

South Holland District Council

Report to the Governance and Audit Committee

Indicative External Audit Plan & Strategy for the
year ended 31 March 2026

2 March 2026

Introduction

To the Governance and Audit Committee of South Holland District Council

We are pleased to have the opportunity to meet with you on 19 March 2026 to discuss our audit of the consolidated financial statements of South Holland District Council for the year ended 31 March 2026.

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

This report outlines our indicative risk assessment and planned audit approach.

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

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The engagement team

James Boyle, ACA, is the Engagement Director on the audit. He has approximately 15 years' of audit experience.

James shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Rosie Kelly (Engagement Manager), Carter Burnell and Joe Bugg (Assistant Managers) with 10 years' and 3 years' of experience, respectively.

Yours sincerely,

James Boyle

Director - KPMG LLP

2 March 2026

How we deliver audit quality

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

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

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

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

We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

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

[Complaints](#).

Overview of planned scope including materiality

Our materiality levels

We determined materiality for the consolidated financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of forecasted expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users. We considered qualitative factors such as stability of legislation and lack of shareholders when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £1.46m, 75% of materiality, driven by our expectations of normal levels of undetected or uncorrected misstatements in the period.

Control environment

The impact of the group control environment on our audit is reflected in our planned audit procedures.

We will report misstatements to the audit committee including:

- Corrected and uncorrected audit misstatements above £97.5k.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Group Materiality

Group*	
Materiality for the consolidated financial statements as a whole	£1.95m 2.51% of forecasted group expenditure (24/25: £1.66m, 2.17%)
Performance Materiality	£1.46m (24/25: £1.24m)
Misstatements reported to the audit committee	£97.5k (24/25: £83k)

Parent Materiality

£1.9m

2.45% of the Council's forecasted Expenditure
(24/25: £1.6m, 2.10%)

**To date, we have calculated planned materiality for the Group financial statements based on the forecasted parent expenditure for 2025-26 plus actual figures for other components as at 2024-25. This is because the entity does not currently produce a consolidated forecasted position for the year-ended 31 March 2026*

Overview of planned scope including materiality (cont.)

Timing of our audit and communications

We will maintain communication led by the Engagement Director and Manager throughout the audit. We set out below the form, timing and general content of our planned communications:

- We formally debriefed with management in December 2025 to reflect on the 2024/25 audit, and agreed audit timings for the 2025/26 audit cycle;
- We had a formal kick-off meeting with management in January 2026 where we discussed the indicative nature, scope and timing of our audit procedures;
- We have presented our draft audit plan including Value for Money risk assessment commentary to the Governance and Audit Committee in March 2026;
- We will circulate our final audit plan to the Governance and Audit Committee members; and
- Status meetings with management throughout the year where we communicate progress on the audit, any misstatements, control deficiencies and significant issues.

Using the work of others and areas requiring specialised skill

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

Others	Extent of planned involvement or use of work
Internal Audit	<p>We will review the work of Internal Audit as part of our risk assessment procedures but will not place reliance on their work.</p> <p>We meet with internal audit annually to complete our mandatory inquiries.</p>
KPMG Pensions Centre of Excellence (PCoE)	<p>We plan to use our KPMG Pensions Centre of Excellence to assist us in considering the appropriateness of the key assumptions used in deriving the pension asset and liability balances reported in the financial statements.</p>

Significant risks and other audit risks

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

We also use our regular meetings with senior management to update our understanding and take input from Internal Audit reports.

Our planning and risk assessment procedures are iterative. Therefore, where any changes are identified that impact on our assessment of the significant risks at the entity, we will amend our audit approach accordingly and communicate this to the Governance and Audit Committee.

Value for money

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

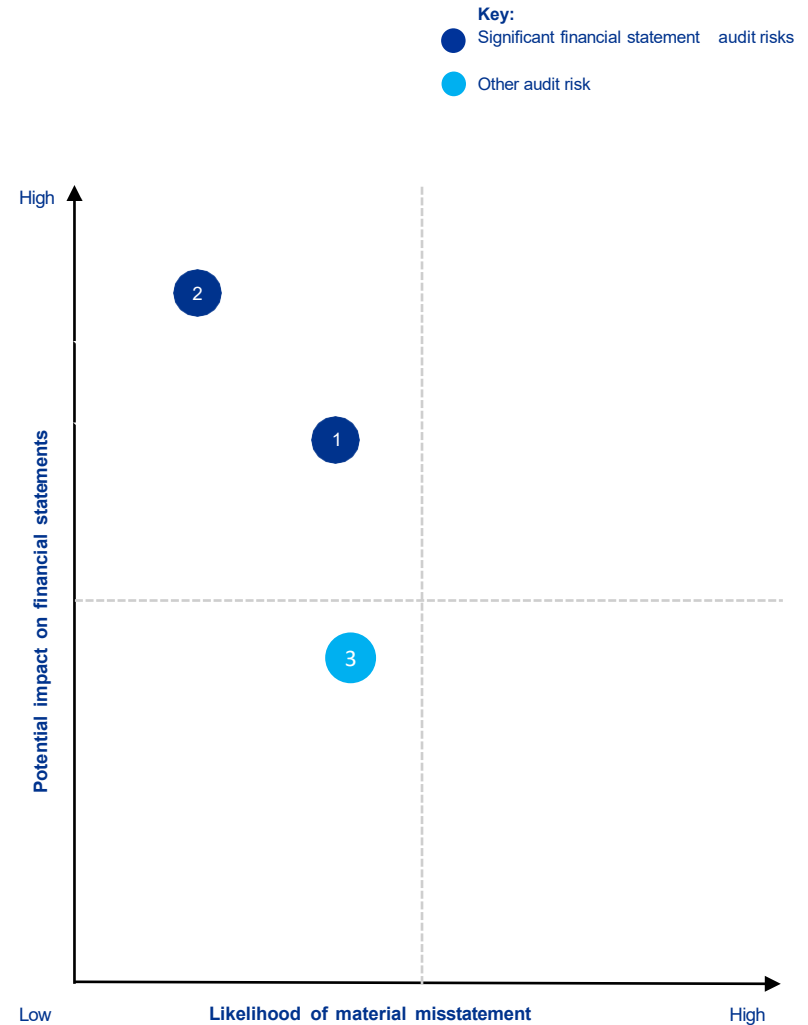
We have outlined the result of our risk assessment procedures from page 15.

Significant risks

1. Valuation of land and buildings
2. Management override of controls

Other audit risk

3. Valuation of post-retirement benefit obligations



Audit risks and our audit approach (cont.)

1

Valuation of land and buildings

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

Change vs prior year ↔



Significant
audit risk

There has been an update to the CIPFA Code of Practice on Local Authority Accounting 2025/26, which requires valuations to be carried out once every five years - or on a five-year rolling basis - supported by indexation in the intervening years. Alternatively, a desktop valuation in year three is required in rare cases where no index is available. This change applies to 'Other Land and Buildings', but does not apply to 'Council Dwellings'.

Other Land and Buildings

Due to the change in the CIPFA Code of Practice for 2025/26, the Council is moving from conducting full revaluations of other land and buildings annually, to a five-year rolling basis, using indexation in intervening years to amend those assets not subject to valuation in year.

The Council undertook a full revaluation of other land and buildings as at 31 March 2025. For the year-ended 31 March 2026, management is planning to implement a five-year rolling basis valuation (valuing approx. 20% of the assets in 2025/26) and indexing the remainder. The assets to be valued will be selected by management, however, the valuations and indexation will be undertaken by the internal valuer.

As at 31 March 2025, the value of the Council's 'Other Land and Buildings' was £28.06m, of which £27.9m were subject to revaluation. Additions purchased in year totalling £0.2m were not subject to valuation.

As this is the first year of the change, there is a significant risk assets may be misstated due to the estimation uncertainty resulting from the selection of inappropriate indices.

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

- We will critically assess the independence, objectivity and expertise of the internal valuer used in developing the valuation of the Council's 'Other Land and Buildings' as at 31 March 2026;
- We will inspect the instructions issued to the valuers for the valuation of relevant land and buildings to verify that they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We will evaluate the design and implementation of controls in place for management to review the valuation, and the appropriateness of the relevant assumptions used;
- We will challenge the appropriateness of the valuation of relevant land and buildings, including any material movements from the previous revaluations;
- We will challenge the key significant assumptions within the valuation; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

1 Valuation of land and buildings (cont.)

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

Change vs prior year 



Significant audit risk

The update to the CIPFA Code of Practice on Local Authority Accounting 2025/26 noted on the previous page does not apply to Council Dwellings.

Council Dwellings

For the year-ended 31 March 2026, the Council is utilising an external valuer, Savills to undertake the valuation (MRICS Registered Valuer).

As at 31 March 2025, the value of the Council's dwellings was £257m.

Due to the level of estimation uncertainty associated with relevant key assumptions, specifically the comparable transactions for beacon values used by the valuer, when valuing the relevant elements of the Authority's estate, this creates a risk that the year-end carrying value of these assets differs materially from fair value.

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

- We will critically assess the independence, objectivity and expertise of Savills, the external valuer used in developing the valuation of the Council's Council Dwellings as at 31 March 2026;
- We will inspect the instructions issued to the valuers for the valuation of relevant land and buildings to verify that they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We will evaluate the design and implementation of controls in place for management to review the valuation, and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of relevant land and buildings, including any material movements from the previous revaluations;
- We will challenge the key significant assumptions within the valuation; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation

Audit risks and our audit approach (cont.)

2 Management override of controls(a)

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

Change vs prior year 



Significant audit risk

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

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



Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual.
- We will analyse all journals through the year and focus our testing on those with a higher risk, as defined by our high-risk criteria.

Audit risks and our audit approach (cont.)

3

Valuation of post retirement benefit obligations

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

Change vs prior year ↓



Other audit risk

The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates, pension increase rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.

For 2025/256 audit, we have reclassified the LGPS Defined Benefit Obligation (DBO) valuation from a significant risk to an other audit risk. This decision is based on a thorough reassessment of the risk during our planning phase. Our planning work indicates a reduction in estimation uncertainty compared to the previous year, supported by:

- Stability and consistency in the methodology and key assumptions used in the DBO valuation over prior years.
- Results from previous year testing, which revealed no significant exceptions in the DBO valuation.
- Anticipated movements in discount rates and inflation are not expected to be significant, suggesting that DBO experience items will not be material.



Planned response

We will perform the following procedures:

- Understand the processes the Council has in place to review the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the actuaries to assess the key assumptions made;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate, pension increase rate and mortality/life expectancy against externally derived data where possible;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit/surplus to these assumption;
- Where applicable, assess the level of surplus that should be recognised by the entity; and
- Assess the impact of a new triennial valuation model and/or any special events.

Audit risks and our audit approach

Expenditure – rebuttal of Significant Risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

Having considered the risk factors relevant to the Council and the nature of expenditure within the Council, we have determined that a significant risk relating to expenditure recognition is not required.

Specifically, despite the Council submitting a balanced budget ahead of the financial year, in the Quarter Two Finance Report (six months ended September 2025), the forecasted deficit is £281k.

Given the Council is forecasting a small deficit, we do not consider this to be indicative of a position that would provide an incentive to manipulate expenditure recognition, and the nature of expenditure has not identified any specific opportunities and/or risk factors to facilitate the manipulation of expenditure recognised.

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

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

Description of Income	Nature of Income	Rationale for Rebuttal
Council tax	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property. Therefore, it is highly unlikely for there to be a material error in the population due to the limited incentive and/or opportunity to manipulate the income.
Business rates	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually. Therefore, it is highly unlikely for there to be a significant risk of material error in the population due to the limited incentive and/or opportunity to manipulate the income.
Rents - Dwellings	This is the income generated on running the Council's own housing stock.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties held and the rent rates of the property. The Council uplifts the rents annually in line with Government guidelines. Therefore, it is highly unlikely for there to be a significant risk of material error in the population due to the limited incentive and/or opportunity to manipulate the income.
Fees and charges	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

Description of Income	Nature of Income	Rationale for Rebuttal
Grant income	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.
Other Income	This income is made up of various high volume but low value income streams including car parking income, rental income, green waste collection income, planning income etc.	From our initial analysis based on the transaction listing up to month 8 (30/11/2025), most of this income is supported by sales invoice and cash receipt. These streams have simple recognition criteria and can be traced easily to cash receipt. Due to the individual transactions being high volume and low value, we anticipate that it is highly unlikely for there to be a significant risk of material error in the population due to the lack of opportunity to manipulate the income.

Mandatory communications - additional reporting

Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.






However, financial sustainability is a core area of focus for our Value for Money opinion.

Additional reporting

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

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

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

Mandatory communications

Type	Statements
Management’s responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor’s responsibilities	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Auditor’s responsibilities – Fraud	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
Auditor’s responsibilities – Other information	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
Independence	<p>Our independence confirmation at pages 34 to 36 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement director and audit staff.</p>



South Holland District Council

Value for money risk assessment

Our approach
Year ended 31 March 2026

Value for money

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

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

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

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

Risk assessment processes

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

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

Reporting

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

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

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

Financial sustainability

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

Governance

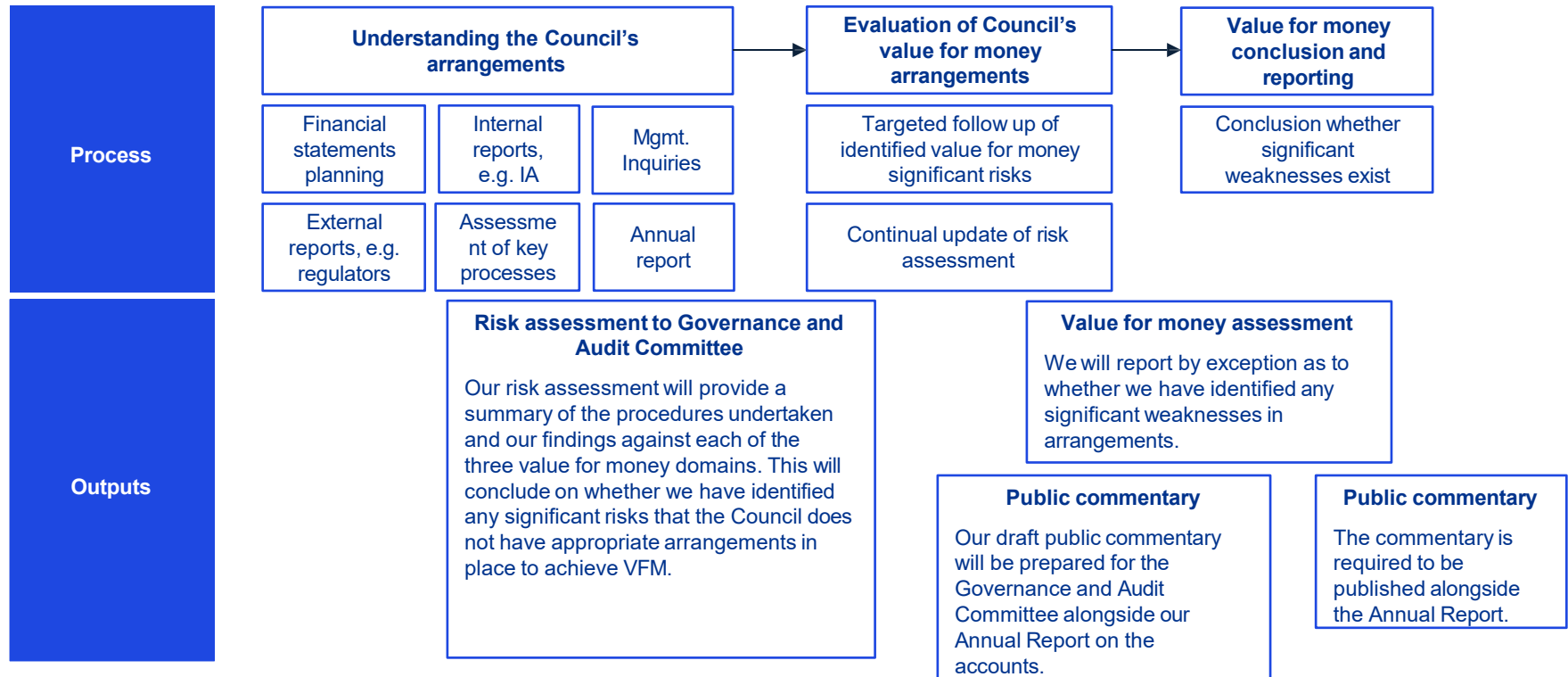
How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

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

Value for money

Approach we take to completing our work to form and report our conclusion:



Summary of risk assessment

Summary of risk assessment

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

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

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

We have not identified any significant risks that there are not appropriate arrangements in place as part of the procedures we have undertaken. We have provided a summary of the procedures performed and our key findings from these on pages 19 to 29.

Value for money arrangements

Financial sustainability

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

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

Summary of risk assessment

Setting the 2025/26 financial plan

- The Council has a budget for 2025/26 that was approved by the Council on 27 February 2025.
- The budget setting report for 2025/26 comprises a five-year financial strategy. Budget assumptions are clearly outlined within the budget setting report. These assumptions are subject to challenge at the Cabinet before they are presented to Council for final approval. Through our review, nothing has come to our attention which would suggest that the assumptions used were not reasonable and appropriate.
- For 2025/26, the Council has budgeted gross expenditure of £52.7m. The budget sets out how this is planned to be funded, of which £51.5m is planned through various activities such as fees, charges and other income (£34.6m), Council Tax (£6.5m), business rates (£7.1m), grant income (£1.7m), precepts (£1.4m), and Spalding special expenses (£0.2m). This leaves a budget gap of £1.2m, which is an efficiency target that must be found by the Council to deliver a balanced budget at the end of the year.
- The IDB levy continues to be a cost pressure for the Council, with a budgeted cost of £3.5m in 2025/26 (an increase of 2.9% from 2024/25). The Council has estimated increases after 2025/26 at 5% per annum. The Council is liaising with the local Internal Drainage Boards to work towards limiting future increases where possible. To show the additional financial pressure on the Council, the Council splits their efficiency requirement between the IDB Funding Requirement of £0.9m and the Annual Budget Efficiency requirement of £0.3m. Therefore, of the total efficiency requirement noted for 2025/26 in the bullet point above, the IDB pressure makes up 75%.
- Through our document review of the papers presented to the Full Council as part of the budget setting process, we noted that reporting did not include Group figures and, as such, did not include the financial performance of its two wholly owned subsidiaries: South Holland Local Housing Community Interest Company and Welland Homes Ltd or; its jointly owned entity, Public Sector Partnership Services Ltd (PSPSL). Our group scoping for the audit identified Welland Homes Ltd has investment properties that are material to the Group. We have made a low level performance recommendation to management in previous years to enhance finance reporting to include Group figures, however, this recommendation was not accepted and the risk is being tolerated by management. This does not give rise to a significant risk of weakness of the entity's financial sustainability arrangements, and we have not repeated the recommendation.

Value for money arrangements

Financial sustainability

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

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

Housing Revenue Account Financial Plan

- A medium-term financial plan for the Housing Revenue Account (HRA) was approved alongside the budget by the Council on 27 February 2025, which included forecasts up to 2029/30. The Council budgeted a £187k net operating deficit for 2025/26.
- From May 2024, the Council engaged Savill's (an external expert) for their services to produce a HRA Business Plan Review and Capacity Analysis. This included the production of a 30-year business plan model, and a 10-year business plan for the Council's HRA.
- The Council procured MLCS3 to conduct stock condition surveys on all residential dwellings managed by the Council during 2024/25 and 2025/26. Stock condition data from surveys completed within the last 18 months went into modelling the HRA Business Plan and Asset Management Strategy (equating to 75% of the stock). In January 2026, the Council had up-to-date stock condition data on 90% of properties and continues to work towards obtaining 100%.
- The Council's HRA Business plan 2026-2056 was presented to the Cabinet and the Council in January 2026. The paper presented highlights the work performed by Savill's to prepare the business plan has determined that the HRA is sustainable over the 30-year period based on the assumptions regarding future costs, however, notes significant changes in the social housing landscape including rising inflation, increased investment needs, and higher borrowing costs.
- The paper confirms investment is deemed necessary to meet government expectations regarding energy efficiency standards. The paper states, over the life of the plan, the HRA is projected to generate £854.5m of income and will require a total investment from the Council of £235m into the HRA assets. The financial forecasts within the plan start from 2026/27 onwards. In the five years to 2030/31 the capital programme projection within the business plan includes £70.7m of capital expenditure of which £19.5m is to be delivered in 2026/27. Therefore, there is limited impact on the Council's HRA activity in 2025/26.
- However, the development of the plan and the approval process took place within 2025/26. We have confirmed through minute review, the HRA business plan and asset management strategy were also considered by the Joint Performance Monitoring Panel and Policy Development Panel, before being presented to the Cabinet, and before formal approval from the Council in January 2026. Thereby evidencing appropriate oversight of this key decision within the governance structure of the Council.

Value for money arrangements

Financial sustainability

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

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

Developing the 2025/26 efficiency plan

- The efficiency requirement is identified as part of the budget setting process. For 2025/26, this is £1.2m (£0.9m relating to the IDB Funding Requirement and £0.3m relating to the Annual Budget Efficiency requirement).
- In our audit completion reports for the 2023/24 financial year, we reported that for the financial year ended 31 March 2024, that the Council did not have a formal efficiency programme in place and raised a medium-risk performance improvement observation. On conclusion of the audit for the prior year, 2024/25, we followed-up on this performance improvement observation in October 2025 and confirmed this had not been implemented.
- We have observed through attendance at the September 2025 Governance and Audit Committee, the Council had an Internal Audit review scheduled to review the processes and controls in place regarding the 'Identification and Monitoring of Savings'. However, the Internal Auditors found there were insufficient processes in place to review and as such, were unable to establish sufficient first or second-line controls to test.
- We have reviewed the quarterly finance reports presented to Cabinet during the year and found that although there is a table for a total amount of efficiencies that have been found against the total requirement, this is at a very high level.
- Therefore, based on the findings above, we have concluded that this performance improvement recommendation remains as there is not a formal programme in place to effectively identify, RAG rate and/or monitor efficiencies. Not having a formal efficiency programme in place will hinder the Council's ability to effectively make savings, which is of increasing importance as the Council is facing increasing pressure from the IDB levy each year.
- Whilst the Council is forecasting a deficit in 2025/26, it is not material, and as such, the issues identified above do not give risk to significant risk of significant weakness relating to financial sustainability for the year ended 31 March 2026. However, we note this could have an adverse impact on the Council in future years, particularly if recurrent savings are not being effectively identified year-on-year.

Value for money arrangements

Financial sustainability

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

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

Consistency between the financial plan for 2025/26 and workforce and operational plans

- The budget setting report is presented to the Cabinet and the Full Council alongside other key strategies for the entity such as the: Capital Strategy, Treasury Management Policy Statement, Treasury Management Strategy, Minimum Revenue Policy (MRP) and Annual Investment Strategy, Medium Term Financial Plan (5 years) and the Annual Delivery Plan.
- The capital programme is reviewed alongside the budgets to ensure it is consistent with the wider budget setting process. The Council's capital programme for the year included capital spend of £13.4m relating to the HRA and £12.9m in Non-HRA assets. The capital programme was presented to the Cabinet before approval from the Council.
- The Partnership Delivery and Alignment plan for the South and East Lincolnshire Council's partnership is presented alongside the budget to the Full Council.
- These are all developed, challenged and approved at the same time to ensure all the activities of the Council are aligned prior to the start of the financial year.

Assessing and managing financial sustainability risks

- The Council has a Risk Management Framework in place. The Framework has a review period of every 4 years. This was last approved by the Council on 18 January 2024, so is next due for review in January 2028.
- The Council has a Strategic Risk Register, and a risk management report is presented to the Governance and Audit Committee on a quarterly basis. The Council has identified a strategic risk relating to the long-term balancing of the budget and related constraints.
- In the quarter two risk report, the Council's strategic risk of "Council Financial Positions", which includes balancing of the budget in future periods, has a risk score of 16 (High). The risk is at the target risk score which means the Council is 'tolerating' the risk.
- As part of the budget setting process, management include a section for risk and sensitivity which outlines the key risks to the budget and how they will be treated through risk management practices.
- The governance arrangements relating to risk management is detailed on page 24.

Value for money arrangements

Financial sustainability

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

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

Performance for the year to date against the financial plan

- The quarter two finance report was presented to the Cabinet on 16 December 2025. This forecasts a revenue outturn of a £281k deficit for 2025/26, but a £688k surplus on the HRA. Of the £1.2m efficiency target set in the 2025/26 budget, at quarter two, £645k has been identified – £578k of the efficiencies identified relates to the IDB funding announced from the Government in-year.
- As at 30 September 2025, the closing balance for the General Fund Reserve is £7.76m,
- The HRA reserves as at 31 March 2025 was £15.2m. At quarter two, these are forecasted to be £10.5m as at 31 March 2026. This is a net reduction of £4.7m. This is due to planned use of the reserves exceeding the planned contributions into reserves within the HRA General Reserve and Major Repairs Reserve.
- The General Fund Reserve is expected to main stable at £2m for the year ended 31 March 2026, with no planned use of the Reserve expected in year. Other specific reserves are expected to have a net increase of £38k in 2025/26.
- Therefore, we have not identified significant planned use of reserves, or use of the General Fund Reserve to achieve a balanced budget for the year. Therefore, there is no indication of significant risk for financial sustainability for the Council.
- Performance against the capital programme is reported as part of the quarterly finance reports.
- Reporting in year demonstrates that the Council has delivered £5.3m of the HRA Capital Plan against a full year budget of £20.3m. Forecasts show an expected underspend of £3.6m for 2025/26.
- Reporting also demonstrates that the Council has delivered £1.4m of the General Fund Capital Plan against a full year budget of £14.7m. Forecasts show an expected underspend of £161k for 2025/26.

Risk assessment conclusion

We have not identified a significant risk in the Council's arrangements for financial sustainability.

Value for money arrangements

Governance

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

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

Identification, monitoring and management of risk

- The Council has a Risk Management Framework in place. The Framework was approved on 18 January 2024, with a review period of every four years. This has well-documented processes in place to identify, monitor and manage risk. This outlines the Council's overriding attitude to risk: to operate in a culture that is open to all potential options in which all risks are identified, understood and proportionately managed, rather than avoided.
- The Council manages risk at three governance levels: strategic, operational and project management. Each has their own risk management responsibilities as outlined in the Risk Management Framework. A quarterly corporate governance clinic is held with Assistant Directors to review risks. Any changes in risk scores are clearly outlined in the covering risk report that goes to the Governance and Audit Committee during the year.
- The quarterly risk reports also include risk registers for the partnership, HRA and fraud.
- The Council received an adequate assurance rating on a 'Risk Register' review undertaken by Internal Audit during the year. The review identified that strengthening documentation, formalising risk appetite, and improving strategic alignment and oversight would enhance risk management effectiveness.
- Through our attendance at Governance and Audit Committee we are satisfied that there is appropriate oversight and scrutiny of the risk scores and risks.

Controls in place to prevent and detect fraud

- The Council has refreshed the Counter Fraud, Corruption and Bribery Policy. This was presented to the November 2025 Governance and Audit Committee.
- The Council has refreshed their Whistleblowing Policy. This was presented to the January 2026 Governance and Audit Committee.

Related parties

- Our inquiries with management identified that the maintenance of the Register of Interests occurs annually as part of the year-end financial reporting process. We will perform a walkthrough of this process as part of the year-end audit process in July 2026.

Value for money arrangements

Governance

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

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

Internal audit

- The Council engages Lincolnshire County Council as their Internal Auditors. They are independent to the Council and provide assurance over the Council's internal controls, including core financial controls. The Head of Internal Audit (HoIA) opinion 2024-25 was 'Adequate'.
- The Council receives a Counter Fraud First quarterly report. This is prepared by the Counter Fraud Team at Lincolnshire County Council. This includes updates on the number of whistleblowing and confidential reports received and updates on emerging risks. We will review a sample of these as part of the year-end audit process in July 2026.
- In the January 2026 Internal Audit progress report, the Council has received seven adequate assurance ratings. One review relating to the 'Identification and Monitoring of Savings' was unable to be completed because there was insufficient controls to test, which we have considered on page 21. There have been no 'Limited Assurance' reports issued during the year to date.

Review and approval of the 2025/26 financial plan

- See pages 19 and 20 for the detail on the setting and approving the 2025/26 financial plan. We have confirmed that this has had sufficient scrutiny throughout the governance structure ahead of the financial year.

Monitoring compliance with laws and regulations

- The Council has a legal service which is responsible for regularly reviewing regulatory change. Service areas are also responsible for being aware of new regulatory changes in their area and these are communicated for implementation as appropriate.
- An example of this is the identification of the HRA risk for the Council's readiness for Awaab's Law, This was rated as 'High Risk' in the quarter one and two risk report. The Cabinet received a report in July and September 2025 on the Council's preparedness to deliver the Social Housing (Prescribed Requirements) Regulation 2025 (Awaab's Law).
- Furthermore, all papers in relation to key decisions such as plans, proposals and procurements for senior officer groups or member committees are required to consider the implications of constitutional and legal, corporate priorities, reputation, equality/human rights/safeguarding and environmental legislation as standard. We have seen this pro-forma is used consistently as part of our minute review of the Governance and Audit Committee, Cabinet and Council.

Value for money arrangements

Governance

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

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

- On 30th July 2025, the Regulator of Social Housing (RSH) published a formal regulatory judgement following a programmed inspection of South Holland District Council's Housing Landlord Service. This was the first ever grading received by the Council from RSH. They were awarded regulatory judgement of C2. Which is the second highest consumer grades out of four. This reflects that there are some weaknesses in the landlord delivering the outcomes of the Consumer Standards and improvement is needed. The Cabinet received a report in September 2025 from the Assistant Director of Housing, which covered the details of the inspection, and the weaknesses identified – it was noted in this meeting that the forthcoming service improvement plan and progress on key actions will be reported to Cabinet at the next Housing Transformation Update. We confirmed this was presented to the Cabinet in November 2025. As the RSH findings did not highlight any significant weaknesses or non-compliance with laws and regulations, we have not identified a significant risk for the purpose of our consideration over the Council's governance arrangements. The evidence shows the Council have reported the findings within their governance structure, made an improvement plan, and have committed to provide quarterly updates to Cabinet on this area.. Therefore, we are satisfied the governance arrangements in relation to this inspection are appropriate.

Monitoring officer compliance with expected standards of behaviour

- All Councillors are bound by the Constitution which is derived from statute and decisions of the Council. All Councillors are required to agree to the Constitution and the Monitoring Officer, as the delegated official, is responsible for overseeing training, awareness and complaints surrounding the Code of Conduct.
- The Council's Code of Conduct communicates values and expected behaviours of staff. This is communicated to staff as part of the recruitment process and is available on the staff intranet. This also covers requirements with regards to gifts and hospitality and conflicts of interests.
- The Council has a Whistleblowing Policy in place to raise concerns of behaviour that do not meet the Code of Conduct. This sets out the actions the Council will take in the event of a whistleblowing incident. This was refreshed part-way through the year and was presented to the Governance and Audit Committee in January 2026.
- The Council's Gifts and Hospitality Policy for members is included within the Constitution. The Council's Gifts and Hospitality Policy for employees is included within the Employee Code of Conduct.

Value for money arrangements

Governance

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

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

Ensuring decisions receive appropriate scrutiny

- Key decision making is subject to discussion and scrutiny at Cabinet level and relevant sub-committees, followed by formal approval by the Council. All key decision records are available to view on the Council's website (unless restricted due to sensitive nature).
- We performed a search on the Council's website of all key decisions that had been made within the 2025/26 financial year up to 31 January 2026. We sampled three of these key decisions to assess whether the key decisions achieved appropriate scrutiny and the Council's approval process was appropriately followed. We did not identify any exceptions.

Risk assessment conclusion

We have not identified a significant risk in the Council's arrangements for governance.

Value for money arrangements

Improving economy, efficiency and effectiveness

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

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

Assessing the level of VFM being achieved and improvement opportunities

- The Council undertakes a programme of service reviews to identify improvement opportunities on a cost and performance basis.
- We will sample a list of service reviews that have been planned for 2025/26. For a sample of service reviews that were completed in 2024/25, we will check whether actions identified from the reviews are being implemented.

Development of efficiency plans and how implementation is monitored

- Detail on the Council's efficiency plans and how these are monitored are detailed on page 21.

Performance of services

- The Council has a Performance and Governance Framework in place. Quarterly monitoring reports are presented to Cabinet. The report is a standard template that is updated each quarter and includes KPIs with commentary to support performance and ratings based on the achievement of targets (red/amber/green). The report also includes risks with scores and any changes since the last report within the appendices. The KPIs are reported under relevant categories, for example Healthy Lives, Environment, Efficiency and Effectiveness.

Engagement with other stakeholders and wider partners

- The Council works closely with other organisations locally to support delivering economy, efficiency and effectiveness, namely with Boston Borough Council and East Lindsey District Council as part of the SELCP. Most notably, the Councils are working together to produce service reviews on different areas to focus on streamlining the processes across the three Councils. The aim is to achieve recurring, long-term efficiency gains and create a platform to meet future demands and opportunities within the service areas. We are satisfied from the sample of completed service reviews in year there is evidence of long-term considerations of the Council's resilience and flexibility across key functions.

Performance of partnerships

- The Council's largest partnership is the South & East Lincolnshire Partnership. The Council has an annual delivery plan that is monitored by the Joint Strategy Board to support the Partnership in delivering on its priorities, as well as sovereign Council ambitions.

Value for money arrangements

Improving economy, efficiency and effectiveness

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

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

Engagement with partners in development of the organisation and system wide plans and arrangements

Local Government Reorganisation

- On 11 November 2024, the Council approved a proposal to establish a District Joint Committee for the purposes of devolution and participation of non-constituent local authorities at the Greater Lincolnshire Combined County Authority. The purpose of the Joint Committee is to establish a collaborative platform for coordination among the non-constituent authorities and be a mechanism through which their interests are represented on the Greater Lincolnshire Mayoral Combined County Authority. The Joint Committee has a Terms of Reference and Standing Orders that were approved at the same Council meeting.
- The Council submitted a proposal on 28 November 2025 in response to Local Government Reorganisation. This is called 'A Greater Lincolnshire for All' and is a joint proposal from Boston Borough Council, East Lindsey Council and South Holland Council. This is available to view on the Council's website. However, this does not impact on the Council's arrangements for the 2025/26 period.

Public Sector Partnerships Ltd (PSPSL)

- The Council outsources their finance function to PSPS, a local authority trading company owned by the three Council's in the SELCP.
- An independent review of the finance service delivery arrangements provided by PSPS for the delivery to the three Councils comprising the South & East Lincolnshire Partnership was prepared by CIPFA in October 2023, commissioned by PSPS. There was a focus on the lack of any formal Service Level Agreement (SLA) in place to outline responsibilities, with a recommendation made for one to be drafted and put in place. We confirmed there was an SLA in place for 2024/25. However, for 2025/26, an updated SLA was not agreed between PSPS and the Council, mainly due to the turnover of the s151 officer during the year. Management confirmed the 2024/25 SLA remained in place and an updated version was being agreed for 2026/27. Therefore, we do not consider this to constitute a significant risk of weakness in arrangements.
- Within the Internal Audit plan for 2025/26, there is a review planned for PSPS contract management, with potential scope to consider that agreed services are delivered and performance managed. As at January 2026, this review had not yet been completed. We will review the report once it is finalised. However, this provides assurance management are consistently reviewing the performance of their finance function.

Appendix

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Audit team and rotation

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



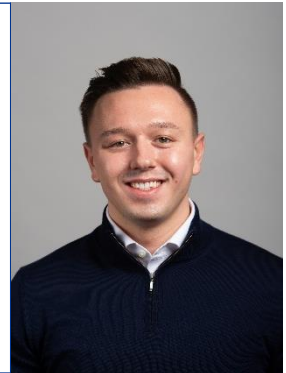
James Boyle is the Director responsible for our audit. He will lead our audit work, attend the Audit and Governance Committee and be responsible for the opinions that we issue.



Rosie Kelly is the Manager responsible for our audit. She will co-ordinate our audit work, attend the Audit and Governance Committee and ensure we are co-ordinated across our accounts and Value for Money work.



Carter Burnell and Joe Bugg are the in-charge's responsible for our audit. They will be responsible for our on-site fieldwork. They will complete work on more complex sections of the audit.



To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



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

Audit cycle & timetable

Our schedule 2025- 2026

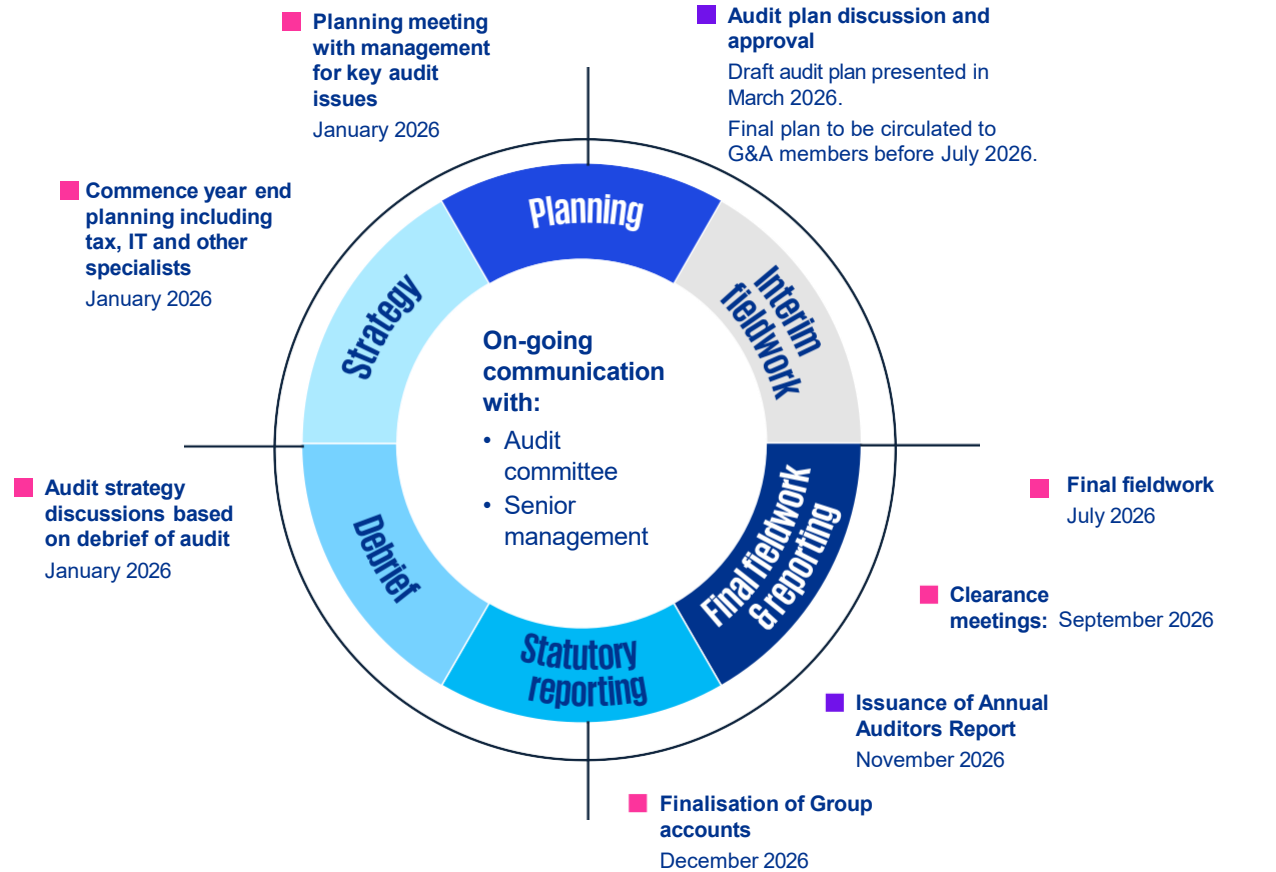
We have worked with management to generate our understanding of the processes and controls in place at the Authority in it's preparation of the Statement of Accounts.

The Government has set a statutory backstop date for the 2025-26 audit of 31 January 2027. This is the deadline for the Council to publish audited financial statements, and the audit opinion.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by December 2026.

This is our third year as auditor. We have held a formal debrief with management on the audit process, and improvements that can be made in 2025/26.

If this schedule changes, we will report this to the Governance and Audit Committee when we attend the relevant meetings.



Key:

- Key events
- Timing of AC communications

Fees

Audit fee

Our fees for the year ended 31 March 2026 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2025/26 (£'000)	2024/25 (£'000)
Statutory audit	158.9	154
Fee variations agreed with management	-	21
Fee variations for building back assurance	-	32
TOTAL	158.9	207

The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Billing arrangements

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

Basis of fee information

Our fees are subject to the following assumptions:

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

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

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

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

Confirmation of Independence

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

To the Governance and Audit Committee members

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

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

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

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

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity except for those detailed below where additional safeguards are in place

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

Summary of non-audit services

We have considered the fees charged by us to the Authority for professional services provided by us during the reporting period.

Fee ratio

The maximum ratio of non-audit fees to audit fees for the year is anticipated to be 0.21:1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2025/26
	£'000
Statutory audit	158.9
Other Assurance Services	42.7*
Total Fees	201.6

* Estimated costs based on 2024/25 actuals



Confirmation of Independence (cont.)

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2025 £'000	Value of Services Committed but not yet delivered in the year ended 31 March 2026 £'000
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none"> Standard language on non-assumption of management responsibilities is included in our engagement letter. The engagement contract makes clear that we will not perform any management functions. The work is performed after the audit is completed and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed & Time	35.4	0
2	Pooling for housing capital receipts return	Management Self review Self interest	<ul style="list-style-type: none"> Standard language on non-assumption of management responsibilities is included in our engagement letter. The engagement contract makes clear that we will not perform any management functions. The work is performed after the audit is completed and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed & Time	7.3	<i>Rolling contract however the fee has not yet been agreed for FY26.</i>

Confirmation of Independence (cont.)

Summary of fees

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

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.21: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2025/26
	£'000
Statutory audit	158.9
Other Assurance Services	42.7*
Total Fees	201.6

* Estimated costs based on 2024-25 actuals

Independence and objectivity considerations relating to other matters

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

Confirmation of audit independence

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

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

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

Yours faithfully

KPMG LLP



kpmg.com/uk

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

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