the Council, (whilst under pressure) is not indicative of a position that would provide an incentive to manipulate expenditure recognition and the nature of expenditure has not identified any specific risk factors.

Mandatory communications - additional reporting

Going concern



We will assess the risk relating to management’s judgement on the use of the going concern basis and the adequacy of related disclosures, including any possible material uncertainty. Under NAO guidance, including Practice Note 10 - A local authority’s financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern. However, financial sustainability is a core area of focus for our Value for Money responsibilities.

Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily 	We have identified issues that we may need to report 	Work is completed at a later stage of our audit so we have nothing to report 
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We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This “Whole of Government Accounts” requirement is fulfilled when we complete any work required of us by the NAO.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Mandatory communications

Type	Statements
Management’s responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor’s responsibilities	Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Auditor’s responsibilities – Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor’s responsibilities – Other information	Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
Independence	Our independence confirmation at page 31 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.

Value for money

Our approach

Value for money

Our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility is to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

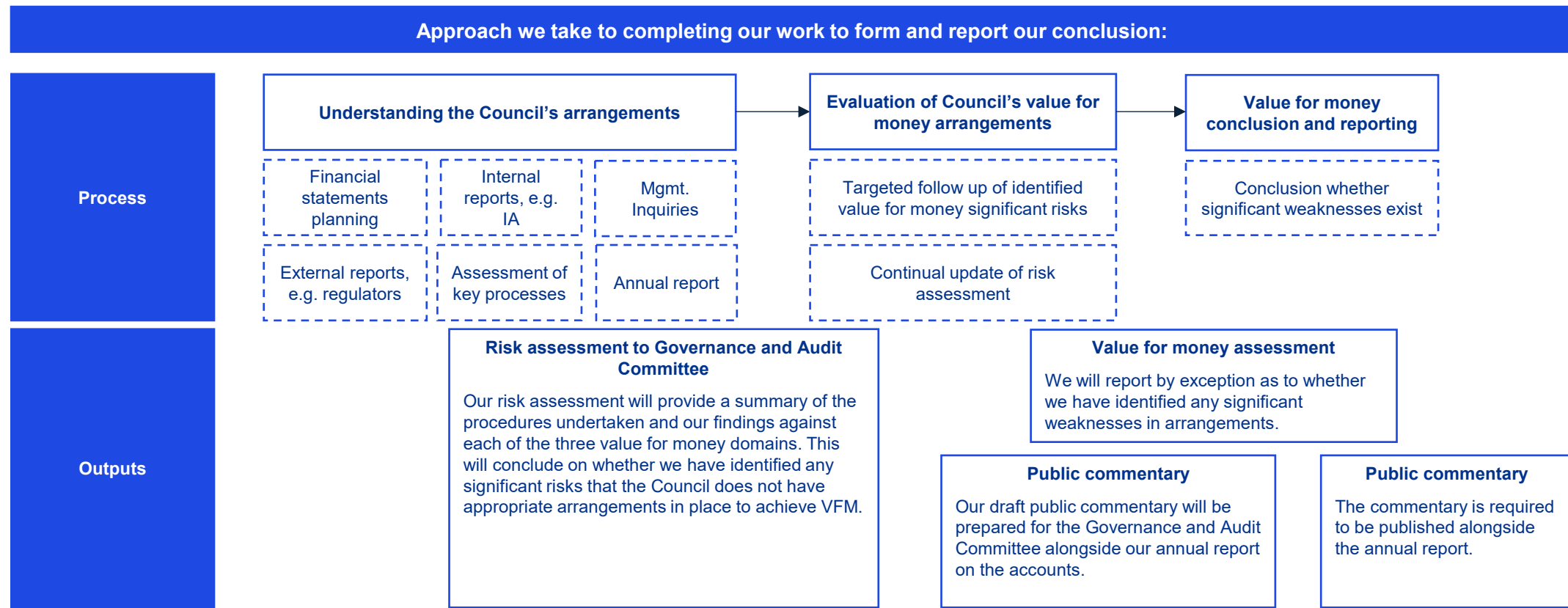
Governance

How the body ensures that it makes informed decisions and properly manages its risks.

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.

Value for money



Summary of risk assessment

Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Council’s systems, reviewed reports from external organisations and internal audit and performed inquiries of management. These procedures are consistent with prior year.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Council for each of the relevant domains:

Domain	Significant risk identified?
Financial sustainability	No significant risks identified
Governance	One significant risks identified
Improving economy, efficiency and effectiveness	No significant risks identified

We have identified one significant risk over the Council’s governance arrangements in place to meet the statutory deadline for the preparation and publication of the draft statement of accounts – see page 24 for further detail.

We have provided a summary of the procedures performed and our key findings from these on pages 20 to 26.

We have not raised any recommendations as a result of our risk assessment work.

We have not raised any performance improvement observations as a result of our risk assessment work.

Response to significant risk

The table below sets out the details of the risk that has been identified and the procedures we intend to perform in order to respond to the risk. We will report on our conclusion from these procedures as part of our year end report to the Governance and Audit Committee:

Description of risk	<p>The Government introduced amendments to the Accounts and Audit Regulations which required the Authority to publish its unaudited 2025/26 Statement of Accounts and accompanying information on or before 30 June 2026.</p> <p>Discussions with management to date suggest the Council may not publish the unaudited Statement of Accounts by the required deadline, thus breaching a statutory requirement.</p> <p>We have therefore identified a risk that management do not have appropriate arrangements in place to prepare and publish their accounts in line with the required timetable.</p>
Procedures to be performed	<p>We will inquire with management as to their preparedness for the 2025/26 audit cycle, including the production of the unaudited Statement of Accounts.</p> <p>We have suggested management produce a paper for the Governance and Audit Committee, outlining the proposed timetable and any risks to this timetable. This is particularly important as the audit backstop deadline for 2025/26 accounts is January 2027, compared to February 2026 for 2024/25 audited accounts.</p>

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2025/26 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2025/26 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2025/26 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment

The budget setting process is a rolling process as part of the medium-term financial plan, this usually starts in the autumn of the previous year. For 2025/26, the preparation of the budget began in October 2024 with draft budgets approved in February 2025. A detailed timetable is agreed by Executive and Council to ensure appropriate scrutiny and challenge can occur throughout the process.

Budgets are initially prepared at a service level with budget holders producing initial expectations of requirements using their knowledge of the directorate through ongoing budget planning meetings. This is then presented to the Finance team for challenge of assumptions. Individual budget lines are analysed by finance looking at the previous three years to establish trends which are then discussed with budget holders to ensure pressures or potential savings are identified at an early stage. These savings are then incorporated into the plan. Our discussions with finance team and services identified that detailed analysis on both demographic pressures and inflationary pressures for each directorate are considered during the initial budget preparation stage. Communications take place prior to setting the budgets to allow review and challenge of any assumptions. The Budget Joint Scrutiny and Overview and Scrutiny Committee provided cross party challenge of the budget and budget proposal on 14th January 2025 before being shared with Cabinet.

The medium-term financial plan is linked to objectives outlined in the council's Corporate Plan, notably '*providing value-for-money for residents and businesses through responsible and prudent use of resources*'. The budget acts as the start of the cascade process into operational and workforce plans, to ensure that the Council's investment and capital plans are aligned.

Financial Performance is reported to the Finance and Economic Overview and Scrutiny Committee ahead of reporting to Cabinet on a quarterly basis. Forecasts are developed with budget holders using year to date performance and commitments to help inform the forecasting. The Finance team meet with budget holders to agree forecast outturn positions, these are then agreed with Directors. These are detailed through the quarterly monitoring reports. The overall position is then presented to the S151 Officer for agreement prior to reporting to Members.

For 2025/26, the Council set a balanced budget, with no planned use of the Budget Stabilisation Reserve. Throughout the year there were lower than expected adjustments to budget and as at Q3 the Council reported a net underspend of £361k against the adjusted budget on general fund. The key drivers of these positive movements in the forecast were an underspend on fuel costs (£266k) and utilities (£250k), with better-than-expected investment income (£122k) due to higher interest rates. Overall, the Council's projected closing General Fund reserves, are above the Council's stated prudent minimum.

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2025/26 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2025/26 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2025/26 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

The Council's budget for 2025/26 included no requirement to deliver savings. Savings plans are usually developed as part of the overall budget setting process and therefore encounter the same levels of challenge, scrutiny and approval as the budget. Actions are identified where there are risks in financial performance for each service through the year. Savings are not separately reported but key savings identified in year are detailed in the reporting on significant variances to budget, for example, as a result of the underspend on utilities through using a procurement framework. This demonstrates the Council's arrangements in this area, are operating effectively.

Under the budget proposals, the Council's indicative budget for 2026/27 and 2027/28 resulted in small deficits and there are savings planned for the medium term. Overall, as per the Corporate plan to 2028, the Council has identified a savings requirement of £1.1m. The objectives of the corporate plan, including key capital projects, are identified within the budget setting process to ensure consistency.

The Council's Risk Management Policy details a clear process and reporting structure in how the entity responds and manages risks. Various risks relating to financial sustainability have been identified by the Council including the requirement for borrowing to fund capital projects in the medium term, lack of clarity on funding for 2026/27 onwards and volatility in fuel and utility prices. Actions identified to mitigate these include regular monitoring of overspend and use of sensitivity to identify worst case scenarios for inflation. The Council has also identified savings plans and is modelling the impact of any borrowing that might be undertaken through Treasury management.

The Council continues to support its wholly owned subsidiary Leisure SK Ltd. In response to LeisureSK's financial difficulties the Council approved a new contract from 1st April 2025 with the company to deliver services under an agency model to improve its finances. In the budget the Council include £150k of cashflow support to stabilise the company's position but we note that as at M9 Leisure SK was projecting a financial surplus for the year of £127k which would contribute towards this support.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with the Council's arrangements in relation to securing financial sustainability.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2025/26 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.
- How the Council is preparing for Local Government reorganisation

Summary of risk assessment

Risks are identified in line with the Council's Risk Management Strategy. There are several levels of risk management identified - Strategic, Service and Project – and these are monitored through regular review by the register owners, Corporate Management Team (CMT), Heads of Service and Governance and Risk Officer. Assessing the impact and likelihood of each risk is done through a matrix which uses a likelihood/impact model to calculate a risk score. The score is assigned as per the strategy guidance. Challenge comes through a range of officer involvement through project boards.

The Council also engage with external specialists to provide guidance sessions to members. This helps to develop their understanding of risk so that they can appropriately identify strategic risks and challenge the risk appetite and risk scoring effectively in Governance and Audit Committee. We note Internal Audit also provide a supporting Risk Radar report to aid members in their challenge when the risk register is reviewed.

The Strategic risk register is presented to Governance and Audit Committee twice a year for review. As at January 2026, there were 11 risks contained within the strategic risk register; 2 were rated Very High, 5 High and 4 Medium. The risks rated Very High related to; pressures on the Housing Revenue Account viability due to the challenges of providing and maintaining quality social housing provision within the district, and general uncertainty around the impact of Local Government Reorganisation on the Council.

The development of actions is completed using the risk management framework guidance. Actions use the Treat, Tolerate, Transfer and Terminate matrix to evaluate responses to the risk depending on the severity and likelihood. Monitoring is undertaken through either project management teams or boards. When reported to Governance and Audit committee, members are asked to consider the register and report any comments/issues to CMT and Cabinet who also receive the register. Committee reports for all key decisions are mandated to set out the key risk associated with the proposed decision.

The Council undertake a number of measures to prevent and detect fraud. There is a Counter Fraud policy and strategy which complies with the requirements of the Code, this sets out key actions for the Council to ensure compliance. We note a review is currently underway of the policy and strategy. The Council also receives assurance through the work of internal audit, and all staff are required to complete the e-learning on fraud which is held centrally. An annual fraud report is presented to the Governance and Audit Committee including the counter fraud action plan and fraud risk register.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2025/26 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.
- How the Council is preparing for Local Government reorganisation

The 2025/26 financial plan, as part of the medium-term financial plan, went through several levels of review prior to approval by the Council in January and February 2025. The financial plan includes a risk assessment of the key financial risks that the Council faces over the period. These risks are modelled to include increased utility and fuel costs, impact of national pay award, changes to council tax base, business rates base, interest rates etc. The analysis identifies a likelihood percentage and risk value amount, with a worst-case scenario impact on the current reserves.

The Monitoring Officer is responsible for monitoring compliance with all relevant/applicable legal requirements. All Executive reports are subject to mandatory consultation with the Chief Executive, Section 151 Officer and Monitoring Officer. Where required Executive Reports are supported by Equality Impact Assessments. Management inquiries have confirmed there have been no breaches of legislation or regulatory standards that has led to an investigation by any legal or regulatory body during the year.

The Council's Code of Conduct communicates values and expected behaviours of staff and Council members, this is covered through the Code of Conduct and Disciplinary Policy. This is communicated to staff as part of the recruitment process and is available on the staff intranet. This also covers requirements with regard to gifts and hospitality and the register of interests. There are a number of other policies available to view on the Council's website as well as the Constitution which details the Terms of Reference for each committee and the responsibilities of key officers.

In previous years we identified an increase in the number of member complaints under the member code of conduct policy. These complaints required initial investigation by officers and for several cases the Council engaged independent legal expertise to complete investigations. In 2024/25 this resulted in additional legal costs to the Council of c.£70k. We note that whilst the backlog of complaints has been addressed in 2025/26, there remains a relatively high volume, and this continues to require a considerable amount of senior officer time.

We reviewed a number of key decisions made by the Council in year to assess the effectiveness of the arrangements in place. Key decision making is subject to discussion and scrutiny at executive team level and relevant sub-committees such as Governance and Audit and Overview and Scrutiny, followed by formal approval by the Council. All key decision records are available to view on the Council's website.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2025/26 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.
- How the Council is preparing for Local Government reorganisation

One such decision was to sell land at St Martin's Park. In 2023/24 the Council examined options available for the St Martin's Park land project and subsequently approved the decision to sell the land in order to mitigate the financial deficit on the project. As at October 2024, sales contracts had been exchanged committing developers to the scheme at the sale contract prices agreed by Council and landowners and developers were working on items that needed to be finished before the sale contract could be completed with the developers. From inquiries with management as at March 2026 we understand that the sale of the land has not yet been completed as further work infrastructure work has been required. We will follow up on progress as part of our final audit work.

The Council had also made key decisions in relation to the new Finance system. In February 2025, the Council made the decision to postpone the 'go live' date to August 2025. This decision was taken due to further changes in key finance team members and to avoid incurring significant costs from the engaged specialists who would be required to take on more of the implementation work to meet the original deadline. The delay would also help the finance team to manage their competing priorities in relation to year-end close and accounts preparations. The Go-Live was successful in August 2025 and the finance team have access to ongoing support from the external specialists as they commence year-end reporting for 25/26 in the new system for the first time. From inquiries with management, we note that the Council may miss the deadline to publish unaudited statement of accounts by 30 June 2026. As this is a statutory requirement, and one that the Council has not met for the last few years, we have identified a risk of significant weakness in relation to the Council's arrangements to prepare statement of accounts within the deadline.

As stated above, we also note there have been some changes in senior staffing in 2025/26. The Monitoring Officer left the Council in April 2025 and an interim officer was appointed, supported in role by the Chief Executive, to cover the position. A permanent appointment was made in September 2025, though due to notice period the new Monitoring Officer did not take office until February 2026.

A further key decision was taken in year on Local Government Reorganisation (LGR). We note that in response to the Government White Paper on Local Government Reorganisation, the Council examined several options within its submission after working with neighbouring District Councils. The Council submitted its proposal in November 2025 which included support for two new council areas; with North Kesteven, South Kesteven and South Holland combining as one; and East and West Lindsey, Boston and Lincoln in the other. A public consultation was launched in February 2026 and will last until 26th March 2026, with a final decision expected by July.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have identified one significant risk in relation to the Council's arrangements to prepare the statement of accounts within the regulatory deadline.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

We note that the Council takes part in national benchmarking exercises but does not routinely use benchmarking in reviewing performance. The Council does have processes in place to support it in using information about costs, through financial monitoring, and performance to improve the way services are managed and delivered, with a focus on the level of value for money being achieved. This is reported quarterly through Overview and Scrutiny Committee and Cabinet.

The Council reviews its corporate performance measures as part of the three-year Corporate Plan through a target setting process. The process is co-ordinated by the Corporate Management Team, with input from all directorates. Target setting incorporates benchmarking, assessment of local conditions, and national indicators/reporting requirements.

The Council's performance framework is driven by the Corporate Plan priorities: Healthy & Strong Communities, Growth & Our economy and High Performing Council. We reviewed the performance report for Q2, with monitoring of actions split across the different Overview and Scrutiny Committees. There were 15 actions overall, 9 actions covered by the Finance and Economic Overview and Scrutiny committee. Of those actions with updates, 12 actions were on target or on track and 3 were under review. The KPIs under review related to the full delivery of the Economic Development and Operational Delivery plans, as well as percentage of contracts with value greater than £25k being fully compliant. From inquiries we understood the latter issue was due to a delay in extracting the correct data from the new finance system. Management expect that by Q4 this report will be available and they will be able to confirm compliance.

The Finance and Economic Overview and Scrutiny Committee also reviews financial performance on a quarterly basis and this covers key services, helping to identify any services off target and what actions are being taken to address/mitigate the financial risks. Quarterly reports are also presented to the Cabinet.

We note that the Council has continued to underspend against its capital plan through 2025/26, At Q3 the majority of the underspend related to Street Scene Vehicle Procurement; due to the large number of vehicles being purchased delivery was expected in April 2026. This has led to planned capital budget being carried forward into 2025/26 of £1.39m. This underspend and carry forward request was reported to Cabinet and Finance and Economic Overview and Scrutiny committee, we will revisit the position at year-end.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

The Council has a number of key partnerships to help deliver support and services, such as the Building Control Partnership with Newark and Sherwood District Council and Rushcliffe Borough Council, where a partnership agreement is in place and performance is monitored through this arrangement. The Council also has a collaboration agreement in place with Burghley Land Ltd in relation to the land at St Martin's park. There is a partnership policy that details the governance framework for partnership working and all partnerships are recorded in the partnerships register held by Governance team. Monitoring is performed via reporting through relevant Overview and Scrutiny committees.

The Council engages with key stakeholders to help develop the Council as an organisation. There have been numerous consultation with the public around Community Governance in year and Council tax and rate payers were consulted on proposed changes. In preparing the Council's Corporate Plan, residents are encouraged to comment on the Council's priorities, for example in relation to sustainability. Response rates are published in the plan and the 2025/26 narrative report to the accounts.

The Council has appropriate arrangements in place to deal with residents' complaints, Freedom of Information requests, Subject Access Requests, data breaches and whistleblowing allegations. The Council also engages with other local partners such as Legal Services Lincolnshire, Lincolnshire Police, Lincolnshire County Council. We note there has been no outsourcing of services in year.

We note that in April 2026 South Kesteven District Council has been subject to formal inspection by the Regulator of Social Housing. The inspections formal outcome is expected in summer 2026. We will therefore revisit this at year-end to review the findings and consider the impact on our value for money work.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with the Council's arrangements in relation to improving economy, efficiency and effectiveness.

Appendix

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Appendix one Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit director and firm.

	Salma Younis is the director responsible for our audit. She will lead our audit work, attend the Governance and Audit Committee and be responsible for the opinions that we issue		John Blewett is the senior manager responsible for our audit. He will co-ordinate our audit work, attend the Governance and Audit Committee and ensure we are co-ordinated across our accounts and value for money work.		Jordan Fulcher is the in-charge responsible for our audit. He will be responsible for our on-site fieldwork. He will complete work on more complex sections of the audit.
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To comply with professional standard we need to ensure that you appropriately rotate your external audit director. There are no other members of your team which we will need to consider this requirement for:



This will be director's third year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.

Appendix two Audit cycle & timetable

Our schedule Feb 2026 – Jan 2027

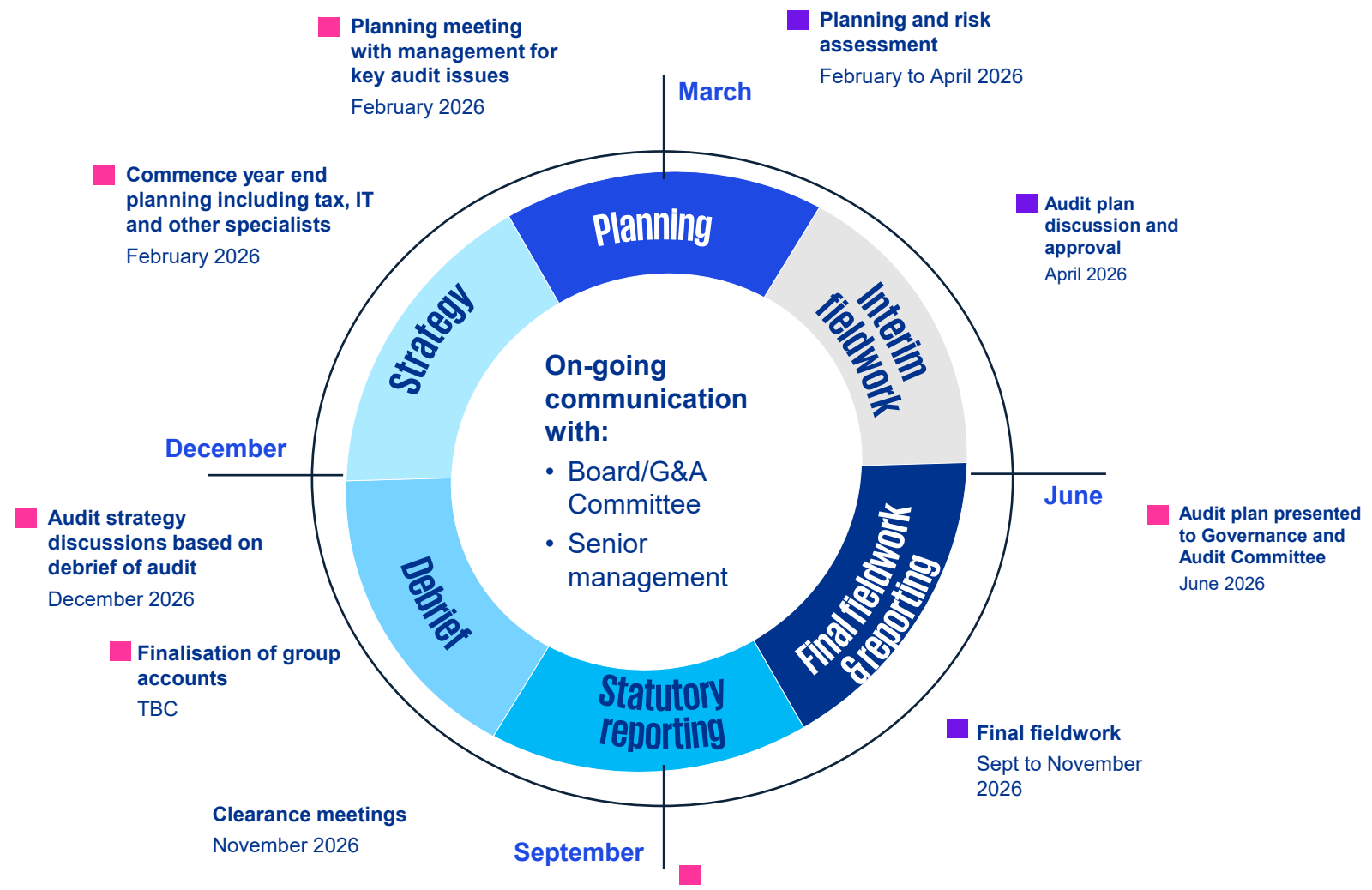
Key:

- Timing of G&AC communications
- Key events

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report ahead of the backstop date, 27 January 2027.

The above timings are subject to change as management have confirmed there is a risk it may not issue its statement of accounts by the deadline of 30 June 2026.



Appendix three

Fees

Audit fee

The audit fees for the year ended 31 March 2026 are set out below.

Entity	2024/25 (£'000)	2023/24 (£'000)
Scale fees as set by PSAA	168	166
Agreed PY fee variations	-	13
Agreed current year fee variations	TBC	-
TOTAL	168	179

We note we are expecting fee variations for the following areas in 2025/26 and will advise of the level as work progresses:

- LGPS Triennial valuation (we will be in a position to provide an estimate once this has been considered further.
- The Council performed a ledger migration in August 2025 and as a result we will be required to perform additional procedures, as detailed on page 12.

Fee variations are subject to PSAA approval.

Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Basis of fee information

Our fees are subject to the following assumptions:

- The Council's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.
- There are no VFM significant risks

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Governance and Audit Committee members

Assessment of our objectivity and independence as auditor of South Kesteven District Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings.

Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values.

- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the table overleaf.

Confirmation of Independence

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2026 £000	Value of Services Committed but not yet delivered £000
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none"> Separate teams Standard language on non-assumption of management responsibilities is included in our engagement letter. The engagement contract makes clear that we will not perform any management functions. The work is performed after the audit is completed and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	- (24/25: 27.9)	TBC
2	Pooling of Local Authority Housing Receipts audit	Management Self review Self interest	<ul style="list-style-type: none"> Separate teams Standard language on non-assumption of management responsibilities is included in our engagement letter. The engagement contract makes clear that we will not perform any management functions. The work is performed after the audit is completed and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	- (24/25: 7)	TBC

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is to be confirmed however based on the 24/25 non-audit fees of £34k we do not anticipate that the ratio would exceed 0.2: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2025/26
	£'000
Audit - scale fees	168
Other Assurance Services	TBC
Total Fees	168

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

Appendix five KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

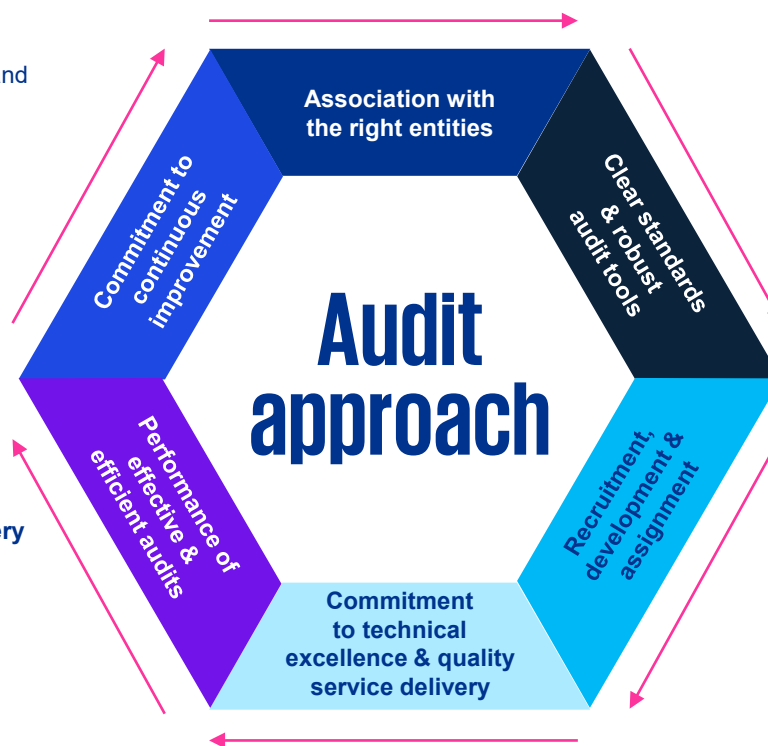
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

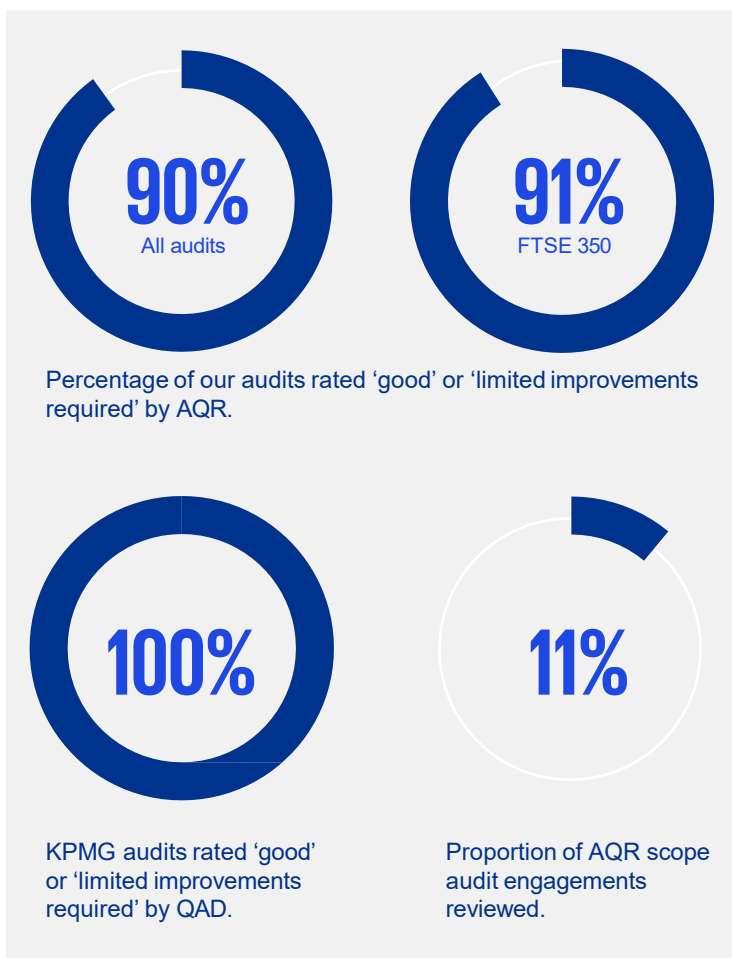
■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

Appendix six 2025 AQR results



The FRC published reports on the findings of AQR and QAD 2023/24 inspection of KPMG and the other tier 1 firms (which largely covered years ending between August 2023 and March 2024) on 15 July 2025

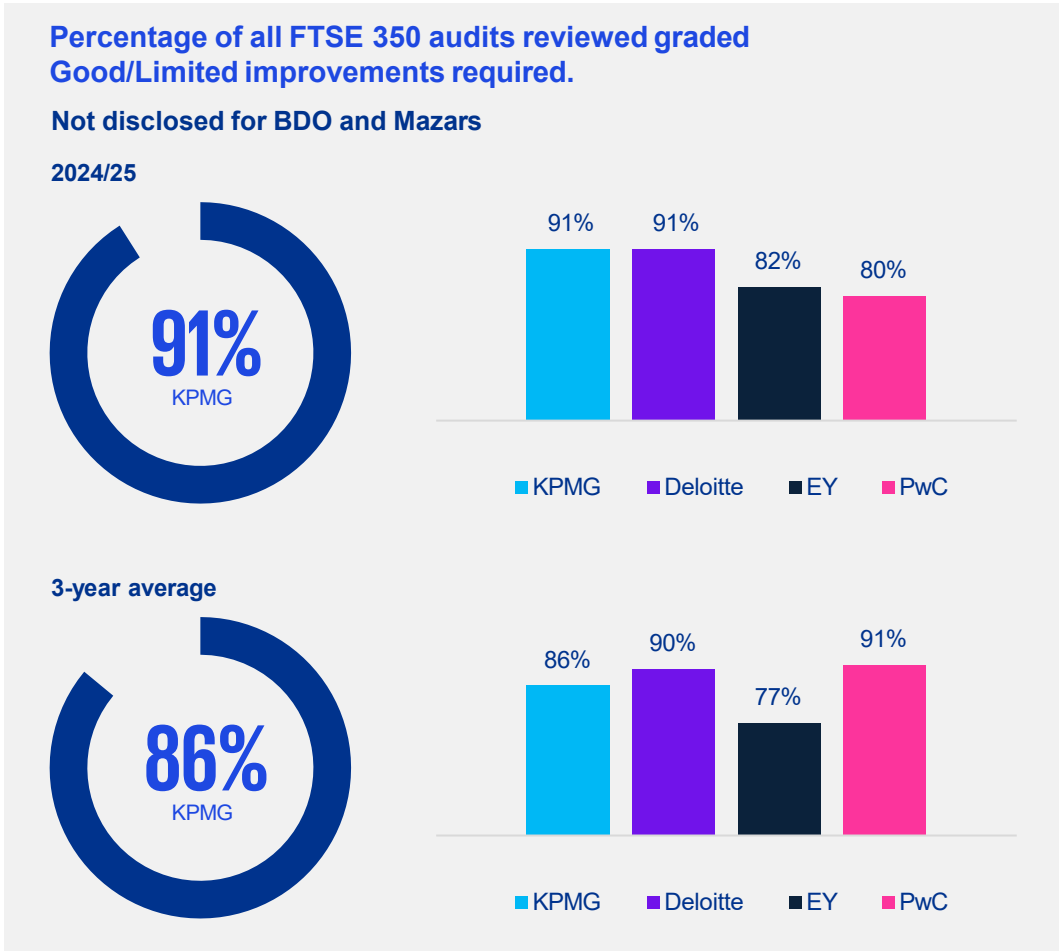
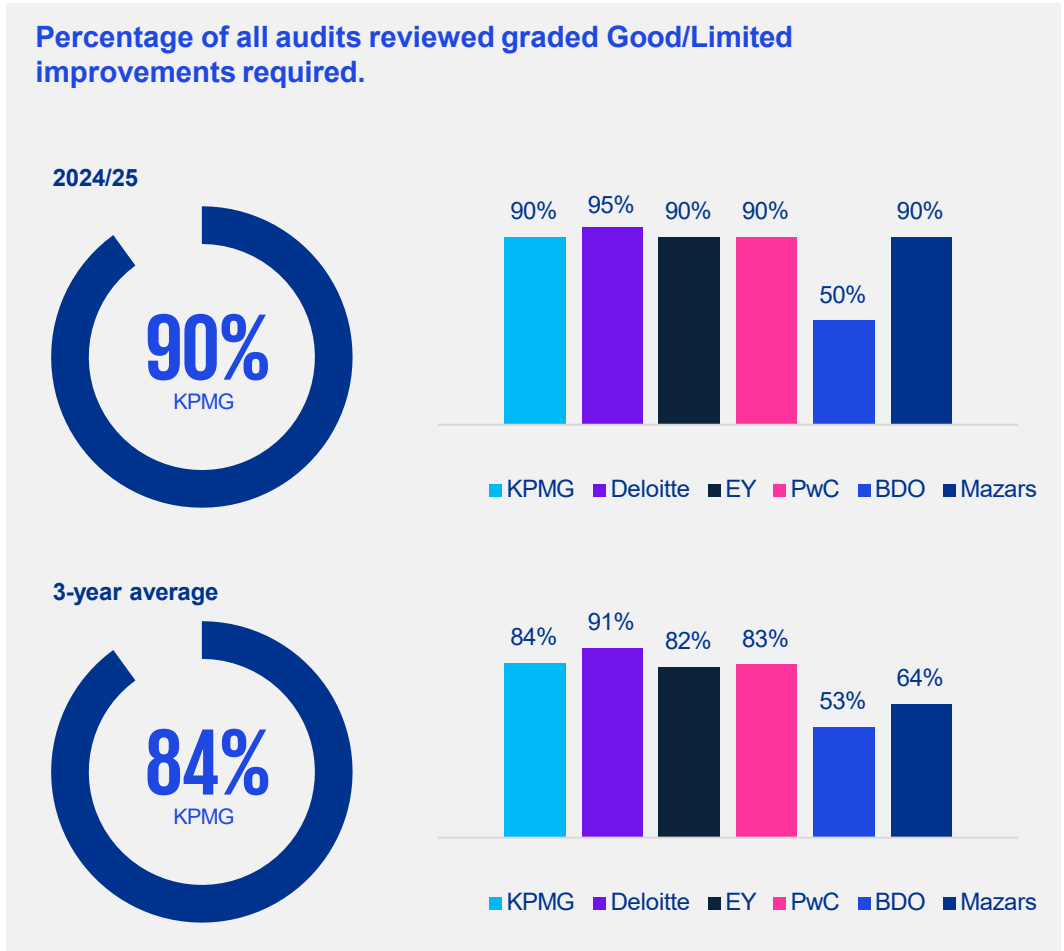
Key findings	Our response	Good practice identified
<p>Estimates</p> <p>“Improve the quality and consistency of the audit of estimates in the valuation of investments and provisions.”</p>	<p>A targeted programme to support engagements which have estimates with certain characteristics has been initiated.</p> <p>Alongside this, we continue to invest in our training and culture programmes to reinforce the behaviours expected, including consistent application of a critical thinking mindset and the extent of evidence expected.</p>	<p>At an engagement level areas of good practices were identified including:</p> <ul style="list-style-type: none"> • Risk assessment and planning including bribery & corruption, climate and provisions; • Audit of provisions; • Audit of impairment • Use of specialists; • Group audit oversight; and • Stand-back assessment. <p>Good practices were identified in various areas at the firm level including identification of SOQM deficiencies, component auditors compliance with the ethical standards, the continued roll out of the Ethics Programme and the development and use of new technology.</p>
<p>Consolidation and other journals</p> <p>“Improve the quality of the audit of consolidation and other journals.”</p>	<p>Enhanced guidance and continuation of a centrally led process designed to challenge the journals approach at an engagement level, together with additional targeted training are helping us to reduce the recurrence of findings in this area.</p>	

The Audit Quality Review (AQR) team of the Financial Reporting Council (FRC) undertakes independent inspections of the overall quality of the audit work of those UK audit firms that audit listed and other major public interest entities. The AQR inspections involve a number of file reviews at each firm visited. The result of these file reviews are summarised into three main categories as follows:

- Good or limited improvements required;
- Improvements required;
- Significant improvements required



Appendix six 2025 AQR results (cont.)





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