Redditch Borough Council

Audit planning report

Year ended 31 March 2026

05 October 2026

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05 October 2026

Audit, Governance and Standards Committee
Redditch Borough Council
Town Hall
Walter Stranz Square
Redditch
B98 8AH

Dear Audit, Governance and Standards Committee Members,

Audit planning report 2025/26

We are pleased to attach our audit planning report for the forthcoming meeting of the Audit, Governance and Standards Committee. The purpose of this report is to provide the Committee with a basis to review our proposed audit approach and scope for the 2025/26 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements.

This report is intended solely for the information and use of the Audit, Governance and Standards Committee, and is not intended to be, and should not be used, by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 03 November 2026 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Hayley Clark

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the 'Statement of responsibilities of auditors and audited bodies'. It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment and further guidance (updated July 2021)' issued by the PSAA (https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit, Governance and Standards Committee and management of Redditch Borough Council. Our work has been undertaken so that we might state to the Audit, Governance and Standards Committee and management of Redditch Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit, Governance and Standards Committee and management of Redditch Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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Overview of our 2025/26 audit strategy

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2025/26 audit strategy overview: Rebuilding Assurance

The purpose of this report

As the Council's body charged with governance, the Audit, Governance and Standards Committee plays a crucial role in ensuring assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support a timely and efficient audit. Failure to achieve this will significantly increase the level of resources required to fulfil our respective responsibilities.

As part of our responsibilities, we assess and report on the adequacy of the Council's external financial reporting arrangements, as well as the effectiveness of the Audit, Governance and Standards Committee in fulfilling its role within those arrangements as part of our Value for Money assessment. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. Wherever necessary, we will consider invoking other statutory reporting powers to highlight any weaknesses in these arrangements. We direct the Audit, Governance and Standards Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing financial statements (see Appendix A).

Our shared strategy to rebuild assurance

We are now in Phase 2 of the implementation of the Ministry for Housing, Communities and Local Government's (MHCLG) measures to address the backlog facing local government audit. Throughout 2023/24 and 2024/25, we have applied a structured, risk-based prioritisation approach to local government audits to support a return to unqualified audit opinions wherever feasible, while still meeting statutory backstop requirements. Our approach recognises that recovery depends heavily on the Council's own capacity and preparedness and that audit effort must be targeted where it can deliver meaningful assurance.

Management has overall responsibility for leading and sustaining the Council's recovery from a disclaimed audit opinion. This includes ensuring that the financial statements are prepared in accordance with proper practices and supported by complete, accurate and timely audit evidence.

To deliver this, it is essential that management:

- Strengthen the underlying control environment, particularly in areas linked to prior year disclaimers.
- Provide timely high-quality working papers and ensure that all audit evidence is complete, consistent and readily accessible.
- Allocate sufficient, knowledgeable resources throughout the audit cycle.
- Actively engage with auditors, promptly addressing findings and resolving weaknesses in financial reporting arrangements.
- Communicate transparently with the Audit, Governance and Standards Committee, as Those Charged with Governance, ensuring that Committee members have clear visibility of risks, progress and emerging issues.

In line with the National Audit Office's Local Audit Reset and Recovery Implementation Guidance (LARRIGs) - and specifically the guidance on rebuilding assurance following a disclaimed opinion - management must support the restoration of reliable opening balances and enable a phased progression from disclaimed to qualified and ultimately unmodified audit opinions. Achieving this requires sustained delivery of the "natural rebuild," through the completion of all planned audit procedures across successive annual cycles, alongside targeted work to rebuild assurance over historical balances, including both usable and unusable reserves, where cumulative gaps in evidence present the most significant challenges.

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2025/26 audit strategy overview: Rebuilding Assurance

Our shared strategy to rebuild assurance continued

Appendix A explains the expected timeline to full assurance set out within the NAO's LARRIG 01 guidance, along with our assessment of the Council's status. During 2023/24 and 2024/25, the focus of the rebuild process has been on this "natural" rebuild, to complete all planned audit procedures for each respective audit year.

As set out in our Audit Completion Report dated 28 May 2026, we were not able to complete all planned audit procedures for the 2023/24 and 2024/25 audits for the following reasons:

- Delayed appointment as external auditors of the Council;
- 2022/23 audit not being concluded until 28 January 2025;
- Delayed publication of Council's 2023/24 draft Statement of Accounts; and
- Significant delays in receiving the required information from management.

As part of our audit procedures for 2025/26, we have undertaken a risk assessment to evaluate the risk of material misstatement in the opening reserves balances at 1 April 2025, and to assess management's readiness to support the historic rebuild process over transactions and balances in 2022/23 (and earlier years, if applicable) that were not subject to audit. We have discussed the outcome of our risk assessment over the opening reserves balances with management to confirm our planned approach for 2025/26. However, because we were unable to complete all planned audit procedures for 2023/24 and 2024/25 for the reasons outlined above, we will not commence any rebuilding of assurance over the historic position during the 2025/26 audit cycle. In line with our established prioritisation principles, we will focus our audit resources on rebuilding assurance for those bodies where planned audit procedures were completed in 2023/24 and 2024/25, in order to support the sector wide objective of returning to unmodified audit opinions as quickly and sustainably as possible.

On the next page we have set out the preparedness for the 2025/26 audit cycle, which following discussions with management means that all planned procedures will not be completed for 2025/26.

It is therefore critical that management ensure they can provide high-quality working papers, robust audit evidence, and resolve the underlying issues identified in prior years as part of the 2026/27 audit cycle. This will be essential to avoid any further delay in the eventual process for rebuilding assurance over the Council's historic position.

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2025/26 audit strategy overview: Rebuilding Assurance

Preparedness for audit

Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. Our 2024/25 reporting concluded that the Council was not fully prepared for the audit and identified a number of areas requiring improvement. These included strengthening management capacity and capability to support effective discharge of financial reporting responsibilities and the audit process, improving the timeliness and quality of working papers provided for audit, and addressing ongoing challenges arising from the implementation of the Council's ERP system effecting business-as-usual.

Management has acknowledged the matters raised through our prior year reporting and has developed an action plan, as set out within the 2025/26 Annual Governance Statement, to address the underlying weaknesses. We will continue to report on our assessment of the quality of the Council's financial statements' preparation and support, to support ongoing transparency of the audit process to those charged with governance, and to facilitate benchmarking and tracking of progress in future years.

For 2025/26, we understand that management's immediate priority is to stabilise financial reporting processes and focus resources on improving the quality and timeliness of financial statement preparation in advance of the 2026/27 audit cycle. Given this context and that the 2023/24 and 2024/25 financial statements and audit process were not signed until August 2026, management has informed us that they are not in a position to support planned procedures in relation to the 2025/26 financial statements in advance of the backstop date. Due to this limitation, our procedures will focus on mandatory procedures where a disclaimer of opinion is likely to be issued, along with value for money requirements.

Scope of our audit

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. Additionally, we aim to ensure that the Council has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code. We will issue an Audit Results Report that the summarises our opinion on the financial statements by January 2027 and other procedures required by the Code. This includes our assessment of the control environment, including our follow up of the recommendations that we made in 2024/25 (refer to Appendix C). In addition, our Auditor's Annual Report will conclude on whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

In addition to the audit of the Council's standalone financial statements, we are also required to gain assurance over group consolidated financial statements which also includes Rubicon Leisure Limited, a company limited by guarantee which is 100% controlled by the Council.

The Council prepares its annual report and financial statements on a group basis. However, as management has informed us that they are not in a position to support planned procedures in relation to the 2025/26 financial statements we will be unable to perform planned procedures to gain assurance over the group financial statements.

Timeline

An audit timetable has been agreed with management. In Section 6 we include a provisional timeline for the audit. It is essential that all parties collaborate to ensure compliance with this timeline.

Our independence considerations

Please refer to Appendix B for our update on independence.

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2025/26 audit strategy overview: Audit risks and materiality

Audit risks and areas of focus

The purpose of our audit is to obtain reasonable assurance to express an opinion about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error. There are two significant changes to the scoping for the audit of the 2025/26 financial statements. The presumed fraud risk relating to revenue recognition has been removed, with audit procedures instead focused on the risk of inappropriate expenditure recognition and the other change relates to the implementation of CIPFA's Bulletin 22 in relation to the valuation of Property, Plant and Equipment.

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit, Governance and Standards Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Risk/area of focus	Risk identified	Change from PY	Details
Presumptive risk of management override of controls	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in expenditure recognition through inappropriate capitalisation of revenue expenditure	Fraud risk	Change in risk focus for 2025/26	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure (PPE Additions and REFCUS).
Valuation for Pension assets / liabilities and disclosure	Inherent Risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates for scheme assets.

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2025/26 audit strategy overview: Audit risks and materiality

Audit risks and areas of focus continued

Risk/area of focus	Risk identified	Change from PY	Details
Valuation of property, plant and equipment	Inherent risk	Increase in risk or focus	PPE represent significant balances in the Council's financial statements and are subject to valuation on a periodic basis. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet. We will specifically focus on assets where a higher degree of estimation uncertainty exists: • Depreciated Replacement Cost (specialised operational assets for which an active market does not exist); • Fair Value (surplus assets valued at the price that would be received to sell an asset); and • Existing Use Value (operational assets for which there is an active market to provide comparable evidence). The Council engages external property valuation specialists to determine asset valuations and small changes in assumptions when valuing these assets can have a material impact on the financial statements. In the 2025/26 financial statements the Council will be required to apply CIPFA Bulletin 22 which reassesses the current regime of valuation for non-investment assets across the public sector. The guidance mandates a quinquennial revaluation or a five-year rolling programme for formal valuations, supported by annual indexation in the intervening years. Successful implementation will depend on the Council ensuring that their existing valuation programme is adapted in line with the guidance and that appropriate indices are selected to be applied in intervening years.

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2025/26 audit strategy overview: Audit risks and materiality

Materiality

Planning materiality
£1.84m

Group Materiality has been set at £1.84m, which represents 1.8% of total gross revenue expenditure in 2025/26 (2024/25: £1.82m, 1.8%).

The level for the Council as a standalone entity is £1.72m.

Performance materiality
£0.92m

Group Performance materiality has been set at £0.92m, which represents 50% of materiality (2024/25: £0.91 million, 50%).

The level for the Council as a standalone entity is £0.86m. (2024/25: £0.88m).

Audit differences
£0.09m

We will report all uncorrected misstatements relating to the primary statements over £0.09m (2024/25: £0.09m).

Other misstatements identified will be communicated to the extent that they merit the attention of the Audit, Governance and Standards Committee.

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2025/26 audit strategy overview: Value for Money

Our risk assessment

Under the NAO Code we are required to:

- Satisfy ourselves that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, having regard to NAO AGN 03.
- Design work to provide sufficient assurance to support reporting against the Code's specified reporting criteria outlined below; and
- Apply a risk-based approach to our work, informed by sector knowledge, the annual governance statement, evidence from the financial statements audit and relevant work of other bodies.

In undertaking our risk assessment, we obtain an understanding of the key processes the Council has in place, including financial management, risk management and partnership working arrangements. Our Auditor's Annual Report, which will be issued before 30 November 2026 will include a summary of our commentary on the arrangements in place against each of the three value for money criteria and recommendations raised as a result of any significant weaknesses identified. A key part of our work will be the follow up of previous recommendations to provide the Committee with assurance on the pace of planned improvements.

At the date of this report, our 2025/26 Value for Money (VFM) risk assessment remains in progress. Given that the audit opinions for 2023/24 and 2024/25 were not signed until 06 August 2026 and considering the timings of previous audit opinions that the significant weaknesses identified in prior years remain relevant, these risks have been carried forward into our 2025/26 planning. We will complete our assessment of the Council's VFM arrangements and report our conclusions in the Auditor's Annual Report.

	Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.	**Governance** How the Council ensures that it makes informed decisions and properly manages its risks.	**Improving economy, efficiency and effectiveness** How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
Risks of significant weaknesses in arrangements identified in 2025/26:	▪ No risks identified	▪ Organisational capacity and capability ▪ Non-compliance with VAT regulations ▪ Non-compliance with Social Housing Standards	▪ No risks identified
Recommendations identified in 2024/25 (refer to Appendix C):	▪ No recommendations identified	▪ Ensure actions required to deliver Workforce Strategy are robustly monitored and that the finance team has adequate resources. ▪ Ensure accurate and timely submission of statutory returns. ▪ Ensure monitoring of delivery against the action plan to address the issues raised by the Regulator of Social Housing.	▪ No recommendations identified

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02 Value for money

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Value for money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together a commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

Financial sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.

Governance

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

Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

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Value for money

Planning and identifying risks of significant weakness in value for money arrangements

The NAO's guidance notes require us to conduct a risk assessment that collects sufficient evidence to document our evaluation of the Council's arrangements, allowing us to draft a commentary under the three reporting criteria. This involves identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. In considering the Council's arrangements, we consider:

- The annual governance statement;
- Evidence of arrangements during the reporting period;
- Evidence obtained from our audit of the financial statements;
- The work of inspectorates and other bodies; and
- Any other evidence that we deem necessary to facilitate the performance of our statutory duties.

We then evaluate whether there is evidence indicating significant weaknesses in arrangements. According to the NAO's guidance, determining what constitutes a significant weakness and the extent of additional audit work required to address the risk is based on professional judgment. The NAO indicates that a weakness can be considered significant if it:

- Exposes, or could reasonably be expected to expose, the council to significant financial loss or risk;
- Leads to, or could reasonably be expected to lead to, significant impact on the quality or effectiveness of service or on the council's reputation or unlawful actions;
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

When planning work identifies a risk of significant weakness, the NAO's guidance requires us to consider the additional evidence needed to verify whether there is a significant weakness in arrangements. This involves conducting further procedures as necessary. We are required to report our planned procedures to the Audit, Governance and Standards Committee.

Reporting on value for money arrangements

If we determine that the Council has not made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, the NAO Code mandates that we reference this by exception in the audit report on the financial statements.

Additionally, we are required to provide a commentary on the value for money arrangements in the Auditor's Annual Report. The NAO Code specifies that this commentary should be clear, readily understandable, and highlight any issues we wish to draw to the Council's or the wider public's attention. This may include matters that are not considered significant weaknesses in arrangements but should still be brought to the Council's attention. It will also cover details of any recommendations from the audit and the follow-up of previously issued recommendations, along with our assessment of their satisfactory implementation. Our 2025/26 Auditor's Annual Report must be issued in draft by 30 November 2026 to comply with the revised requirements of the NAO Code.

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Value for money

Status of our 2025/26 value for money planning

Given that the audit opinions for 2023/24 and 2024/25 were issued on 06 August 2026, we have not yet completed our detailed risk assessment procedures over Council's VFM arrangements. However, considering the timings 2023/24 and 2024/25 audit opinions we believe that the significant weaknesses identified in prior years remain relevant for 2025/26 as well. Accordingly, we have outlined our judgements on arrangements in 2024/25 below and will update in the next the Audit, Governance and Standards Committee meeting on the outcome of our value for money planning and our planned response to any additional identified risks of significant weaknesses in arrangements for 2025/26.

Criteria	2024/25 judgements on arrangements	2024/25 Recommendations (refer to Appendix C)
Governance	There has been significant turnover within the Council's senior leadership team, specifically in respect of the Section 151 Officer role. In addition, there have been ongoing capacity issues with the Council's finance team. These changes have weakened the Council's arrangements for ensuring that there is effective financial stewardship to support effective governance and decision making. There has also been a loss of corporate knowledge that has adversely impacted on the Council's financial management, including their ability to support the audit process. The Council agreed a Workforce Strategy in May 2023 and established a Workforce Strategy Board to oversee the implementation of the strategy. However, these arrangements were not fully effective during 2024/25 and therefore actions to address the underlying capacity constraints to enable the Council to fully deliver its corporate priorities remained outstanding.	The Council should ensure: • actions required to deliver its Workforce Strategy are robustly monitored to achieve delivery and, where relevant, mitigating actions are identified and agreed for areas of non-delivery; and • the finance team has adequate resources to enable the effective discharge of financial management responsibilities.
Governance	Due to deficiencies arising from the ERP system implementation, the Council did not have the required reporting mechanisms in place to prepare and complete monthly VAT returns. Consequently, VAT returns covering the period from 1 April 2021 to 31 October 2024 were not submitted on time. The Council engaged a tax advisor to support it in resolving this matter, including liaison with HMRC and the submission of an Error Correction Notice (ECN) in December 2024. Monthly VAT returns from November 2024 were submitted, however, during 2025/26 management identified further system reporting impacting the accurate completion of VAT returns. This resulted in further ECNs being submitted to HMRC from November 2025 resulting in a total refund of c. £20 million from HMRC.	The Council should ensure that the there is accurate and timely submission of statutory returns.

Value for money

Status of our 2025/26 value for money planning (Continued)

Criteria	2024/25 judgements on arrangements	2024/25 Recommendations (refer to Appendix C)
Governance	In July 2025, the Council underwent a comprehensive inspection by the Regulator of Social Housing, following the enactment of the Social Housing (Regulation) Act 2023. This inspection assessed the Council's compliance with the newly introduced Consumer Standards, which focus on safety, transparency, community engagement, and tenancy management. The Council received a C3 Regulatory Judgement as the Regulator found serious failings in how the Council is delivering the outcomes of the consumer standards and significant improvement was needed, specifically in relation to outcomes against the Safety and Quality Standard. The report noted that weaknesses were apparent, and improvement needed in relation to repairs and maintenance, fire safety, tenants' engagement, and data management.	The Council should ensure that it delivers against the agreed action plan to address the issues raised by the Regulator in the Regulatory Judgement to comply with relevant legal and regulatory requirements.

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03 Audit materiality

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Materiality

Group materiality

For planning purposes, Group materiality for 2026 has been set at £1.84 million. This represents 1.8% of the Group's 2026 gross revenue expenditure. It will be reassessed throughout the audit process.

Gross revenue expenditure for the Group

£101m

Planning materiality	Performance materiality	Council's performance materiality	Audit differences
£1.84m	**£0.92m**	**£0.86m**	**£0.09m**

We request that the Audit, Governance and Standards Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.92 million which represents 50% of group materiality. This threshold can be set at either 50% or 75%. Due to historical disclaimer of opinions and our limited experience of auditing the Council we consider that setting this threshold at lower range is appropriate.

Component performance materiality – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold – We will report to you all uncorrected misstatements over £0.09 million, relating to the primary statements.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit, Governance and Standards Committee, or are important from a qualitative perspective.

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04 Scope of our audit

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Audit process and strategy

Objectives of our audit scoping

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. Additionally, we aim to ensure that the Council has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code. We will issue an audit report that covers:

1. **Financial statement audit**

Our opinion on the financial statements:

- Whether the financial statements give a true and fair view of the financial position of the group and its expenditure and income for the period in question; and
- Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Internal audit

We will review internal audit plans and consider the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

The Council's 2025/26 Internal Audit Annual Report provided an overall opinion of reasonable assurance on the governance framework and limited assurance on controls and risk management. Of the 14 graded audit reviews completed during the year, 5 were assessed as providing either Substantial or Reasonable Assurance, 5 were assessed as providing Limited Assurance and 4 advisories were issued.

Group scoping

The Council prepares its annual report and financial statements on a group basis. However, as management has informed us that they are not in a position to support planned procedures in relation to the 2025/26 financial statements we will be unable to perform planned procedures to gain assurance over the group financial statements.

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05 Audit team

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Audit team

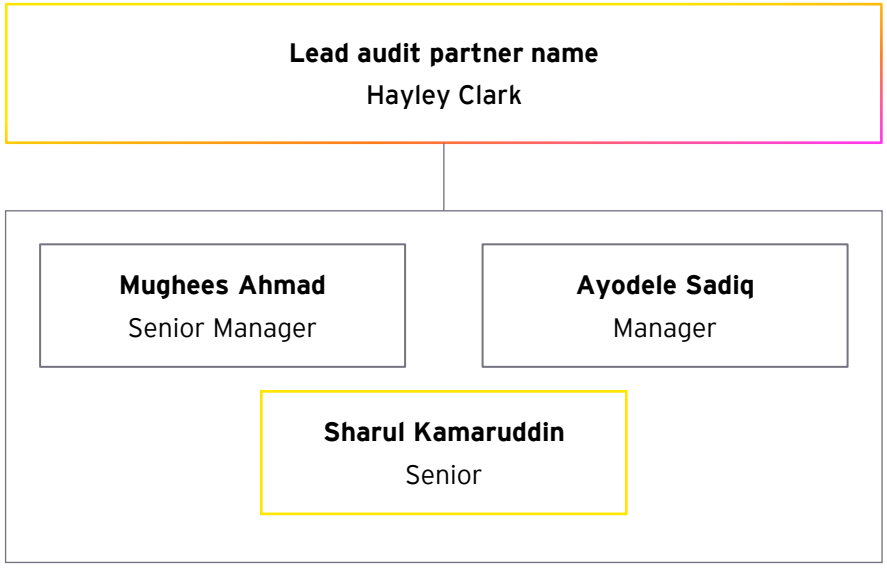
Audit team leadership

The engagement team is led by Hayley Clark, replacing Hassan Rohimun for 2025/26 audit. Hayley Clark has the overall responsibility for the performance of the audit and for the auditor's report issued on behalf of EY.

Our approach to the use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team.

For 2025/26, we will not be engaging with any specialists as management has informed us that they are not in a position to support planned procedures in relation to the 2025/26 financial statements.



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06 Audit timeline

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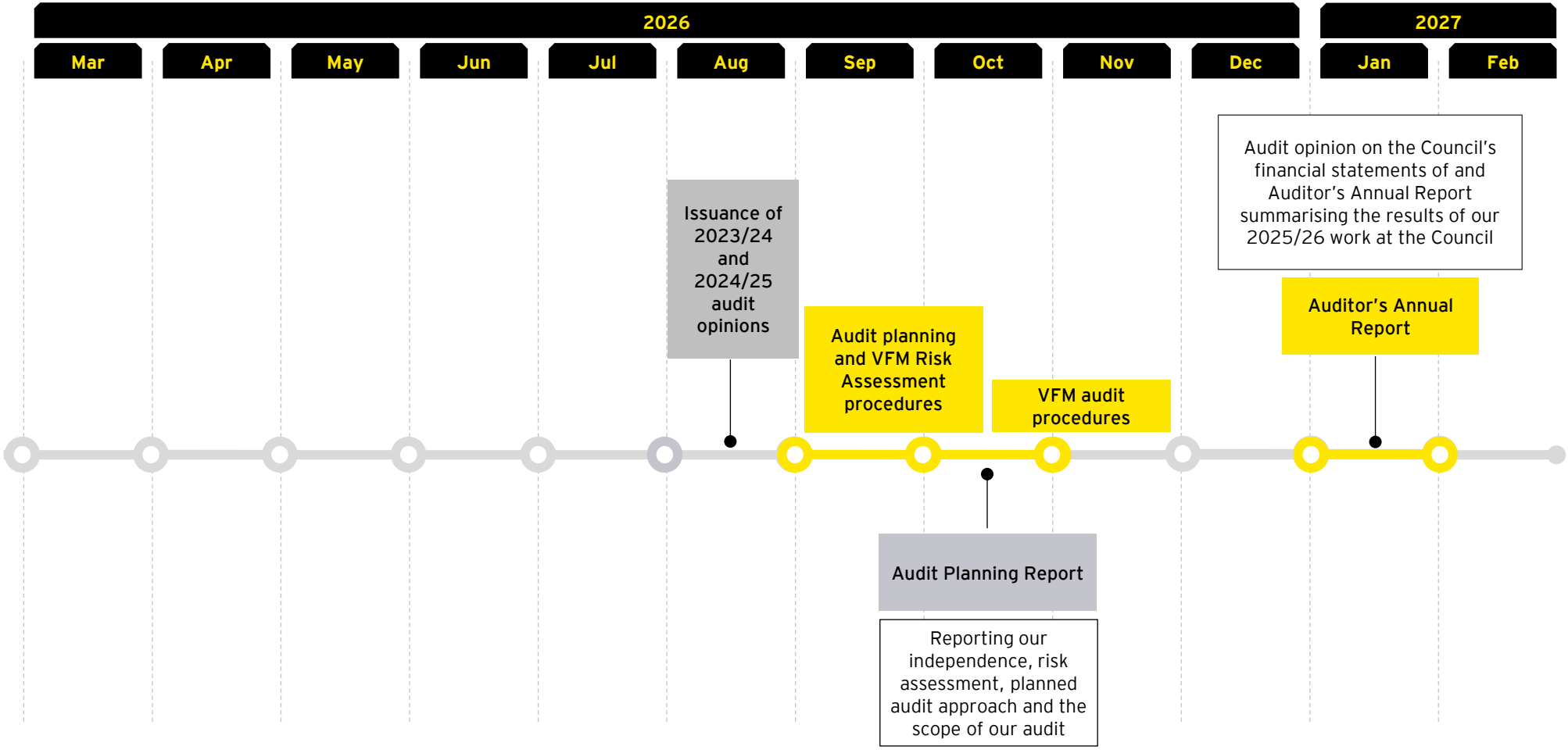
Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2026.

From time to time matters may arise that require immediate communication with the Audit, Governance and Standards Committee and we will discuss them with the Audit, Governance and Standards Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.



07 Appendices

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Appendix A – Rebuilding assurance: responsibilities

The Council's responsibilities

As set out in Appendix B, our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular, the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable, and the start date of the audit will be delayed.

Observations from 2024/25

As we have outlined in prior years, our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. We presented our assessment of the Council's processes in relation to the financial statements and audit for 2024/25 as part of our prior year reporting. The outcome of that assessment is shown on the next page.

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Appendix A – Rebuilding assurance: responsibilities (continued)

Factors impacting the execution of the 2024/25 audit

Whilst we were not able to complete planned audit procedures in relation to the 2023/24 and 2024/25 audits, where relevant, we have set out our assessment of the Council's processes in relation to the financial statements and audit.

Area	Status (R / A / G)	Explanation
Timeliness of the draft financial statements	Effective	The financial statements for 2024/25 were published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations.
Quality and completeness of the draft financial statements	Ineffective	The draft financial statements contained a number of non-material internal inconsistencies, typographical errors and arithmetic inaccuracies, indicating that the quality review process was not fully effective in identifying and resolving such issues prior to publication.
Delivery of working papers in accordance with agreed client assistance schedule	Ineffective	Working papers were not provided as per the agreed timetable and significant delays were instead noted.
Quality of working papers and supporting evidence	Ineffective	Working papers and supporting evidence were not consistently prepared to an appropriate standard, resulting in additional audit challenge and follow-up procedures.
Timeliness and quality of evidence supporting key accounting estimates	Unrated	As we were not able to complete all planned procedures for 2024/25 audit we cannot comment on the timeliness and quality of evidence supporting key accounting estimates.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Ineffective	Capacity and resource challenges within the finance function affected the Council's readiness for audit and the timely provision of information, leading to delays in audit completion and inefficient deployment of audit resources.
Volume and value of identified misstatements	Unrated for 2024/25	As we were not able to complete all planned procedures for 2024/25 audit we cannot comment on the volume and value of identified misstatements.
Volume of misstatements in disclosure	Unrated for 2024/25	As we were not able to complete all planned procedures for 2024/25 audit we cannot comment on the volume of misstatements in disclosure.

Key:

- **Red: Ineffective.** In our judgement, significant improvements are required in the Council's arrangements to support the rebuilding of assurance. Action should be taken to respond immediately.
- **Amber: Requires Improvement.** Matters and/or issues had an impact on the delivery of the audit and should be addressed in future years.
- **Green: Effective.** There were no significant matters that impacted the timing or effectiveness of audit procedures.

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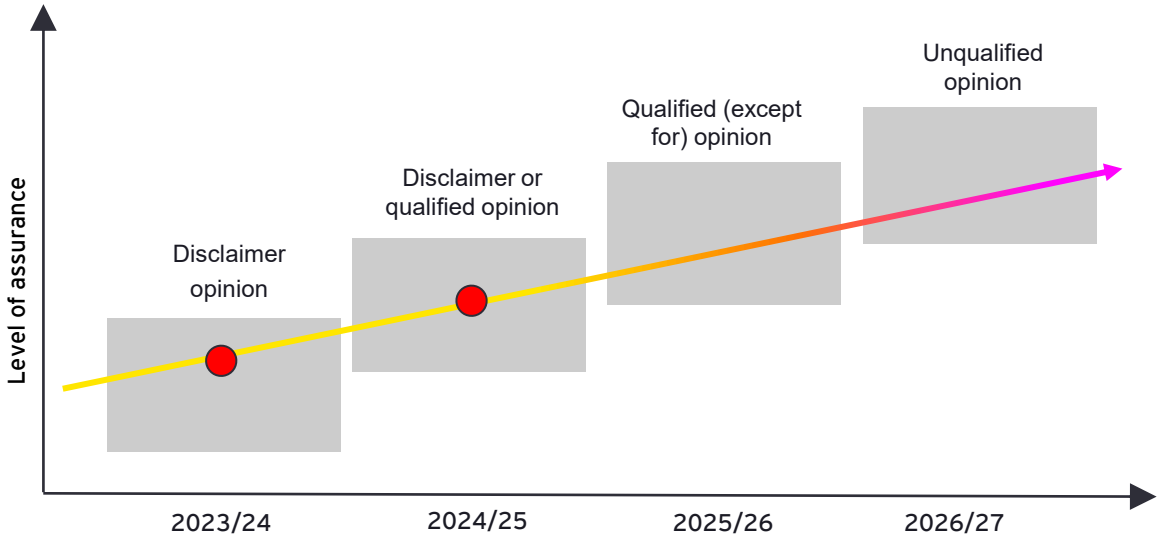
Appendix A – Rebuilding assurance (continued)

Progress to full assurance

The chart below sets out the illustrative timescale for the process of rebuilding assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that assessment and what still needs to be done to successfully rebuild assurance.

The guidance recognises that the path to full assurance, and therefore an unqualified opinion, will usually take a number of years to achieve, and depends upon co-ordination and engagement between the Council and audit team. Since 2022/23, we have applied a structured, risk-based prioritisation approach to local government audits to support a return to unqualified audit opinions wherever feasible, while still meeting statutory backstop requirements.



Redditch Borough Council progress

- In the audit reports for the years ended 31 March 2024 and 31 March 2025, a disclaimer of opinion was issued due to the application of the backstop. This means the auditor has not been able to form an opinion on the financial statements.
  In our view, the Council's progress falls behind the expected timescales set out in LARRIG 01 as the Council has not yet commenced any rebuilding of assurance exercise for any significant accounts as compared to its peer organizations.

As a result of the disclaimer opinions issued for the 2023/24 and 2024/25 financial statements, we were unable to obtain assurance over the Council's financial position at that date. Given management's capacity constraints, along with the timeline to complete the audit prior to the backstop date, has informed us that they are not in a position to support planned procedures in relation to the 2025/26 financial statements. Therefore, we will continue to be unable to obtain assurance over opening balances and, consequently, the closing reserves balance.

We will continue to work with the Council to rebuild assurance over time, with a focus on obtaining assurance over transactions and movements from 2026/27 onwards and on closing balances that can be audited independently of opening balances, such as debtors and creditors. It is critical that the Council demonstrates their ability to support the delivery of all planned audit procedures in the 2026/27 audit cycle before audit procedures over the historic balances can be commenced.

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Appendix A – Rebuilding assurance – risk assessment update

Background and regulatory context

The previous slide explains the expected timeline to full assurance set out in the National Audit Office's (NAO) Local Authority Reset and Recovery Implementation Guidance (LARRIG 01), together with our assessment of Redditch Borough Council's (the Council's) current position.

As set out earlier in this appendix, no planned procedures could be completed in either 2023/24 or 2024/25. Therefore, the "natural" rebuild process to obtain assurance has yet to commence, which means the Council is significantly behind the LARRIG timeline. It is important that the Council demonstrates their ability to support the delivery of all planned audit procedures in the 2026/27 audit cycle before audit procedures over the historic balances can be commenced.

LARRIG 06, issued by the NAO, requires auditors to perform specific risk assessment procedures over reserves. The guidance recognises that reserves balances may contain the cumulative effect of unaudited transactions over more than one financial year and may therefore represent an area of accumulated audit risk. The purpose of this risk assessment is to identify the likelihood and potential magnitude of risks of material misstatement within reserves balances, together with management's readiness to support the historical rebuild process. This assessment informs audit planning and any potential rebuild of assurance over future audit cycles as well as completion of the capacity and risk assessment return that we are required to make to the Ministry for Housing, Communities and Local Government ('MHCLG').

Scope of our risk assessment procedures

Our risk assessment covered all reserves disclosed in the Council's Movement in Reserves Statement, including both usable and unusable reserves. In performing the assessment, we considered:

- the nature and purpose of individual reserves;
- the scale and significance of movements during periods subject to disclaimer;
- susceptibility to material misstatement, including the risks of fraud and management bias;
- the wider governance and control environment of the Council's financial reporting processes; and
- risks associated with the classification of reserves between usable and unusable categories.

The assessment did not seek to re-establish assurance over historic balances. Its objective was to determine whether, where and when, such assurance could be rebuilt over time.

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Appendix A – Rebuilding assurance – risk assessment update (continued)

Summary of risk assessment findings

The risk assessment process identified that the risk of material misstatement is not uniform across reserves. Certain reserves were assessed as presenting a higher risk of material misstatement, reflecting factors including:

- the size of balances and the extent of movements during periods subject to disclaimed opinions;
- the degree of judgement required in determining the appropriate accounting treatment; and
- reliance on complex statutory and capital accounting arrangements.

Other reserves were assessed as lower risk, with characteristics that may support a more targeted and proportionate rebuilding of assurance, without undermining audit quality, subject to the availability of sufficient appropriate audit evidence. This assessment underpins the differentiation in audit response which will be adopted across reserves and is intended to promote a consistent and proportionate approach.

Following the flawed ERP implementation in February 2021, the Council experienced significant challenges in its financial management and reporting processes. These issues contributed to delays in the preparation and publication of the draft statements of accounts for the financial years ended 31 March 2022, 31 March 2023 and 31 March 2024. To maintain its financial reporting responsibilities, the Council introduced a number of manual interventions and compensating controls outside the ERP system. While these workarounds enabled the continuation of key reporting processes, reliance on a hybrid system of automated and manual processes increases the risk of data inconsistencies, processing errors and control weaknesses, and may impact the efficiency and reliability of financial reporting. The high number of years of unaudited accounts, as well as the challenges with the failed ERP implementation has significantly impacted our risk assessment which is detailed below and on subsequent pages.

The following dashboard summarises our assessment of the risk of material misstatement by reserve following the disclaimers of opinion. This is an indicative risk assessment and will need to be revisited in future years once the Council can demonstrate the ability to support the audit process.

Useable Reserve	Risk Assessment	Rationale for Risk Assessment
General Fund Balance	Significant Risk	The General Fund closing balance is material and represents the cumulative impact of revenue and expenditure decisions over a number of financial periods. The closing balances at 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025 were not audited due to the disclaimer of opinions, and assurance has therefore not been obtained over the underlying brought-forward balance. As a result, there remains an increased risk that misstatements arising in the disclaimed periods may persist in the opening balance for the current audit year. In addition, the General Fund is sensitive to statutory adjustments and is a key indicator of the Council's financial resilience, increasing its susceptibility to misstatement and management bias. The nature of the General Fund is impacted by the movements in all other reserves. We therefore deem it necessary to perform rebuild procedures over this reserve.
Earmarked reserve	Higher Inherent Risk	Earmarked reserves comprise amounts set aside for specific purposes with clearly defined approvals and documented movements. The closing balances at 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025 were not audited due to the disclaimer of opinions, and assurance has therefore not been obtained over the underlying brought-forward balances.

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Appendix A – Rebuilding assurance – risk assessment update (continued)

Useable Reserve	Risk Assessment	Rationale for Risk Assessment
Housing revenue account	Significant Risk	The Housing Revenue Account (HRA) is a statutory, ring-fenced account used to record income and expenditure relating solely to authority's council housing landlord function. The closing balances at 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025 were not audited due to the disclaimer of opinions, and assurance has therefore not been obtained over the underlying brought-forward balances.
Capital receipts reserve	Higher Inherent Risk	The Capital Receipts reserve comprises proceeds from the disposal of non-current assets and reflects the application of those receipts in accordance with statutory requirements. The balance is driven by clearly identifiable and discrete transactions, supported by underlying documentation such as sale agreements and capital programme allocations. Whilst the reserve may be material, the consequences of misstatement are limited, as the receipts have already been realised in cash and the reserve primarily reflects the timing of utilisation rather than underlying financial performance. In addition, the use of capital receipts is subject to legislative restrictions, reducing the risk of inappropriate application. There is limited management judgement involved in determining the balance and minimal incentive for management bias, as the reserve does not directly impact the reported revenue position or financial resilience of the Council.
Major repairs reserve	Higher Inherent Risk	The Major Repairs Reserve is used to fund capital expenditure on council housing, such as major repairs, component replacement, or the repayment of borrowing undertaken for HRA capital purposes. The closing balances at 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025 were not audited due to the disclaimer of opinions, and assurance has therefore not been obtained over the underlying brought-forward balances. In light of these matters there remains an elevated risk that balances, including Major Repairs reserve, may not be accurately recorded, classified or presented in accordance with the applicable financial reporting framework.
Capital grants unapplied account	Significant Risk	The Capital Grants Unapplied Account represents cumulative capital grant income received but not yet applied to finance capital expenditure, with balances carried forward across financial periods. The closing balances at 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025 were not audited due to the disclaimer of opinions, and assurance has therefore not been obtained over the underlying brought-forward balances. As a result, there remains an increased risk that misstatements arising in the disclaimed periods, including incorrect recognition or timing of capital grants may persist within the opening balance for the current audit year.

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Appendix A – Rebuilding assurance – risk assessment update (continued)

Unusable Reserve	Risk Assessment	Rationale for Risk Assessment
Revaluation reserve	Significant Risk	The Revaluation reserve is material and arises from periodic valuation, impairment and disposal of property, plant and equipment, which are inherently judgmental. Accordingly, there remains an increased risk that valuation-related misstatements arising in the disclaimed periods have not been fully identified or corrected and may persist within the opening balance of the reserve for the current audit year.
Capital Adjustment Account	Significant Risk	The Capital Adjustment Account is material and highly complex, comprising cumulative capital-related accounting and statutory adjustments arising from asset valuations, depreciation, impairments, disposals and financing transactions over multiple years. The closing balances at 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025 were not audited due to the disclaimer of opinions, and assurance has therefore not been obtained over the underlying brought-forward balances. As a result, there remains an increased risk that errors or misstatements arising in the disclaimed periods have not been fully identified or corrected and may persist within the opening balance for the current audit year. Given the direct interaction between the Capital Adjustment Account and the General Fund, this heightens the risk associated with the reserve.
Pension reserve	Higher Inherent Risk	This reserve is used to absorb the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The closing balances at 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025 were not audited due to the disclaimer of opinions, and assurance has therefore not been obtained over the underlying brought-forward balances.
Collection Fund Adjustment Account	Higher Inherent Risk	The Collection Fund Adjustment Account reflects timing differences between the comprehensive income and expenditure statements (CIES) recognition and statutory collection fund arrangements. Movements are largely mechanical and formula-driven, with limited management judgement and minimal impact on the overall financial position despite some technical complexity.
Accumulated absences account	Higher Inherent Risk	This reserve is used to absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account. The closing balances at 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025 were not audited due to the disclaimer of opinions, and assurance has therefore not been obtained over the underlying brought-forward balances.

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Appendix A – Rebuilding assurance over reserves – Risk assessment

Implications for the 2025/26 audit

Our risk assessment process indicated that the pre-2025/26 gaps in assurance - particularly those relating to reserves and other cumulative balances - cannot be sufficiently addressed as part of the 2025/26 audit to support future progression towards qualified or unmodified audit opinions, for the following reasons:

- insufficient quality or availability of historic supporting evidence;
- limitations in management capacity to support the natural and historic rebuild during the 2025/26 audit; and
- unresolved control deficiencies or accounting issues from prior years.

Due to audit opinions for 2023/24 and 2024/25 being issued in August 2026, combined with capacity constraints, management has informed us that they are not in a position to support planned procedures in relation to the 2025/26 financial statements. As a result, rebuilding of assurance will commence from 2026/27.

In line with our established prioritisation principles, we will therefore focus our audit resources on rebuilding assurance for those bodies that have demonstrated they are able to adequately support the completion of all 2025/26 planned audit procedures, supporting the sector-wide objective of returning to unmodified audit opinions as quickly and sustainably as possible. It remains critical that management ensure resources are adequate to support delivery of audit and ensure high-quality working papers and robust audit evidence is available, and that the underlying issues identified in prior years are addressed as part of the 2026/27 audit cycle to facilitate the natural rebuild of assurance. This will be essential to avoid any further delay in the eventual process of rebuilding assurance over the Council's historic position, which is critical given the timing of upcoming Local Government Reorganisation.

We will reperform our risk assessment procedures as part of our 2026/27 audit planning.

Fees

The activities undertaken in relation to this risk assessment, the preparation of the submission required by MHCLG, and the drafting of this addendum are outside the scope of the scale fee as set out later in this Audit Planning Report. Accordingly, we will seek a variation to the scale fee to reflect these changes to the scope of our work and will communicate further through our reporting once the costs are agreed.

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Appendix B - Independence and Fees

The FRC Ethical Standard 2024 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
▪ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▪ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▪ The overall assessment of threats and safeguards; ▪ Information about the general policies and process within EY to maintain objectivity and independence ▪ The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the audit committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).	▪ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▪ Details of non-audit/additional services provided and the fees charged in relation thereto; ▪ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▪ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▪ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▪ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence (for breaches of the FRC Ethical Standard include details of its significance); and ▪ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

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Appendix B - Independence and Fees (continued)

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Hayley Clark, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2024 (FRC ES), and we will comply with the policies that you have approved. We have not provided any non-audit/additional service to the Council in prior year or the current. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with FRC ES Section 4.

There are no self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

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Appendix B - Independence and Fees (continued)

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

EY Transparency Report

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2025 and can be found here: EY UK 2025 Transparency Report.

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Appendix B – Independence and Fees (continued)

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- officers meeting the agreed timetable of deliverables;
- our financial statement opinion and value for money conclusion being unqualified;
- appropriate quality of documentation is provided by the Council;
- an effective control environment; and
- compliance with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26–28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	Current Year	Scale fee	Prior Year
	£m	£m	£m
Total Fee – Code Work	191,941 Note 2	191,941	186,714 Note 1
Determined Scale Fee Variation	-	-	TBC
Total audit	**TBC**	**TBC**	**TBC**
Other non-audit services not covered above	-	-	-
Total other non-audit services	**-**	**-**	**-**
Total fees	**TBC**	**TBC**	**TBC**

All fees exclude VAT

1. The 2023/24 and 2024/25 work has just been completed and a final fee will be determined shortly. A scale fee variation for 2023/24 and 2024/25 will be submitted to the PSAA for determination and shared with Management. We will update the Committee once this has been concluded. For 2025/26 the planned fee represents the base fee, i.e., not including any extended testing.
2. The 2025/26 published scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:
   - New and revised accounting standards, for example indexation for the valuation of PPE under CIPFA Bulletin 22 guidance;
   - Consideration of correspondence from the public and formal objections;
   - Non-compliance with law and regulation with an impact on the financial statements;
   - VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts;
   - The need to exercise auditor statutory powers;
   - Prior period adjustments;
   - Modified financial statement opinions; and
   - Pension triennial valuation.

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Appendix C – Prior year recommendations

As part of our annual audit procedures we will follow up the specific open and in progress recommendations reported within our 2024/25 reporting, including those relating to value for money arrangements. Open recommendations from prior years are outlined below, along with the response from management.

Classification of recommendations		
Grade 1: Key risks and / or significant deficiencies which are either critical to the achievement of strategic objectives or significant risks to material compliance with regulatory requirements. Management needs to address and seek resolution urgently.	**Grade 2:** Risks or potential weaknesses which impact on objectives and compliance, or impact the operation of a single process, and so require prompt but less urgent immediate action by management.	**Grade 3:** Less significant issues and / or areas for improvement which consider merit attention but do not require to be prioritised by management.

Internal control weaknesses

No.	Finding and/or risk	Recommendation and grading	Management response / Implementation timeframe
1.	There are currently no procedures established by the Council to monitor the completeness of related parties.	The Council should establish a set procedure to ensure that related party relationships and conflict of interests are identified, complete and reported on a timely basis ▪ Grade 2	**Management response:** The Council will reinforce its existing arrangements for identifying, recording and reporting related-party relationships and conflicts of interest through further communication and training for Members and officers. This includes the requirements of the Members' Code of Conduct and the processes for declaring interests, gifts and hospitality. **Responsible officer:** Assistant Director of Legal, Democratic and Procurement Services (Monitoring Officer), jointly with the Assistant Director for Corporate Services and Transformation. **Implementation date:** December 2026
2.	A significant number of the Council's policies are old and there is a risk that they do not reflect current legislative or regulatory requirements. We also noted that the Anti-Fraud policy is hosted on modern.gov rather than on the Council's own website.	The Council should ensure that all policies have been reviewed, and where relevant updated, and are available on the Council's website. The Council should have in place a framework to regularly review policies, with responsible officers clearly identified and expected dates for future reviews identified. ▪ Grade 2	**Management response:** A corporate policy management framework has been developed and an exercise undertaken to collate Council-wide policies. Lead officers, review dates, status and appropriate approval routes have been identified to support the regular review, approval and publication of policies. **Responsible officer:** Chief Executive **Implementation date:** September 2026

Appendix C – Prior year recommendations (continued)

Value for money arrangements - Related to significant weaknesses

No.	Value for money reporting criteria	Finding and/or risk	Recommendation and grading	Management response / Implementation timeframe
1.	Governance	In 2023/24 and 2024/25, turnover particularly in the Section 151 Officer role, alongside finance team capacity constraints weakened financial stewardship, reduced effectiveness in governance and decision making. The Workforce Strategy established in May 2023 remained ineffective during 2023/24 and 2024/25, leaving key capacity issues unresolved and hindering delivery of corporate priorities.	The Council should ensure that the actions required to deliver its Workforce Strategy are robustly monitored to achieve delivery and where relevant mitigating actions are identified and agreed for areas of non delivery. The Council also needs to ensure that the finance team has adequate resources to enable the effective discharge of financial management responsibilities. ▪ Grade 1	**Management response:** Remaining Workforce Strategy actions and wider corporate people priorities have been incorporated into the Corporate People Action Plan, overseen through the Council's corporate people governance arrangements. The Finance Team structure has also been reviewed, immediate resource requirements addressed and permanent and project-team arrangements established. **Responsible officer:** Assistant Director for Corporate Services and Transformation, for the Corporate People Action Plan and Director of Finance and Section 151 Officer, for Finance Team capacity, capability and resilience. **Implementation date:** January 2027
2.	Governance	Due to deficiencies arising from the flawed ERP system implementation, the Council did not have the required reporting mechanisms in place to prepare and complete monthly VAT returns. Consequently, VAT returns covering the period from 1 April 2021 to 31 October 2024 were not submitted on time.	The Council should ensure that the there is accurate and timely submission of all statutory returns. ▪ Grade 1	**Management response:** Monthly VAT returns have been re-established and are being submitted within the required timescales, supported by enhanced quality assurance, staff training, clearer accountability, specialist tax advice and stronger management oversight. **Responsible officer:** Director of Finance and Section 151 Officer **Implementation date:** April 2027

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Appendix C – Prior year recommendations (continued)

Value for money arrangements - Related to significant weaknesses (continued)

No.	Value for money reporting criteria	Finding and/or risk	Recommendation and grading	Management response / Implementation timeframe
3.	Governance	The Regulator of Social Housing, reported in July 2025 that the Council had received a C3 Regulatory Judgement as the Regulator found serious failings in how the Council is delivering the outcomes of the consumer standards and they identified that significant improvement was needed, specifically in relation to outcomes against the Safety and Quality Standard.	The Council should ensure that it is robustly monitoring the delivery of the action plan which has been agreed to address the issues raised by the Regulator of Social Housing. ▪ Grade 1	**Management response:** The Council has developed a Housing Improvement Plan and progress against the Housing Improvement Plan is being monitored, scrutinised and reported through the Council's established governance arrangements. Enhanced customer feedback and scrutiny mechanisms are being developed to strengthen tenant engagement and service oversight, while modern housing management systems are being implemented to improve service delivery and communication. **Responsible officer:** Executive Director Environment and Communities **Implementation date:** March 2028

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Appendix C – Prior year recommendations (continued)

Value for money arrangements - Others

No.	Value for money reporting criteria	Finding and/or risk	Recommendation and grading	Management response / Implementation timeframe
1.	Governance	DBS checks were not undertaken for employees working under reactive maintenance and voids teams providing services to vulnerable individuals	The Council should review whether DBS checks are required for employees working with or providing services to vulnerable individuals. ▪ Grade 1	**Management response:** A review of the Council's DBS arrangements has been undertaken to identify areas requiring further assessment and improvement. The full project scope, resource requirements and delivery timetable have been considered through the Council's senior leadership governance arrangements, with an agreed implementation plan now being progressed to strengthen compliance, oversight and operational effectiveness. **Responsible officer:** Assistant Director of Environmental and Housing Property Services **Implementation date:** March 2028
2.	Governance	During our review of the Council's risk management process, we noted the absence of specified controls for each risk and named officers responsible for each risk. The risk management process also did not define the Council's risk appetite or summarise changes in risk assessments to highlight the direction of travel.	The Risk Management Framework should: identify the relevant key controls for each risk; ensure responsible officers are identified; and highlight the direction of Recommendation travel for each key risk. The Council should also clearly define its risk appetite. ▪ Grade 1	**Management response:** The Council is developing a revised Opportunity Risk Management Strategy and associated reporting arrangements. This will define the Council's risk appetite, strengthen the identification of responsible officers and key controls, improve reporting of risk direction and support consistent management of corporate, project and service risks. Member oversight and a subsequent independent review by Internal Audit are included within the implementation programme. **Responsible officer:** Director of Finance and Section 151 Officer **Implementation date:** March 2027

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Appendix C – Prior year recommendations (continued)

Value for money arrangements – Others (continued)

No.	Value for money reporting criteria	Finding and/or risk	Recommendation and grading	Management response / Implementation timeframe
3.	Governance	The Council has in recent years reported significant underspends against the approved capital budget. Underspends of £8.3m, £3.2m, £7.7m and £12.6m were reported for the 2021/22, 2022/23, 2023/24 and 2024/25 financial years, respectively, against approved respective budgets of £13.3m, £5.4m, £10.9m and £20.5m.	To set more realistic capital budgets the Council should review the capital programme and assess if it has the capacity and resources to deliver planned projects within originally planned timescales. ▪ Grade 2	**Management response:** The Capital Programme Board and its terms of reference have been refreshed. A detailed review of the Capital Programme, associated funding and financing arrangements is underway to establish a reliable and deliverable programme, strengthen risk assessment and monitoring, and align approved budgets with available capacity and realistic delivery timescales. The outcome will inform a revised Capital Programme and supporting reporting arrangements. **Responsible officer:** Director of Finance and Section 151 Officer **Implementation date:** March 2027
4.	Governance	Quarterly risk monitoring reports were not being regularly prepared and presented to the Audit, Governance and Standards Committee.	Risk monitoring reports should be prepared and presented to the Audit, Governance and Standards Recommendation Committee for review and consideration. ▪ Grade 2	**Management response:** Quarterly Reporting to Audit, Governance and Standards Committee is now being done. **Responsible officer:** Director of Finance (s151 Officer) **Implementation date:** December 2026

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Appendix C – Prior year recommendations (continued)

Value for money arrangements – Other (continued)

No.	Value for money reporting criteria	Finding and/or risk	Recommendation and grading	Management response / Implementation timeframe
5.	Governance	There was scope to ensure that the Monitoring Officer is engaged at an early stage and throughout the investigation process.	The Council should ensure that the Monitoring Officer is appropriately engaged throughout the whistleblowing investigation process. ▪ Grade 2	**Management response:** The Whistleblowing Policy has been reviewed to clarify the role and involvement of the Monitoring Officer throughout the whistleblowing process. Communication has also been undertaken with managers to reinforce the required process, expectations and escalation arrangements. **Responsible officer:** Assistant Director of Legal, Democratic and Procurement Services (Monitoring Officer) **Implementation date:** July 2026
6.	Governance	Whistleblowing matters were not routinely reported to the Audit, Governance and Standards Committee, limiting member oversight, transparency and assurance over how such concerns are managed.	▪ The Audit, Governance and Standards Committee Recommendation should receive regular reports on whistleblowing activities. ▪ Grade 2	**Management response:** Quarterly whistleblowing updates have been incorporated into the Monitoring Officer's reporting to the Audit, Standards and Governance Committee. **Responsible officer:** Assistant Director of Legal, Democratic and Procurement Services (Monitoring Officer) **Implementation date:** July 2026

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Appendix D – Regulatory update

Key regulatory changes

There are a number of key regulatory developments underway relating to local authority governance and the audit of the Council's financial statements. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Redditch Borough Council
English Devolution and Community Empowerment Bill	The Bill has completed all scrutiny stages in the House of Commons and is now at Committee stage (Grand Committee) in the House of Lords. The following measures therefore remain proposals until Royal Assent is granted: ▪ **Local audit system reforms:** The Bill includes provisions to reform elements of the local audit framework in England alongside support measures intended to address the audit backlog. The Bill will also enable changes to the way audit oversight and local audit responsibilities operate. Section 61 of the Bill provides for the establishment of the Local Audit Office (LAO). Legislation will set out that the main objective of the LAO is to secure the effective operation of the system of audit, with a view to meeting the needs of users of audited accounts. The LAO will appoint auditors to non-NHS bodies, determine audit fees and prepare one or more Code of Audit Practice. ▪ **Combined authorities and Combined County Authorities:** The Bill expands powers and functions of combined authorities and places combined county authorities on a clearer statutory footing. This will allow further transfer of functions from constituent councils. ▪ **Devolution of functions to "Strategic Authorities":** The Bill expands the category of Strategic Authorities and allows transfer of responsibilities from central government and councils. ▪ **Local Government Reorganisation:** The Bill supports changes to council structures to support devolution.	▪ Local audit system reforms may result in changes to audit timescales or responsibilities and there may therefore be transition risks in future years. ▪ The Bill provides that the Council must have an audit committee, and that at least one member of the committee be an independent person. ▪ On 7th September 2026, the Government announced a review of the Local Government Reorganisation (LGR) programme and instructed authorities to pause the implementation of reorganisation. Based on the Council's inclusion within the scope of the review, we understands that the decisions approved in July 2026 relating to the proposed reorganisation have been placed on hold until the Government concludes its assessment and provides further direction.
Renters Right Act	▪ The Renter's Rights Act became law on 27th October 2025. Under the Act, Councils are going to gain new powers to investigate landlords; act against rogue landlords; and ensure landlord compliance with new standards expected of them. ▪ Local housing authorities will receive £18.2 million in 2025/26 to support preparations for the implementation of the Renters' Rights Act 2025 and to build enforcement capacity. Funding will be allocated based on the number of private rented sector properties in each local area.	Enforcement guidance for local Councils has now been published. The guidance provides the critical information that enforcement officers will need to know to carry out their work in line with the new legislation. There will be a bespoke programme of training, webinars and resources through 'Operation Jigsaw', a cross-local Councils initiative; Changes will start coming into effect from 1st May 2026.

Appendix D – Regulatory update (continued)

Key regulatory changes (continued)

Name	Summary of key measures	Impact on Redditch Borough Council
Public Office (Accountability) Bill	The Public Office (Accountability) Bill aims to impose a duty on public authorities and public officials to "at all times act with candour, transparency and frankness in their dealings with inquiries and investigations." Breach of the duty would be a criminal liability. The Bill is expected to apply not only to both core public bodies delivering public services but also private bodies delivering public functions such as those on a government contract. The Bill also proposes: ▪ A new statutory duty on public authorities to promote and take steps to maintain high standards of ethical conduct, as defined by the Seven Principles of Public Life, or "Nolan Principles"; ▪ Reforms that will make it easier to prosecute misconduct in public office; and ▪ An offence of misleading the public.	▪ While the Bill continues to make its way through the House of Commons Committee processes, the Council should ensure that training and support for Councillors is enhanced to take account of greater expectations in relation to local government standards.
Fair Funding Review	▪ On 20 November 2025, the government announced a multi-year Local Government Finance Settlement in a decade, together with the Fair Funding Review . Key measures include: ▪ There will be a single settlement for 2026/27 to 2028/29 ▪ The government plans to use up to date English Indices of Multiple Deprivation, together with up-to-date services cost and demand data to calculate individual council allocations for 2026/27 to 2028/29; and ▪ The Children and Young People's Services formula will use the latest index of deprivation affecting children. The new indices are expected to lead to greater transparency and a reduced reliance on competitive bidding for funds. The Government also announced it will simplify 33 funding streams, worth almost £47 billion over three years.	Using new indices will result in some Councils seeing increases in their allocations, whilst others see decreases. The government has, however, set out transitional arrangements to help with managing change: ▪ A Recovery Grant funding guarantee to upper tier authorities in receipt of Recovery Grant; ▪ Funding floors and phasing in of new allocations across the multi-year settlement; and ▪ Additional money in the national settlement for children's social care and a new ring-fenced combined Homelessness, Rough Sleeping and Domestic Abuse grant over three years.

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Appendix D – Regulatory update (continued)

National Audit Office reporting

There are a number of key publications from the National Audit Office that have an impact on the Council. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key messages	Impact on Redditch Borough Council
Local government finance report 2026 to 2027	The 2026-27 Local Government Finance Report introduces a multi-year settlement covering 2026/27 to 2028/29 and implements the Fair Funding Review 2.0. Updated distribution formulas will reallocate resources between councils, reflecting more recent demographic and deprivation data. The report confirms the continuation of council tax referendum principles and introduces significant changes to Special Educational Needs and Disabilities (SEND) funding, including the extension of the statutory override for DSG deficits to 2027/28 and a government-funded write-off of approximately 90% of historical DSG deficits. These policy changes represent one of the most substantial re-baselining exercises in recent years.	▪ Councils must re-model their Medium-Term Financial Plans (MTFPs) to account for formula redistribution effects and redesigned SEND funding arrangements. The ongoing restrictions on council tax increases will continue to limit local financial flexibility. For many authorities, particularly those with substantial DSG deficits, the reforms will have material implications for reserves management and financial stability.
Exceptional Financial Support for local authorities for 2025-26	Exceptional Financial Support (EFS) remains a mechanism for councils facing acute short-term financial pressures. For 2025-26, thirty authorities received in-principal approval for EFS, allowing them to treat certain revenue costs as capital expenditure through capitalisation directions. The government has removed the additional 1% borrowing premium previously applied and has imposed conditions including enhanced assurance reviews and restrictions on community-asset disposals. The NAO notes that, although EFS can prevent immediate failure, it shifts the burden to future years through increased borrowing.	▪ For the sector, the continuation of EFS signals sustained financial fragility. Authorities using EFS must demonstrate credible, independently-scrutinised recovery and savings plans, along with significant improvements in governance, financial management, and internal controls. ▪ Councils should expect intensive oversight and stringent follow-up from central government when accessing this mechanism.
Local audit reform: Government response to the consultation to overhaul local audit in England	The government response sets out a comprehensive overhaul of the local audit system in England. Central to the reforms is the creation of the Local Audit Office (LAO), which will assume responsibility for appointing auditors, preparing Codes of Audit Practice, enforcing quality standards, and overseeing audit delivery. A phased transition plan will move existing responsibilities from Public Sector Audit Appointments (PSAA) and other bodies to the NAO between 2026 and 2027, with the aim of stabilising the system, addressing audit backlogs, and restoring confidence in the timeliness and quality of local audit.	▪ For councils, the reforms will lead to more prescriptive expectations around audit readiness, governance, documentation quality, and responsiveness. Authorities should anticipate tighter reporting deadlines and increased scrutiny of working papers, internal controls, and VFM arrangements.

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Appendix D – Regulatory update (continued)

National Audit Office reporting (continued)

Name	Summary of key messages	Impact on Redditch Borough Council
Local Government Financial Sustainability	The National Audit Office most recently reported on the context of local government finances in February 2024, which included their consideration of service and financial pressures. They concluded that although total local government funding has risen modestly in recent years, it has not kept pace with population growth, rising service demand, or the increasing complexity and cost of supporting people with high needs. Real-terms funding per person fell between 2015-16 and 2023-24, while demand for essential services such as adult social care, children's social care, SEND provision and homelessness continued to escalate. The NAO highlights growing evidence of strain across services, including delays in Education, Health and Care Plans and a sharp rise in families housed in temporary accommodation for longer than legally permitted. Repeated delays to long-promised funding reforms mean councils continue to rely on short-term, stop-gap measures. Exceptional Financial Support has become increasingly common, but while it prevents immediate failure, it also shifts financial risk into future years, reflecting underlying structural weaknesses in the local government finance system	▪ The report signals deepening financial fragility across the sector, with many councils facing heightened risk of issuing Section 114 notices unless systemic pressures are addressed. Rising demand and cost escalation in statutory services are absorbing an ever-greater share of local authority budgets, reducing the capacity to invest in preventative activity and long-term service improvement. The NAO warns that widespread reliance on temporary fixes—including Exceptional Financial Support—creates additional future liabilities and limits councils' ability to plan sustainably. Without coordinated, cross-government reform of funding, accountability and service oversight frameworks, councils will remain locked in reactive financial management, with growing consequences for service quality, citizen outcomes and long-term financial resilience.
Unlocking land for housing	The National Audit Office reported in February 2026 that the government aims to deliver 1.5 million new homes by July 2029. To support this ambition, various land-unlocking programmes have been introduced to address constraints such as inadequate infrastructure, land assembly challenges, and site viability issues. Since 2016, £10.5 billion has been allocated across 768 projects, with £8.4 billion committed and £5.7 billion spent. Although these programmes collectively predict enabling around 713,000 homes, the NAO highlights that only a small proportion—around 33,300 homes—can currently be evidenced as completed, pointing to gaps in monitoring and programme assurance. Additionally, the creation of the National Housing Delivery Fund and a new National Housing Bank from April 2026 signals a shift toward a more consolidated and strategic funding model.	▪ The sector will experience increased expectations to produce detailed and evidence-based infrastructure planning to secure funding from the new mechanisms. Councils will be required to strengthen the robustness of business cases, improve monitoring of actual housing delivery, and anticipate tighter central-government scrutiny of riskier or larger projects. The shift to a single-gateway funding structure will also compel councils to maintain well-developed pipelines to access multi-year support.
Improving local areas through developer funding	The NAO identifies developer contributions—primarily Section 106 agreements and the Community Infrastructure Levy (CIL)—as essential tools for funding local infrastructure and affordable housing. However, the report finds significant variation across councils in both the application and governance of these mechanisms. Negotiated viability assessments often reduce the contributions developers agree to provide, while only around half of planning authorities have formally adopted CIL. Developer contributions account for roughly 44% of affordable housing delivery nationally, yet over 17,000 S106-linked affordable homes with planning consent lacked a housing association buyer at the time of review, indicating a delivery bottleneck. The government is providing additional planning capacity funding and establishing a Section 106 Affordable Homes Clearing Service to support councils in unlocking stalled developments.	▪ For councils, strengthening internal governance and transparency around developer contributions will be increasingly important. Authorities will need improved planning capacity, including specialist viability expertise, to mitigate risks of reduced contributions and ensure developer obligations are properly monitored. With the proposed Infrastructure Levy no longer being taken forward, councils must optimise and professionalise the existing S106 and CIL frameworks.

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Appendix E – Required communications with the Audit, Governance and Standards Committee

We have detailed the communications that we must provide to the audit committee.

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	PSAA's Statement of Responsibilities
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	Audit planning report – October 2026
Planning and audit approach	Communication of: ▪ The planned scope and timing of the audit ▪ The planned use of internal audit ▪ The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report – October 2026
Significant findings from the audit	▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▪ Significant difficulties, if any, encountered during the audit ▪ Other significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management ▪ Circumstances that affect the form and content of our auditor's report ▪ Other matters if any, significant to the oversight of the financial reporting process ▪ Findings and issues regarding the opening balance on initial audits	Audit results report – January 2027

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Appendix E – Required communications with the Audit, Governance and Standards Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▪ Whether the events or conditions constitute a material uncertainty related to going concern ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The appropriateness of related disclosures in the financial statements	Audit results report – January 2027
Misstatements	▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management ▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods	Audit results report – January 2027

Fraud	▪ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity
	▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist
	▪ Unless all of those charged with governance are involved in managing the entity, unless prohibited by law or regulation any identified or suspected fraud involving:
	  ▪ Management;
	  ▪ Employees who have significant roles in internal control; or
	  ▪ Others, when the identified or suspected fraud is other than clearly inconsequential.
	▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected
	▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud
	▪ Any other matters related to fraud, relevant to Audit Committee responsibility
		Audit results report – January 2027

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Appendix E – Required communications with the Audit, Governance and Standards Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties	Audit results report – January 2027
Independence	Communication of the relevant ethical requirements, including those related to independence, that we apply for the audit engagement, including any independence requirements specific to audits of financial statements of the entity. Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence ▪ Breaches of IESBA Code of Ethics, local independence regulations or professional standards (for breaches of the FRC Ethical Standard, include details of the breach and its significance) Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. Communication of relevant information to those charged with governance, to enable them to provide concurrence on the non-audit services being provided. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2024: ▪ Relationships (including the provision of non-audit services) that may bear on EY's integrity, objectivity and independence; this is required to have regard of the relationships between EY, the entity, its directors and senior management, its affiliates and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. ▪ Related safeguards ▪ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees	Audit planning report – October 2026 Audit results report – January 2027

Appendix E – Required communications with the Audit, Governance and Standards Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	▪ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▪ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▪ Details of any breaches of the requirements in this Ethical Standard, and of any safeguards applied and actions taken by the firm to address any threats to independence ▪ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▪ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report – January 2027
Consideration of laws and regulations	▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit results report – January 2027
Internal controls	▪ Significant deficiencies in internal controls identified during the audit	Audit results report – January 2027
Group audits	▪ An overview of the work to be performed at the components and the nature of the group audit team's planned involvement in the work to be performed by component teams ▪ Instances when the group audit team's review of the work of a component team gave rise to a concern about the quality of that team's work, and how the group audit team addressed the concern ▪ Any limitations on the ability to obtain sufficient appropriate audit evidence in support of the group audit opinion, for example, where the group audit team's access to people or information may have been restricted	Audit results report – January 2027

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Appendix E – Required communications with the Audit, Governance and Standards Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	▪ Fraud or suspected fraud involving group management, component management, employees who have significant roles in the group's system of internal control or others when the fraud has the potential for having a "more than inconsequential" effect ▪ Significant deficiencies identified in the group's system of internal control	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – January 2027
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report – January 2027
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – January 2027
Auditors report	▪ Key audit matters that we will include in our auditor's report ▪ Any circumstances identified that affect the form and content of our auditor's report	Audit results report – January 2027

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Appendix F – Additional audit information

Objective of our audit

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Other required procedures during the course of the audit

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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