

Consultation on the 2025/26 audit fee scale

**Opted-in local government, fire, police and
other bodies**

17 September 2025

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

From 2018/19, PSAA became responsible for appointing an auditor and setting scale fees for relevant principal authorities that have chosen to opt into its national scheme under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

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Summary

- 1 This consultation invites comments on our proposals for setting the fee scale for 2025/26 audits of opted-in bodies.
- 2 We are required under local audit regulations to consult on and set the 2025/26 fee scale by the end of November 2025. Audit work under this fee scale is likely from March 2026 to the backstop date 31 January 2027 under the dates proposed in a [statement on the local audit backlog](#) published by the Ministry of Housing, Communities and Local Government (MHCLG) in July 2024, and confirmed in the [Accounts and Audit \(Amendment\) Regulations 2024](#).
- 3 In summary, our 2025/26 fee scale proposals include an average increase of approximately 4% on the 2024/25 scale fees to cover a contractual inflationary (2.8%) increase payable to audit firms for 2025/26 and confirmed changes in ongoing audit work based on information received since we set the 2024/25 scale fees.
- 4 For some bodies we are proposing to update the scale fee where there are confirmed changes in ongoing audit work since we set current scale fees. Incorporating fee increases into scale fees provides more certainty and without this consolidation such changes would be payable as fee variations.
- 5 Since 2019 the local audit framework has faced significant challenges, including a mounting backlog of outstanding audits, and ongoing capacity pressures across the system. In response, the Government has set statutory backstop dates and launched a wide-ranging reform programme. This includes creating the Local Audit Office (LAO) to streamline and simplify the system, providing stronger accountability and audit that is proportionate and relevant. We have been closely engaged in these developments and remain committed to working with partners to support their successful delivery.
- 6 Our strong view is that work on reforming accounting and auditing frameworks must reduce the volume of local audit work needed to deliver a more proportionate Code of Audit Practice (Code) compliant audit. We welcomed the actions MHCLG has taken to address delayed local audit opinions and expressed our strong support for the Government's commitment to overhaul the local audit system to enable bodies and taxpayers to get better value for money.
- 7 We recognise the significant financial and wider pressures on bodies and understand that additional audit fees are an unwelcome additional budgetary pressure. We only propose increases where additional recurring work is required, or in line with contractual requirements. We prepare our [information paper](#) for 2024/25 audits to provide information to audited bodies on changes to auditing and accounting standards and outline the impact that they might have on audit fees. This is intended to support discussions between bodies and auditors on fee variations for 2024/25 audits and provide more context for the 2025/26 Scale Fee consultation. It also provides information on how bodies can work to mitigate against additional audit fees.
- 8 We will process fee variations for audit work to rebuild assurance as this is not recurring work. On 10 July MHCLG published [a technical note for local bodies with disclaimed opinions](#) due to the backstop dates as set out in the Audit and Accounting Regulations 2024. The NAO issued its [Local Audit Reset and Recovery Implementation Guidance \(LARRIG\) 06](#). This relates to special considerations for rebuilding assurance for specified

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balances following backstop-related disclaimed audit opinions. The [LARRIGs](#) are intended to support the reset and recovery of local audit in England. The FRC has issued a guide on the [Local Audit Backlog Rebuilding Assurance](#) which explains how rebuilding assurance after a disclaimed opinion may work in practice on local government audits.

- 9 We are working closely with MHCLG regarding funding for the rebuilding of assurance audit work. MHCLG [published a technical note](#) on 10 July 2025 confirming arrangements for distribution of the [£49 million](#) funding they are providing to support clearing the backlog and rebuilding assurance.
- 10 From our engagement with the audit firms we have sought to understand the impact of the increased MLA threshold to £875m (from £500m) effective from 17 August 2025. It is currently unclear whether we will be able to update the 2025/26 scale fees for this change before their final publication in November. If this is not possible we will process negative FVs for affected bodies. We will apply the same approach to the application of the smaller authorities threshold increasing from £6.5m to £15m.
- 11 More detail on the 2025/26 fee scale proposals is set out in the next section of this consultation. We will be running a webinar for bodies on Thursday 2 October from 2pm to 3pm which will include information around the fee consultation along with the [CIPFA consultation on the radical new code proposed](#) (paragraph 31 provides more information).
- 12 Our Board will consider consultation responses carefully before publishing the final 2025/26 fee scale on our website by 28 November 2025.

Responding to the consultation

We welcome comments on the proposals in this consultation. Please provide your feedback at:

<https://www.surveymonkey.com/r/NK8V8QQ>

The consultation will close on **Monday 13 October 2025 at 5pm**.

The 2025/26 fee scale

Introduction

- 13 The Local Audit (Appointing Person) Regulations 2015 and the Local Audit (Appointing Person) (Amendment) Regulations 2022 require that PSAA, as an appointing person, must specify the scale or scales of fees for the audit of the accounts of opted-in bodies before 1 December of the financial year to which the scale of fees relates.
- 14 We consult in September so that our fee proposals are based on the latest information available and to provide bodies with their proposed fees for budget planning.
- 15 We set the fee scale each year based on the income we require to meet our own and the

audit contract costs. Periodically we return any surplus to bodies by means of a distribution or reduction in future fees, once it is clear the surplus is no longer needed to discharge our responsibilities. We regularly review the efficiency of our services to minimise our call on the public purse.

- 16** Our fees research considered the impact of other changes in audit and accounting requirements applicable for the first time for 2024/25 and 2025/26. Changes to IFRS 16 (Leases) and ISA (UK) 600 (Group Audits) are both applicable from 2024/25 for local government audits. Changes to the Code of Accounting Practice on the application of IAS 16 (Property, Plant and Equipment), IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets) are applicable to local government audits from 2025/26. We concluded that we are unable to consolidate additional fees into the fee scale at this point as the fees for individual bodies will be highly dependent on a body's arrangements and the level of work required. We will need to evaluate the viability of incorporating additional fees in a future fee scale once we have enough information.

2025/26 fee scale elements

- 17** In summary, we propose that the fee scale for 2025/26 will be built up as follows:

2025/26 fee scale: proposed elements
A) The scale fees for 2024/25
Plus:
B) Adjustments for specific opted-in bodies, where updated information is now available
C) A contractual adjustment of 2.8% for inflation

- 18** Further information on each element is provided below.

A) The scale fees set for 2024/25

- 19** We use the previous year's scale fees as the starting point for the next year and then consider any necessary adjustments.

B) Adjustments for specific opted-in bodies

- 20** The impact of delayed and disclaimed audit completions has meant that information to set the fee scale has not been complete, and in some cases has been missing for multiple years. Where the need for additional or reduced recurrent work is now clear from approved fee variations or other information, we need to update scale fees. This has the benefit of providing clarity on expected fees before audit work is undertaken and reduces the need for ongoing fee variations.
- 21** We have considered information available since we published the 2024/25 fee scale in November 2024 and have identified where fee increases or reductions are required for recurrent audit work, for instance changes to Group structures. We are proposing to standardise the fee paid by Pension Fund Bodies for auditors to provide IAS 19 (Employee Benefits) assurance letters to the auditors of admitted bodies in line with our Universal

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Pricing principle.

- 22** We have also reviewed the bodies we identified as special cases when we set the 2024/25 fee scale and considered whether the additional fee adjustment remains appropriate. We have identified a small number, (less than 20), of additional special cases for 2025/26.

C) Adjustment for inflation

- 23** Our audit contracts provide for an inflationary increase for 2025/26 audits, based on the ONS annual CPI rate published prior to 1 April 2025, which was 2.8% on 26 March 2025. The increase applies to 2025/26 scale fees and the hourly rates for additional work submitted as fee variations.

2025/26 additional fee hourly rates

	Partner/ Director	Senior Manager/ Manager	Senior Auditor	Other staff
2025/26 audits	£440	£243	£157	£120

Summary of Proposal

In summary, we propose that the fee scale for 2025/26 will be built up as follows:

2025/26 fee scale: proposed elements
A – The scale fees for 2024/25
Plus:
B – Adjustments for specific opted-in bodies
C – Adjustment for inflation

- 24** We will write to each body during the consultation period setting out their proposed scale fee based on these elements. The example below illustrates how the scale fee will be made up:

Calculation example – 2025/26 scale fees

Example (unitary council)	
A) 2024/25 scale fee	£300,000
B) Add/remove: changes in ongoing fee variations (specific bodies only, not applicable to all audits)	£3,500
Subtotal 2024/25 scale fees plus recurring additional fees	£303,500
C) Contractual indexation (2.8% of subtotal)	£8,498
Total scale fee for 2025/26	£311,998

Additional information

Statement of responsibilities

- 25 The [statement of responsibilities of auditors and audited bodies](#) sets out the expectations on which scale fees are based. The statement effectively represents the terms of engagement between appointed auditors and bodies and summarises their respective responsibilities.
- 26 Scale fees are based on the expectation that bodies can provide the auditor with complete and materially accurate financial statements and supporting working papers within agreed timeframes. Local fee variations may be needed where a body is unable to fulfil these requirements.
- 27 The statement of responsibilities also applies to auditors. Additional audit costs that arise due to auditors not meeting expectations in relation to their responsibilities are ineligible for a fee variation.

Value added tax

- 28 Individual audit fees under the 2025/26 fee scale do not include value added tax (VAT), which will be charged at the prevailing rate, currently 20%, on all work done.

Next steps

- 29 We welcome comments from bodies and other stakeholders on the proposals outlined in this consultation. The closing date for comments is 5pm on Monday 13 October 2025.
- 30 Please respond to the consultation using the survey provided:
<https://www.surveymonkey.com/r/NK8V8QQ>
- 31 We are running a webinar for bodies on Thursday 2 October from 2pm to 3pm to support the consultation. Invitations will be sent out around 17 September, if you are a s151 Officer or an Audit Committee Chair and have not received your invitation please [contact us](#) to find out how to register.
- 32 Information about this consultation and the 2025/26 fee scale is [available on our website](#).
- 33 If you have any questions about the consultation please send them to:
workandfeesconsultation@psaa.co.uk.
- 34 We will consider carefully the responses to this consultation in setting the 2025/26 fee scale, which we will publish by 28 November 2025.
- 35 If you have comments about the way the consultation has been conducted, these should be sent by email to generalenquiries@psaa.co.uk.