



Cambridge City Council Civic Affairs

Date: Monday, 12 May 2025

Time: 5.30 pm

Venue: Committee Room 1 & 2, The Guildhall, Market Square, Cambridge, CB2 3QJ

Contact: democratic.services@cambridge.gov.uk, tel:01223 457000

Supplementary Agenda

- 5 Statement of Accounts for year ended 31 March 2024 (Pages 3 - 142)

Civic Affairs Members: McPherson (Chair), Gawthrope Wood (Vice-Chair), Bennett, Robertson, Sheil and Young

Alternates: Bick, Clough and Holloway

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Further information on public speaking will be supplied once registration and the written question / statement has been received.

REPORT TITLE: Statement of Accounts 20203/24

To:

Civic Affairs Committee (12/05/2025)

Report by:

Francesca Griffiths, Chief Accountant

Tel: 01223 458126 Email: francesca.griffiths@cambridge.gov.uk

Wards affected:

All

1. Recommendations

1.1 It is recommended that the Civic Affairs Committee:

1. Notes the contents of the EY Audit Completion Report 2023/24.
2. Approves the Statement of Accounts for the year ended 31 March 2024, subject to any remaining amendments per recommendation 3.
3. Delegates authority to the Chief Finance Officer to approve any amendments to the Statement of Accounts arising from the remaining audit procedures, provided that these do not have a material impact on the Council's usable reserves or result in any changes to the auditor's opinion.
4. Authorises the Chair of the meeting to sign the Letter of Representation and the Statement of Accounts for the financial year ended 31 March 2024 on behalf of the Council.

2. Purpose and reason for the report

- 2.1 In accordance with International Standards on Auditing (ISAs), external auditors are required to communicate their audit findings to 'those charged with governance', which for this council is the Civic Affairs Committee.
- 2.2 This covering report provides commentary from officers on the Council's Statement of Accounts to assist members to fulfil their responsibility for approving the Council's

Accounts for 2023/24. At the same time as approving the Statement of Accounts, EY requires the Council to provide a Letter of Representation signed by both the Chief Finance Officer and a member on behalf of 'those charged with governance'.

3. Background and key issues

- 3.1 As the Committee will be aware, following several years of delays to the publication and audit of Statements of Accounts across the local government sector in England, the government has recently announced a 'reset and recovery' approach to addressing the substantial audit backlog across the country. As part of this approach, the government has set a series of statutory 'backstop' dates, by which audited accounts must be published.
- 3.2 The backstop date for 2023/24 accounts was 28 February 2025. Unfortunately, the council was not able to meet this deadline. This was primarily due to acute resource pressures within the Finance team over the past 12 months, including two key vacancies within the team who would usually carry out accounts preparation work. Whilst we were able to recruit an interim into one of these vacancies, we were unable to fill the other despite significant efforts to do so. We did appoint an interim specifically to work on the 2023/24 accounts in late summer, when it became apparent that there was insufficient capacity within the existing team to complete this work, and we made a great deal of progress, but they had to leave the council for personal reasons, and we did not manage to replace them.
- 3.3 Draft unaudited accounts for 2023/24 were published on 28 February 2025.
- 3.4 Under the Accounts and Audit Regulations, before accounts can be signed off by the auditors (even with a disclaimed opinion), there needs to be a 6 week public inspection period. This means that, even though we published draft accounts on 28 February 2025, there was not sufficient time available to meet the statutory backstop date of the same date.
- 3.5 The implication of this is that we were required to publish an explanation for not meeting

the backstop date, and to send this to the Secretary of State. The government also intends to publish a list of bodies and auditors that do not meet the backstop dates, which will make clear where unaudited (draft) accounts were not published in time, and to keep the issue of further consequences under close review.

- 3.6 Moving forwards, I am pleased to report significant progress in dealing with the temporary resourcing issues which have plagued the team over the past 12 months. We now have a key, experienced member of the team back from long-term leave. In addition, an individual has been appointed to the key post of Head of Finance and will be joining the team in June 2025.

4. Preparation of Statement of Accounts

- 4.1 Draft unaudited accounts for 2023/24 were published on 28 February 2025.
- 4.2 A revised Statement of Accounts is attached at Appendix 1. The revised statements incorporate a small number of audit and management adjustments which are detailed in section 6.3 of this report.
- 4.3 Due to insufficient time to start and conclude audit procedures by the back stop date, EY will be providing a disclaimed opinion on the Statement of Accounts for 2023/24. EY's Audit Completion Report is attached at Appendix 2.

4. Council Financial Results for 2023/24

- 4.1 The Council's financial performance is summarised in the main financial statements.
- 4.2 The Movement in Reserves Statement shows an overall decrease in the Council's usable reserves of £27.9 million to £117.6 million.
- 4.3 The movement in usable reserves includes net decreases of £27.3 million in reserves which can only be used to support capital expenditure. These reserves will be utilised in future years in accordance with the capital programme. The net change in usable revenue reserves is therefore a decrease of £0.6 million.

- 4.4 General Fund unallocated reserves increased by £12.8 million to £40.8 million, and General Fund earmarked reserves increased by £0.3 million to £28.9 million. The net increase in earmarked reserves includes £6.1 million set aside for future capital development, including £6 million in respect of development surpluses delivered by Cambridge Investment Partnership. It also includes the use of £5.3 million to fund the work of the Greater Cambridge Partnership.
- 4.5 HRA reserves increased by £0.9 million to £7.6 million. HRA earmarked reserves decreased by £14.5 million to £2.8 million. The net decrease in the HRA earmarked reserves includes the use of £14.7 million which has been earmarked for debt redemption and/or reinvestment, to fund HRA capital expenditure in the year.
- 4.6 A more detailed analysis of the movement of both General Fund and HRA earmarked reserves is shown in Note 14 to the Statement of Accounts.
- 4.7 There is a table on page 10 of the Narrative Report within the Statement of Accounts which reconciles the outturn position of portfolios reported to committees to the movement on General Fund reserves. The Expenditure and Funding Analysis (Note 1 to the Statement of Accounts) then reconciles this position to the statutory accounting results detailed in the Comprehensive Income and Expenditure Statement.
- 4.8 The Comprehensive Income and Expenditure Statement shows a net deficit on provision of services (measured according to proper accounting practice) of £13.8 million, compared to a net deficit of £1.4 million in 2022/23. The most significant changes year-on-year were:
- Revaluation losses of £41.1 million were charged to HRA expenditure in respect of council dwellings, compared with losses of £17.0 million in 2022/23. Note that whilst this impacts on the surplus on provision of services, the effect is reversed out of the HRA through Movement in Reserves Statement, so there is no impact on the Council's usable reserves. (N.B. These figures relate only to the element of revaluation gain / loss which is not a reversal of previous gains, therefore they will not agree with the figures at paragraph 4.9 which show the total revaluation movement on all council dwellings).

- Revaluation gains of £6.0 million were charged to income in respect of investment properties, compared with losses of £21k in 2022/23. Note that whilst this impacts on the surplus on provision of services, the effect is reversed out of the GF / HRA through Movement in Reserves Statement, so there is no impact on the Council's usable reserves.
- Interest and similar income for 2023/24 was £7.8 million compared with £4.8 million in 2022/23. This is largely due to the high interest rate environment in 2023/24.
- The Council received interest of £0.5 million on the net defined benefit pension asset, whereas the Council paid interest of £2.8 million in 2022/23 in respect of the pension asset.
- Financing and investment expenditure includes £0.3 million losses on the fair value of financial instruments (relating to a decrease in the valuation of the Council's investment in a Pooled Property Fund), compared with losses of £2.9 million in 2023/24.

4.9 The Balance Sheet details the value of the Council's assets and liabilities. The Council's total net assets have increased by £2.8 million, to £1,107.1 million. Key movements to note include:

- A decrease in short term investments of £55.7 million. The Council has used available cash to fund capital expenditure in 2023/24.
- There were additions of £89.1 million to property, plant and equipment; £43.4 million relating to council dwellings, £41.9 million to assets under construction and £3.8 million to other property, plant and equipment.
- Net revaluation losses of £36.9 million on property, plant and equipment, consisting of a net loss of £40.5 million on council dwellings and a net gain of £3.6 million on other land and buildings.
- Net revaluation gains of £6.0 million on investment properties, consisting of a loss of £0.5 million on the central Cambridge shopping centre portfolio, and a net gain of £6.5 million on other investment properties.

5. Group Financial Statements

- 5.1 The Group Financial Statements consolidate the performance of the Council with its subsidiary (Cambridge City Housing Company), and the Cambridge Investment Partnership (CIP) entities.
- 5.2 The accounts of the Cambridge City Housing Company (CCHC) show a profit for the year of £68k. After eliminating transactions with the Council and aligning accounting policies with the group, the total comprehensive income for CCHC included in the Group Financial Statements is £285k.
- 5.3 As a joint venture the Council is required to include its share of the financial results of CIP as a single line in the Group Comprehensive Income and Expenditure Statement and the Group Balance Sheet. There are four entities in total: an overall operating company, plus 3 specific development companies for Mill Road, Cromwell Road, and L2 Orchard Park. The overall operating company reported a profit of £7k (£277k loss in 2022/23) and Mill Road posted a profit of £14k (£4.5 million in 2022/23), reflecting the fact that development is complete. Cromwell Road posted a profit of £2.7 million (£5.9 million in 2022/23). Orchard Park L2 reported a profit of £0.3 million (£0.5 million in 2022/23), reflecting the fact that development is ongoing.
- 5.4 The Council's share of the net assets of the joint venture entities totals £1.5 million, compared with only £5.6 million in 2022/23.

6. Audit Results

- 6.1 International Auditing Standards require the auditor to communicate a number of matters to those charged with governance before issuing their audit opinion. EY's Audit Completion Report is attached at Appendix 2. Representatives from EY will be present at today's meeting to discuss their report.
- 6.2 Subject to completion of the outstanding audit work set out on page 16 of their report, EY propose to issue a disclaimed audit opinion on the Council's financial statements for

2023/24.

6.3 A small number of adjustments have been made to the published draft Statement of Accounts throughout the audit process.

- Correcting the split of revaluations between those through the surplus / deficit on the provision of services and those through the revaluation reserve;
- Amending the transfer of balances from investment properties to assets held for sale;
- Correcting the short term debtor and creditor balances to net down balances with central government relating to business rates;
- Amending the split between transfers into and out of earmarked reserves;
- Other minor corrections to the property, plant and equipment, investment properties and intangible assets;
- Adding additional narrative in the prior period adjustment note (note 6) to detail the amendments to the movement in net book value in note 16.
- Minor corrections to the going concern note (note 33) and to the group loan commitments note (note 5 to the group accounts)

6.4 Auditors are required to carry out certain procedures in relation to value for money (VFM). They must be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A 'conclusion' or 'opinion' is not issued, but where significant weaknesses are identified these will be reported by exception in the auditor's opinion on the financial statements.

6.5 EY's (VFM) work is now complete, however two significant risks of weaknesses have been identified:

- The Council's arrangements to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015.
- The Council's failure to deliver outcomes of Rent Standards and breach of the Act.

6.6 EY will be modifying their opinion on the Council's financial statements for 2023/24 to reflect the significant weaknesses identified as part of their VFM work.

7. Letter of Representation

- 7.1 International Auditing Standards require the auditor to have received a Letter of Representation drawn up by the Council that provides written confirmation on matters that might be relevant or significant to the Statement of Accounts. The letter is signed as near as possible to the date of the audit opinion. The auditing standard requires that the letter is 'discussed and agreed by those charged with governance and signed on their behalf... to ensure that all those charged with governance are aware of the representations on which the auditor intends to rely in expressing the auditor's opinion on those financial statements.'
- 7.2 A draft Letter of Representation has been provided at Appendix 3. EY will be present at the meeting to answer any questions.

8. Implications

Financial Implications

- 8.1 An update on the audit fee for 2023/24 is set out at Appendix B to the Audit Completion Report. The scale fee for 2023/24 is £174,191. The 2023/24 work is substantially complete, as set in the relevant Audit Completion Report and a final fee will be determined shortly.

It should be noted that a final fee proposal will not be provided until any outstanding audit work is complete. Any additional fees proposed will be subject to agreement with Public Sector Audit Appointments (PSAA), who oversee the external audit regime for all local authorities.

Legal Implications

- 8.2 The council is required to publish a Statement of Accounts and have this audited under the Accounts and Audit Regulations 2015.

Equalities and socio-economic Implications

8.3 None identified.

Net Zero Carbon, Climate Change and Environmental implications

8.4 None identified.

Procurement Implications

8.5 None identified – the council's auditors are appointed independently by Public Sector Audit Appointments Ltd (PSAA) in accordance with the Local Audit and Accountability Act 2014.

Community Safety Implications

8.6 None identified.

9. Appendices

- 9.1
1. Statement of Accounts 2023/24
 2. EY Audit Completion Report
 3. Draft Letter of Representation

To inspect the background papers or if you have a query on the report please contact Francesca Griffiths, Chief Accountant, tel: 01223 458126, email: Francesca.griffiths@cambridge.gov.uk

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Cambridge City Council

Page 13

Statement of Accounts for the year
ended 31 March 2024

Introduction

This Statement of Accounts gives an overview of the Council’s finances for the year ended 31 March 2024. It has been written to help residents and others to:

- understand the overall financial performance and position of the Council;
- have confidence that public money has been used and accounted for in an appropriate manner; and
- be assured that the financial position of the Council is sound and secure.

The document is split into the following key sections:

- The **Narrative Report** explains how the Council is organised, managed and governed. It sets out the Council’s vision and priorities, and the main risks faced in the achievement of these. It also contains commentary on the Council’s financial and non-financial performance for the year.
- The **Council Financial Statements** set out in more detail the financial cost to the Council of the services it has provided during the year, and its financial position at the year-end. It consists of a number of main statements and notes, as set out in the Contents table opposite. It is prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and the Council’s accounting policies which are explained in more detail at note 2.
- The **Group Financial Statements** explain the impact on the Council’s finances of its involvement with Cambridge City Housing Company Ltd (a wholly owned subsidiary) and the Cambridge Investment Partnership (a joint venture partnership).
- The **Glossary** contains a definition of any comaccounting terms used throughout this Statement of Accounts.

Contents

| | |
|---|-----------|
| Narrative Report | 3 |
| Council Financial Statements | |
| Statement of Responsibilities | 14 |
| Independent Auditor’s Report to the Members of Cambridge City Council | 15 |
| Comprehensive Income and Expenditure Statement | 17 |
| Movement in Reserves Statement | 18 |
| Balance Sheet | 19 |
| Cash Flow Statement | 20 |
| Notes to the Council Financial Statements | 21 |
| Housing Revenue Account Statements and Notes | 51 |
| Collection Fund Statements and Notes | 53 |
| Group Financial Statements | |
| Group Comprehensive Income and Expenditure Statement | 55 |
| Group Movement in Reserves Statement | 56 |
| Group Balance Sheet | 57 |
| Group Cash Flow Statement | 58 |
| Notes to the Group Financial Statements | 59 |
| Glossary | 63 |

Introduction

The past twelve months has been a period of further change in Cambridge, with both the legacy of the global pandemic and the continuing war in Ukraine causing instability and continued economic uncertainty. The past year also saw significant inflation making it even harder for many Cambridge residents facing the challenge of making ends meet in the continuing cost-of-living crisis. Cambridge City Council has continued to meet these challenges and adapt itself to the new demands, working together with partners to address pressures in the city, including housing, climate change and the cost-of-living crisis, as well as the continuing growth of the city.

This report sets out some of the main highlights and issues from the past year.

The Council has an ambitious savings target, with the latest Medium Term Financial Strategy identifying a need to deliver annual savings of around £11.5 million over a five-year period. Whilst the ‘Our Cambridge’ programme will contribute significantly to the achievement of these targets; the Council has had to take difficult decisions to respond to the financial challenges impacting the Council. These challenges include reduced income from some of the Council’s commercial services, including its crematorium which has faced increasing competition, and its market and car parks which are still seeing some weekday reductions in demand as customer behaviour has changed following the pandemic.

In 2023/24, the Council recorded a surplus on the General Fund of £12.857 million, compared to a budgeted surplus of £4.962 million. After accounting for project slippage of £3.113 million where budgets have been carried forward to the following year, this represents a net underspend of £4.782 million. The underspend was, in part, driven by significant investment income as the Council benefited from continuing high interest rates. However, this income is likely to decrease over time as interest rates come down, and the Council uses its cash reserves to fund significant capital projects.

Careful management of service budgets successfully addressed the impact of inflation although in general many services spent less on salaries and wages than had been expected due to continuing difficulties recruiting to vacant and specialist positions.

The Council collected £51.632 million of rent and other income through the Housing Revenue Account. This is used solely to provide services to the Council’s housing tenants and leaseholders, and to support the construction of new council housing and improvements to existing properties.

Local authorities remain subject to considerable uncertainty following repeated delays in the implementation of local government funding reform and associated changes relating to business rates, and recent announcements connected to local government reorganisation. This creates numerous challenges as the authority seeks to plan for the long-term and deliver against its vision for the City.

Organisational Overview and External Environment

About Cambridge

| |
|---|
| Cambridge covers a relatively small urban area (measuring 3 miles by 5 miles). The city had the fastest growing population of any city in England and Wales between 2011 and 2021. The population has increased further from 145,800 in 2021 (Census 2021) to 150,000 in 2023 (ONS mid-year population estimate 2023). |
| In the 2021 Census, an estimated 71,600 residents – 31% of the population – across the Cambridge City & Fringe were born outside the UK, up from 23% in 2011, and a rate ahead of national (17%) and national city (22%) benchmarks. |
| 50 languages are spoken in the city. People from around the world are attracted to study and work in Cambridge, with international students making up just over a third of all higher education places in the city. |
| Analysis by the Centre for Cities also shows that Cambridge’s city centre footfall and spending has recovered to pre-pandemic levels, and at a faster rate than benchmarks. Annual city centre footfall increased from 52 million in 2022 to 55 million in 2023. |
| The proportion of the working age population in Cambridge (City & Fringe) in work or actively looking for work in 2023 was 81.5%, which exceeds relevant benchmarks. |
| International research indicates resident’s perception of their quality of life continues to improve with Cambridge scoring higher than any other UK city beside Edinburgh. |
| The delivery of new homes in Cambridge has continued to outpace benchmarks with one of the highest housebuilding rates in the country. In the 2 years from 2021 to 2023 a total of 1,452 new homes were built. The rate of delivery of new homes increased from 7.8 per 1,000 dwellings in 2021 to 14.7 in 2023. |
| The proportion of homes in Cambridge that are owned outright or with a mortgage increased to 50.4% in 2021, up from 48.3% six years ago. This rate lags behind national (63.5%) and national city (58.9%) benchmarks, though these gaps are slowly closing. Only Oxford and Hull had a lower home ownership rate than Cambridge in 2021. |
| In 2022, 618 households in Cambridge were assessed as homeless or threatened with homelessness, a 3% increase on the 599 assessed in 2021. This is equivalent to 14.1 cases per 1,000 households in the city, which exceeds national (11.7) and national city (13.5) benchmarks, with Cambridge having the 21 st highest number of cases per 1,000 households out of 55 cities nationwide. |
| Relative to local pay, Cambridge has remained one of the least affordable places outside London for buying or renting a home in the country. In 2023 the median house price was 12.5 times median earnings, while the median rental price was 39% of median pay. |

When adjusted for population, Cambridge recorded 103.2 criminal offences per 1,000 residents in 2021/22, which was higher than the national average, but lower than the national city average.

The life expectancy gap between the most and least deprived neighbourhoods in Cambridge in 2020 stood at 12.0 years for males and 11.8 years for females, a significantly larger gap than the national average of 9.7 years for males and 7.9 years for females. Cambridge recorded the 6th largest life expectancy inequality out of 55 cities in England.

Council Vision and Priorities

Cambridge City Council has a vision:

Page 16

‘One Cambridge Fair for All’

- Residents enjoy a high quality of life and exemplar public services
- Decarbonisation and sustainability are central to prosperity
- Innovation benefits people and planet
- Development is sustainable and inclusive

Arts, sport, and culture are thriving

Democratic accountability is genuine and accessible

It’s a vision we share and develop, working with our citizens and partner organisations.

To achieve this vision, our Corporate Plan priorities are:

Leading Cambridge's response to the climate and biodiversity emergencies and creating a net zero council by 2030

Tackling poverty and inequality and helping people in the greatest need

Building a new generation of council and affordable homes and reducing homelessness

Modernising the council to lead a greener city that is fair for all

The [Corporate Plan 2022-27](https://www.cambridge.gov.uk/corporate-plan-2022-27-our-priorities-for-cambridge)¹ can be found on the Council’s website.

Our Services

Our services have been reported to management and committees in the following portfolios during 2023/24:

| Portfolio | Examples of services included |
|--|--|
| Climate Action and Environment | Environmental Health, Licensing, Waste & Recycling |
| Community Wealth Building and Community Safety | Community Safety, Voluntary Sector, Tourism |
| Communities | Children & Youth, Culture, Community Safety |
| Housing (GF) | Environmental Health, Homelessness |
| Open Spaces and City Services | Open Space Management, Bereavement Services |
| Planning, Building Control and Infrastructure | Planning, Development |
| Finance and Resources | Finance, Human Resources, Property Services, Legal, ICT |
| The Leader | Chief Executive, Corporate Strategy, Democratic Services |

Our Companies

The council owns 100% of the shares of Cambridge City Housing Company Ltd, which provides housing for sub-market rents and other housing services in the city.

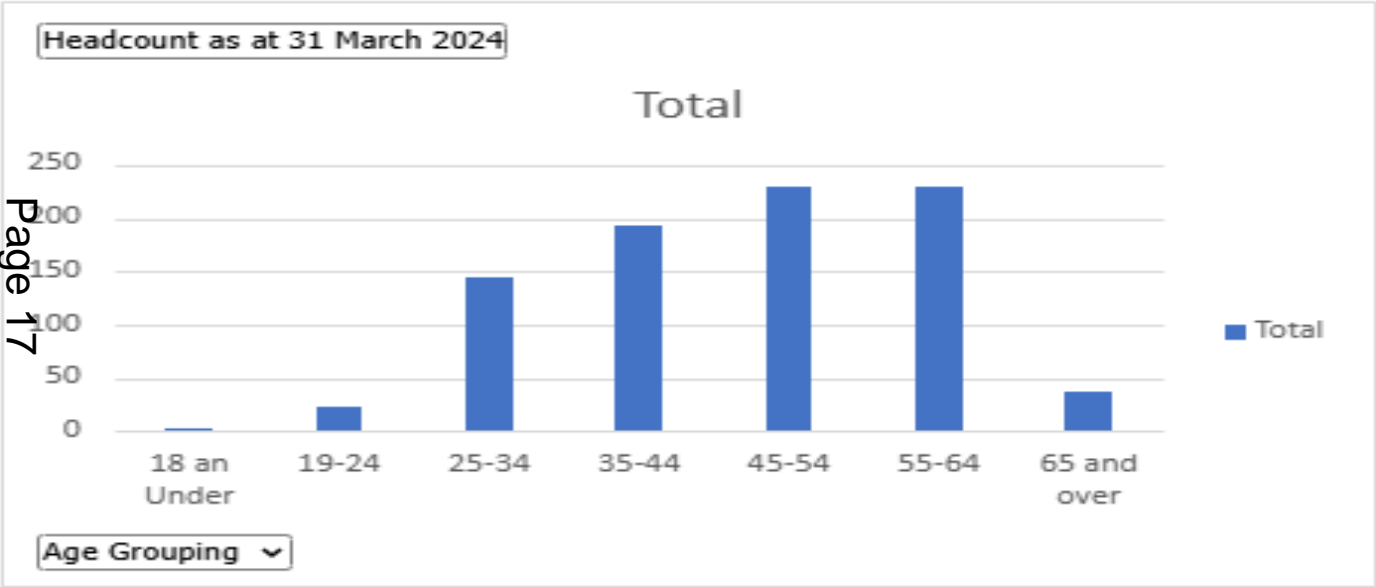
The council also participates as a 50% joint venture partner with a property developer in the Cambridge Investment Partnership, consisting of four limited liability partnerships (LLPs) which are engaged in housing development in the Cambridge area.

Further information can be found in the Group Financial Statements.

¹ <https://www.cambridge.gov.uk/corporate-plan-2022-27-our-priorities-for-cambridge>

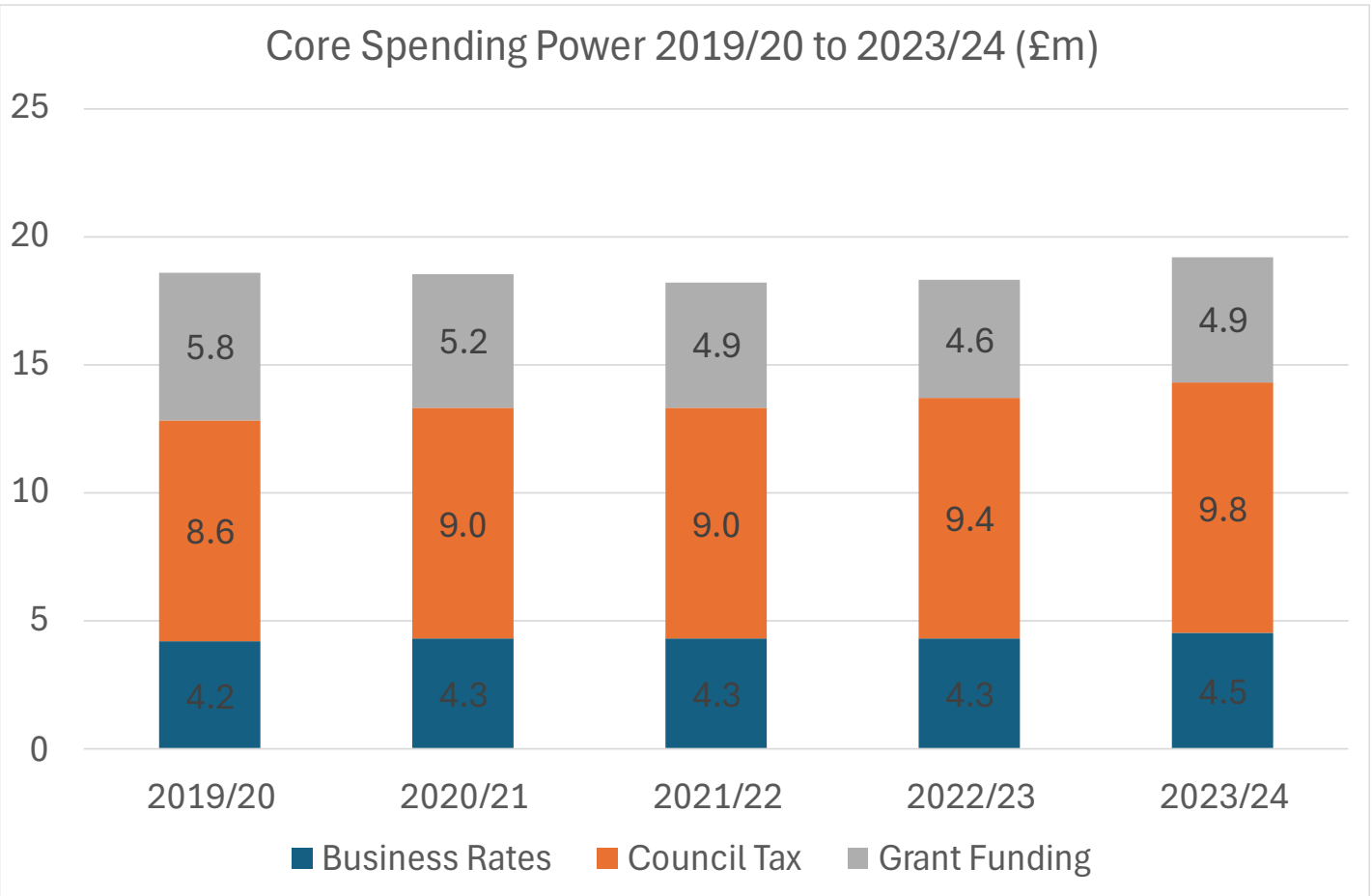
Our People

The City Council employs 859 staff directly as well as delivering services through others who are based in our shared services and arm's length partnership arrangements. We are committed to developing and supporting our staff through effective leadership and continuous improvement that supports the Council's vision.



Our Funding

The Settlement Funding Assessment is the core government funding for the Council. The following chart shows how the proportion of the council's core spending power funded through government grants fell from 31% in 2019/20 to 25% in 2022/23, before increasing slightly in 2023/24.



Our External Economic Outlook

Our local economy has shown considerable resilience. Despite the widespread cost of living issues, the Council has seen an increase in its underlying business rates base, and income from commercial services, including rental income from the Council's property portfolio, has generally held up well.

Soaring inflation, including the significant spike in energy prices, has impacted service delivery. Forward purchasing of energy, together with investment in energy-saving technologies, reduced the Council's degree of exposure in 2023/24, but with prices not expected to return to levels seen prior to the pandemic the long-term impact of increased energy costs will impact the Council. The cost-of-living crisis has impacted our residents, and many will continue to need the Council's support going forward. So far, however, collection rates for business rates and council tax have remained high and above the targets set at the start of the year.

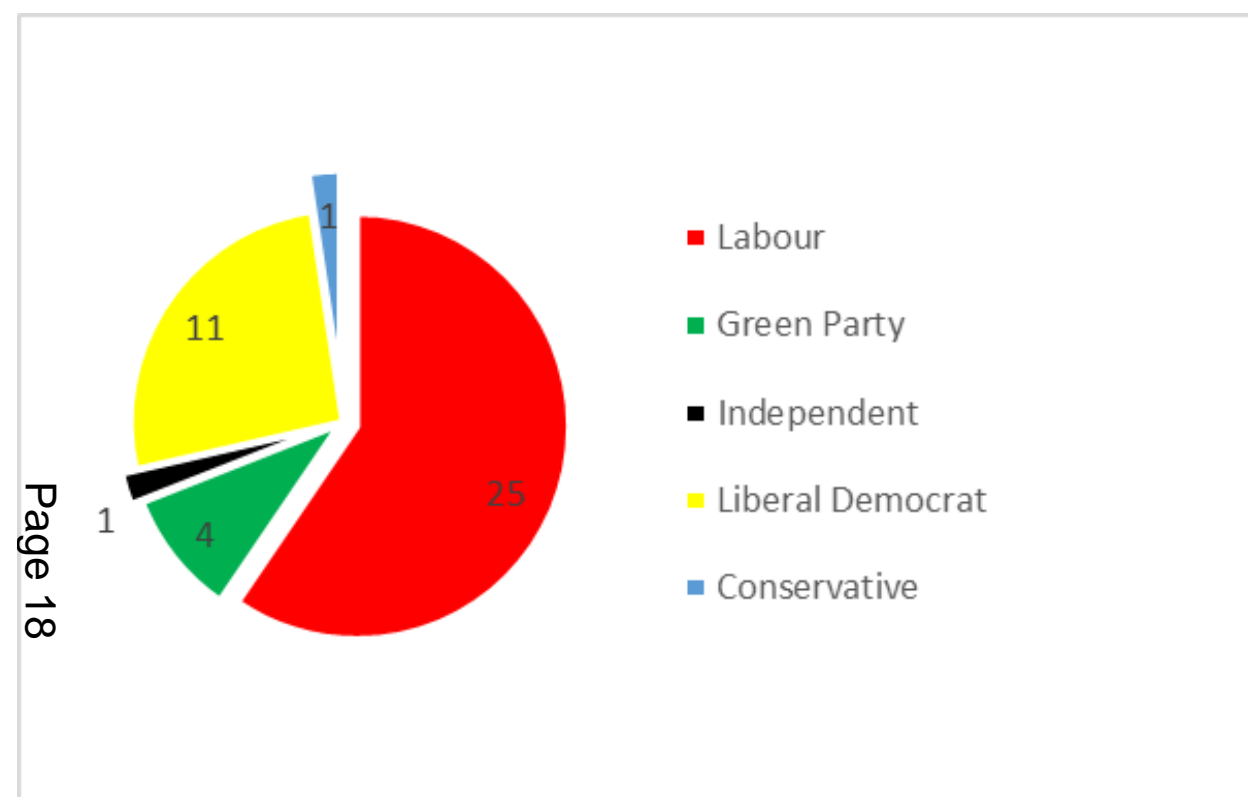
The combination of high inflation and high interest rates has had a pronounced impact on the affordability and viability of capital projects, particularly those relating to housing because increases in social housing rents are subject to regulation by central government.

Funding for the 2023/24 pay settlement was agreed part-way through the year as the settlement agreed nationally exceeded the amount built into the original 2023/24 budget. Negotiations regarding the 2024/25 uplift concluded during the year and had a significant impact on the Council's cost base. Like many local authorities the Council uses temporary staff to provide interim support and expertise

for fixed periods. The cost of staff engaged on such arrangements continues to increase owing to tight labour market conditions and high demand for experienced and technically competent officers. This will continue to impact on service budgets.

How the Council is Governed

Cambridge City Council has 14 wards represented by 42 elected members (councillors). Prior to elections which took place in May 2024, Councillors were combined into political groups as follows during the 2023/24 financial year.



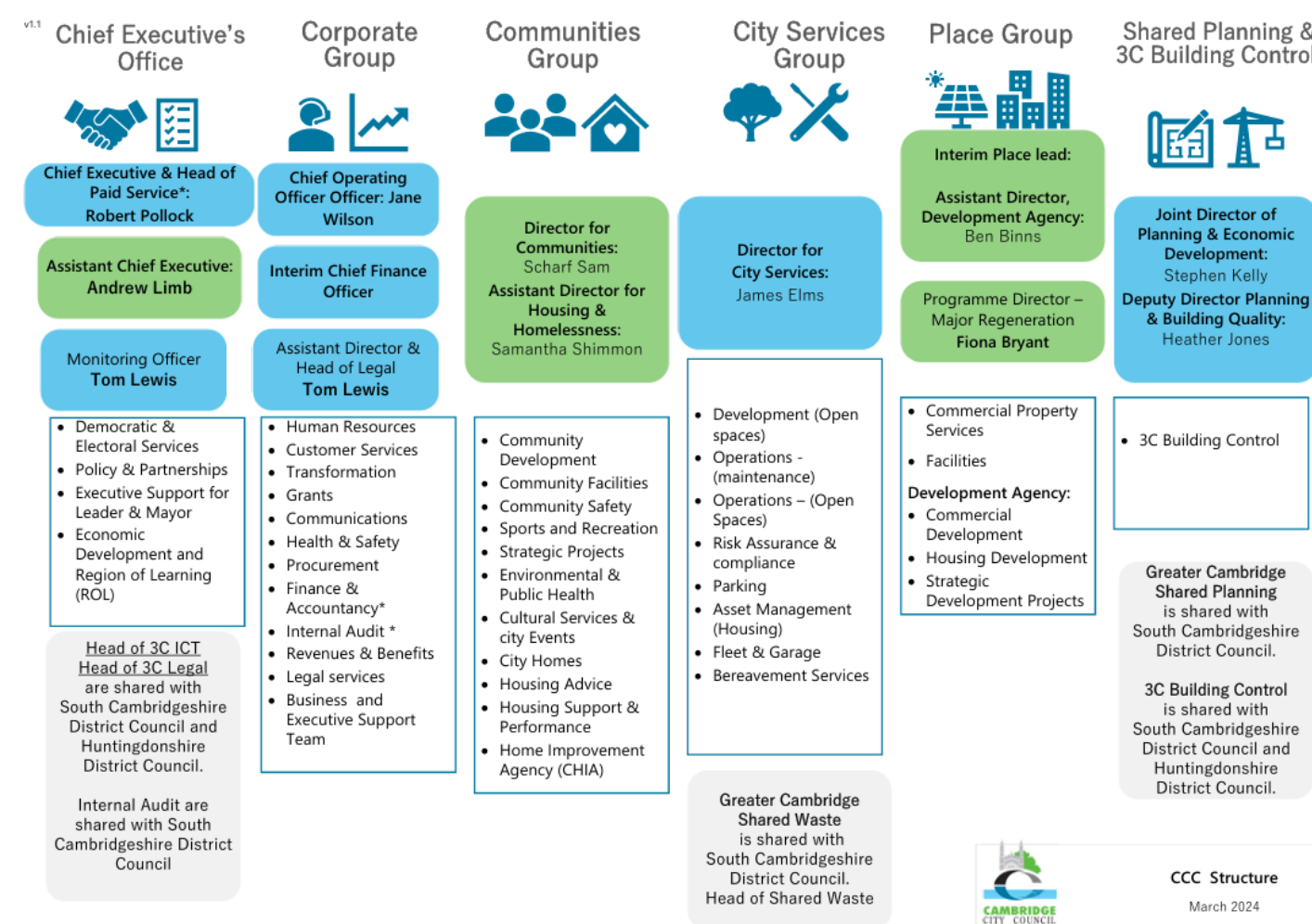
The Council's constitution sets out the governance arrangements of the Council, comprising a hybrid Leader and Executive system with pre-scrutiny committees. This provides assurance to our citizens that decisions made in their name have been taken correctly. The [Constitution](https://www.cambridge.gov.uk/constitution)² can be found on the Council's website.

The [Annual Governance Statement 2023/24](#)³ is also available on the Council's website. This is published alongside the Statement of Accounts and provides details of the annual review of the effectiveness of the Council's governance framework, including the system of internal control. It also includes the annual opinion of the Head of Internal Audit

It is the opinion of the Head of Internal Audit that, taking into account all available evidence, reasonable assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2023/24, and this remains at a similar level to the previous year.

How the Council Operates

The Council operates to achieve its objectives through utilising its resources (inputs) to achieve value for money (effective, efficient and economical outputs). The Leadership Team under the leadership of the Chief Executive, Robert Pollock, is responsible for the management of the organisation, initiatives and projects to support delivery of the Corporate Plan. The chart below shows the structure which was in place during the 2023/24 financial year.



² <https://www.cambridge.gov.uk/constitution>

³ <https://www.cambridge.gov.uk/statement-of-accounts>

Performance Highlights

The Annual Report on the Corporate Plan shows what was achieved in 2023/24 under the four priority themes during that year. The highlights are:

Leading Cambridge’s response to the climate change and biodiversity emergencies

Building on our Asset Management Plan, we have started work to develop an Asset Management Strategy & Decarbonisation Plan to reduce the carbon emissions for all council buildings.

We have continued to work with our partners at South Cambridgeshire District Council on the Waterbeach Renewable Energy Network (WREN) Solar Project. The WREN project team is working closely with the Food Waste project team to ensure changes to our depot meet the needs of both projects.

Our External Wall Insulation Programme for council homes continued with 58 homes with poor energy efficiency getting external wall insulation installed alongside improved ventilation and when necessary, replacement external doors and loft insulation top ups. This programme will run for two years and install energy efficiency improvements in 260 homes.

We also completed the development of 21 Passivhaus certified homes. This included two wheelchair adapted homes, with lifts already included.

We continued to support energy efficiency improvements to privately-owned homes through our Action on Energy scheme. We have taken forward a number of projects to help reduce carbon emissions from transport in Cambridge, with a particular focus on providing new charge points for electric vehicles (EVs).

Greater Cambridge Shared Waste service (GCSWS) continued the expansion of its Waste Electrical and Electronic Equipment (WEEE) collection service.

GCSWS also transitioned to a four-day collection service (part of an ongoing trial) without any reduction in the levels of service and very few complaints during the switchover. The new working arrangements are expected to result in increased staff wellbeing, and improved recruitment and retention of operational crews, amongst other benefits.

We continue to support the Cambridge Food Poverty Alliance and its campaign to achieve food justice for residents in the city. In March, Cambridge Sustainable Food Partnership was awarded a prestigious Gold Award from Sustainable Food Places.

We delivered multiple biodiversity themed Environmental Improvement Plan (EIP) projects on our open spaces, including new tree planting, meadows, birds, and bat boxes. We have worked closely with the Wildlife Trust to deliver habitat enhancement projects on Coldham’s, Stourbridge and Midsummer commons and supported the Cambridge Nature Network, including the successful Cambridge Nature Festival.

Tackling poverty and inequality and helping people in the greatest need

Over the past year we developed and approved a Community Wealth Building Strategy that sets out how we will help address poverty and inequality in the city.

We started using community grants and the UK Shared Prosperity Fund allocation from Government to support Allia to deliver a programme for social enterprises, charities and social impact businesses. These new businesses will help assist those in the greatest need in the city.

Through our Single Equality Scheme, we have continued to work towards enabling all residents to have equal access to public activities and spaces in Cambridge and enable full participation in the community and in making decisions about the places where they live.

We used some of our community grants budget in the year to fund 31 voluntary and community sector organisations explicitly organising activities for protected characteristic groups that reduce social and/or economic inequality.

During the year we expanded the Asylum Seeking and Refugee service to support those with newly granted refugee status from the Bar Hill hotel following positive asylum decisions. The service also commissioned employment support for refugees from various refugee cohorts. 381 people were supported and settled in total at the end of the year.

We have carried out a range of activities to tackle and highlight domestic abuse, including the marking of White Ribbon Day and the United Nations International Day for the Elimination of Violence Against Women, in partnership with local services such as Cambridge Women’s Aid. Through our five community centres, we also provided warm and welcoming spaces where local people came together and participated in activities or simply chatted. Nearly 118,000 people from “priority groups”, including low-income households, attended our community centres in the year.

We continue to offer tailored advice on the take-up of benefits to help maximise incomes and assist with budgeting to help reduce debt and prevent eviction. This work also prevented or relieved homelessness for 410 households in the year.

We provided Council Tax reductions for 7,247 households in the year and provided £28 million of housing support to 4,000 plus households from the Housing Support Fund.

We provided a Holiday Lunch programme during school holidays for low-income families and several ‘community days’ and ‘skip days’ to save residents money by disposing of bulky waste and to develop a sense of pride among residents in their neighbourhood.

We continued to fund Cambridge Council for Voluntary Service (CCVS) in the year to promote volunteering and to build the capacity of local organisations to work with volunteers.

To support physical activity, we have continued to provide 50% reductions on entry prices at our leisure centres for people receiving means-tested benefits, leading to just over 58,000 discounted entries during 2023/24.

Building a new generation of council and affordable homes and reducing homelessness

Our council tenancy audit programme continued with just under 10% of tenancies audited during the year.

We have provided 27 victims of domestic abuse with support and given advice and support to 195 households on moving to more suitable accommodation.

We received 608 reports of damp and mould in the year – a significant increase – and a team has been put together to inspect these properties and ensure any issues identified are resolved.

We have received and investigated 312 complaints around private sector housing safety, suitability, and management during 2023/24.

332 Houses in Multiple Occupation (HMOs), both licensable and non-licensable, have been brought up to required safety and suitability standards. Some 212 HMOs were licensed with the council – 158 of these were licence renewals and 54 were new licensed properties that were added to the licence register in 2023/24.

Our work to incentivise private landlords and lettings to accept referrals of low-income households has had a positive impact as we successfully met our target of 120 cases for homelessness prevention and relief into the private rented sector.

With government funding, we continue to put measures in place to tackle the issue of rough sleeping. More targeted support for people with multiple and complex needs through the Team Around the Person approach is being extended to try and reduce evictions from supported housing.

Our work to support the significant numbers of Ukrainian households accommodated by Cambridge-based hosts with rehousing continues. Although demand has decreased this year, we have given advice to more than 100 Ukrainian refugee households on their housing options in and around Cambridge.

We completed 248 new council homes during 2023/24, primarily through the Cambridge Investment Partnership (CIP). This makes up the majority of all new affordable homes completed in the city in the year. Additionally, 21 existing properties were bought into council stock to serve Afghan and Ukrainian refugees, part funded through the Local Authority Housing Fund (LAHF).

We have started building work on a further 84 new council homes, including 43 which will be let at 80% of market rents to help people who are a low priority for social housing but for whom renting or buying on the open market is a challenge.

Modernising the council to lead a greener city that is fair for all

Our Cambridge is a multi-year transformation programme, with three main strands: how we work with our communities and partners, how we are organised internally, and how we deliver our services. Across the year, major strategic changes to how we operate were launched, including our target operating model.

In 2023/24 we also carried out work on a new design for our website and the process of changing our governance structures began.

We have kickstarted the process of digitisation and becoming a truly digital council, so that those who want to access services virtually are able to.

Following the success of our Green Business Grant Fund last year, we launched our Green Business Impact programme with South Cambridgeshire and Huntingdonshire District Councils.

In January 2024, we announced plans to bring the Market Square project into a wider Civic Quarter project. This is a once-in-a century opportunity to make improvements to the Market Square, the Guildhall (our historic headquarters), the Corn Exchange, and the public areas in between, to secure the continuing success of the market and to make the ageing buildings fit for the future.

The visitor economy has been a key focus of our partnership work this year. We began work with the Cambridge Business Improvement District (BID) and our Visit Cambridge partners, King's College and Curating Cambridge, on a Destination Management Plan.

Our Abbey ward community wealth project – 'Focus On Abbey' – began this year and has brought together people from the community, voluntary, charitable, public and private sectors to support community-led projects aimed at empowering local people to improve quality of life in the area. By working collaboratively, investment has been secured to provide additional support to the residents of Abbey who have been unable to work due to long term health conditions.

Linked to the Our Cambridge transformation programme and the community wealth building approach, we have provided seed funding to establish an independent Social Impact Investment Fund to help tackle systemic inequalities that lead to unacceptable differences in life chances in our communities.

We launched a 24-month pilot aiming to support 35 refugees to secure employment. The pilot aims to harness the skills and knowledge the individuals already hold by providing the opportunities and resources to access employment. One-to-one casework is combined with financial support, which comes from public donations.

Financial Performance

General Fund

The General Fund represents the resources of the Council which are available to fund revenue services or capital expenditure without restriction (except that they may not be spent on Housing Revenue Account services or assets).

The final outturn on the net cost of General Fund services for 2023/24 was an underspend of £6.007 million. This represents 22.5% of the final net budget. The main reasons for the variance were as follows:

- Finance General: £3.744 million underspend – this is mainly due to a substantial increase in interest earned as a result of sustained higher interest rates and higher than anticipated cash balances to invest.
- Salary budgets: £659,000 underspend – this is due to vacancies held during the year, primarily arising from recruitment difficulties.
- Other Industrial Properties: £464,000 underspend – this is due to the receipt of backdated rental income.
- Central Provisions to be allocated: £457,000 underspend – this is largely due to budget adjustments held centrally where unfavourable variances may exist elsewhere, and for support services costs which have not been fully allocated.

The table on the next page sets out in detail the General Fund revenue outturn for the year for each service portfolio. The accounting adjustments column reflects differences between the way in which the Council’s resources are managed internally, and the way in which income and expenditure must be reported in the Statement of Accounts in line with accounting requirements. The most significant adjustments relate to the classification of income and expenditure relating to investments and the allocation of depreciation charges across service lines. The ‘total chargeable to the General Fund’ column represents the movements on the General Fund as presented in the Council’s Expenditure and Funding Analysis (see note 1 to the Council Financial Statements).

Earmarked Reserves

The Council holds earmarked reserves for a variety of purposes, including:

- to fund future anticipated revenue costs;
- to fund future capital expenditure (both on the construction of new assets and the repairs and renewal of existing assets); and
- to hold funds which are ringfenced to a particular purpose, for example restricted grants, or surpluses generated through partnership working.

The movements on earmarked reserves during 2023/24 were as follows:

| | General Fund earmarked reserves £'000 | Housing Revenue Account earmarked reserves £'000 | Total earmarked reserves £'000 |
|---|--|---|--------------------------------------|
| Balance at 1 April 2023 | (28,788) | (17,328) | (46,116) |
| Contributions to earmarked reserves | (11,558) | (291) | (11,849) |
| Use of earmarked reserves to fund expenditure | 11,302 | 14,815 | 26,117 |
| Balance at 31 March 2024 | (29,044) | (2,804) | (31,848) |

The most significant movements were as follows:

- The use of a £14.705 million HRA reserve which had been earmarked for debt redemption and/or reinvestment, to fund HRA capital expenditure in year.
- A contribution of £6.082 million to a General Fund reserve earmarked for future capital development, including £6 million in respect of development surpluses delivered by the Cambridge Investment Partnership.
- The use of the £5.266 million Greater Cambridge Partnership reserve to fund the work of the Partnership as intended.
- A drawdown of £1.412 million from the Transformation Reserve to fund the Our Cambridge transformation programme.

| | Original budget | Final budget | Overspend / (underspend) | Outturn | Accounting adjustments | Total chargeable to General Fund |
|--|-----------------|-----------------|-----------------------------|-----------------|---------------------------|-------------------------------------|
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Climate Action and Environment | 4,880 | 7,796 | 495 | 8,291 | (722) | 7,569 |
| Community Wealth Building and Community Safety | 964 | 1,413 | (363) | 1,050 | (32) | 1,018 |
| Communities | 7,407 | 7,507 | (24) | 7,483 | (2,666) | 4,817 |
| General Fund Housing | 3,793 | 3,432 | (169) | 3,263 | (216) | 3,047 |
| Open Spaces and City Services | 4,394 | 405 | 445 | 850 | (1,207) | (357) |
| Planning, Building Control and Infrastructure | 2,323 | 2,626 | (385) | 2,241 | 134 | 2,375 |
| Finance and Resources | (5,689) | (5,197) | (5,120) | (10,317) | 18,643 | 8,326 |
| The Leader | 7,716 | 8,680 | (886) | 7,794 | 1,441 | 9,235 |
| Total cost of services | 25,788 | 26,662 | (6,007) | 20,655 | 15,375 | 36,030 |
| Other income and expenditure | 0 | 0 | 0 | 0 | (19,616) | (19,616) |
| Capital expenditure financed from General Fund | 1,570 | 2,874 | (2,673) | 201 | 972 | 1,173 |
| Other capital adjustments | (6,336) | (5,722) | (71) | (5,793) | 5,714 | (79) |
| Contributions to / from reserves | 8,332 | 4,962 | 8,792 | 13,754 | (971) | 12,783 |
| Contribution to / (from) earmarked reserves | 995 | 8,543 | 82 | 8,625 | 2,933 | 11,558 |
| Collection Fund surplus | (3,840) | (4,893) | (673) | (5,566) | 1,705 | (3,861) |
| Net spending requirement | 26,509 | 32,426 | (550) | 31,876 | 6,112 | 37,988 |
| Financed by: | | | | | | |
| Council tax | (9,831) | (9,831) | (2) | (9,833) | 20 | (9,813) |
| Settlement Funding Assessment | (4,591) | (4,568) | 0 | (4,568) | 0 | (4,568) |
| Locally retained business rates | (7,400) | (6,347) | (184) | (6,531) | (1,725) | (8,256) |
| New Homes Bonus | (53) | (53) | 0 | (53) | 0 | (53) |
| Other core government grants | (4,634) | (4,656) | 736 | (3,920) | (76) | (3,996) |
| Use of earmarked reserves | 0 | (6,971) | 0 | (6,971) | (4,331) | (11,302) |
| Total financing | (26,509) | (32,426) | 550 | (31,876) | (6,112) | (37,988) |

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) reflects the statutory requirement for the Council to maintain a separate revenue account for council housing provision. It contains the balance of income and expenditure in connection with the Council’s landlord function (for example rental income), which can only be used to fund expenditure on HRA services in the future. The final position for the HRA for 2023/24 is a reported net overspend of £859,000 before interest and appropriations. This position incorporates a significant overspend on repairs activity, which is partially offset by an over-achievement of income in the year and underspending in general management expenditure.

It should be noted that industry maintenance costs have increased significantly over the past two years, alongside the need for a greater level of investment in the housing stock to ensure compliance with current regulations.

The budgetary performance across our repairs and maintenance function should therefore be viewed in a national context, with the sector facing significant challenges over the past year, and Cambridge is no exception. This trend is likely to continue for the foreseeable future. A recent report shows that the 204 largest housing providers have seen a 35% increase in repair spending compared to pre-pandemic levels, translating to roughly £2.6 billion.

Several factors have contributed to the Council’s overspend, including high inflation, the ongoing pressure of tackling Covid-related backlogs, and the urgent unbudgeted need to address significant housing stock compliance issues. Our proactive approach to tenant engagement, including a dedicated team and a revamped reporting system, has led to a significant 77% increase in reported damp and mould (DCM) cases. These factors have combined to rapidly drive-up demand for goods and services and therefore cost.

Our commitment to improving tenant living conditions and reducing unacceptable wait times for tenants has required significant investments in repairs and maintenance. By strategically overspending, we've not only addressed essential needs but also improved the overall lived experience for our tenants:

- Percentage of repairs completed within target timescale has improved from 73.9% to 89.2%.
- Percentage of repairs completed at first visit has improved from 66.8% to 72.1%.
- Average time in days to repair a void (General Needs & Sheltered) has improved from 50.1 days to 27.6 days.

Following identification of two historic rent regulation issues, it was necessary to account for the estimated rent refunds due for 2023/24 within the financial year (£542,000), and to reduce the opening balance for the HRA by the estimated value of historic refunds (£3.826 million). To ensure that the HRA could maintain the target level of general HRA reserves as at 31 March 2024 following this adjustment, a revised capital financing strategy was adopted in 2023/24. The use of Direct Revenue Financing (DRF) was reduced by £3.814 million, and instead capital expenditure was financed from the attributable debt set-aside capital reserve.

Following these changes, the final position for the HRA, after capital financing, interest and appropriations, was a net underspend of £3.500 million. The following table sets out the HRA outturn for the year compared to budget:

| | Original budget £'000 | Final budget £'000 | Final outturn £'000 | Overspend / (underspend) £'000 |
|---|--------------------------|-----------------------|------------------------|--------------------------------------|
| Dwelling rents and other income | (50,947) | (51,024) | (51,632) | (608) |
| Expenditure | 34,172 | 35,432 | 36,899 | 1,467 |
| Net cost of Housing Revenue Account services | (16,775) | (15,592) | (14,733) | 859 |
| Interest receivable | (670) | (2,231) | (2,291) | (60) |
| Interest payable | 8,889 | 7,941 | 7,566 | (375) |
| Capital expenditure financed from Housing Revenue Account | 29,446 | 26,925 | 23,111 | (3,814) |
| Transfer to / (from) earmarked reserves | (14,705) | (14,414) | (14,524) | (110) |
| (Surplus) / deficit for the year | 6,185 | 2,629 | (871) | (3,500) |

Assets

The most significant assets on the Council's Balance Sheet are its property, plant and equipment (£1.061 Billion) and investment properties (£165 million). These are revalued on a regular basis in line with accounting requirements and are therefore subject to large fluctuations in value. However, under statutory provisions these movements do not impact on the usable resources of the Council.

At 31 March 2024 the Council held investments totalling £94 million (including loans of £27 million to its subsidiary and joint ventures). These are mostly held at amortised cost – further detail is given in note 18 to the Council Financial Statements. Cash and cash equivalents held on 31 March 2024 totalled £22 million.

In the year there was significant expenditure on the construction of new council dwellings, many of which were completed during the year contributing to an increase in the total value of dwellings of £36 million. Council dwellings are revalued annually. The impact of the valuations is accounted for within the HRA and revaluation reserve. Since council dwellings are valued with reference to their use as social housing it is common for a downward valuation to be recognised when they are first brought into use. This reflects the difference between the cost of construction, which includes funding from capital grants, and the valuation which is based on the rents the Council is able to charge.

Pension Fund Asset

There is a net asset on the Balance Sheet of £18 million in relation to the Local Government Pension Scheme (LGPS). The Council's pension assets and liabilities are revalued by an external actuary on an annual basis and are subject to large valuation movements because of changes to assumptions, such as rates of inflation and longevity assumptions. However, gains and losses of this nature do not impact on the Council's usable resources under statutory provisions. A funding strategy is agreed with the actuary every three years to ensure that the Council is making sufficient contributions (and charging enough to the General Fund and HRA) to ensure that all liabilities can be paid by the pension fund as they fall due. It is unusual for the Council to find itself in a position where the underlying position is a net asset. This position has arisen from a sharp decline in the actuarial valuation of the Council's pension liability in respect of pension scheme members, which has arisen from a change in the discount rate used to reflect current economic conditions in a high-interest rate environment where corporate bond yield rates have increased significantly. If changing economic conditions result in a change in the applicable discount rate this will have an impact on the net pension fund asset or liability when this is revalued in future years.

Liabilities

The Council has external borrowing of £214 million with the Public Works Loan Board (PWLb). This was taken out to fund the HRA self-financing payment to central government in March 2012, and no further external borrowing has been required since. After the year-end, the Council drew down further external borrowing of £30 million in April 2024 and anticipates a further £55 million in 2025/26 in order to fund its future capital programme, in particular the redevelopment of the Park Street car park. All borrowing is in accordance with the [Treasury Management Strategy](#)⁴ which is available on the Council's website. Prudent provision is made within the Council's budgets for the repayment of debt in accordance with statutory guidance.

Collection Fund

The Council is required to operate a separate Collection Fund in respect of council tax and business rates it collects on behalf of itself, local preceptors and central government. The Collection Fund had a surplus of £1.514 million on 31 March 2024, of which the Council's share is £155,000. The Council will distribute the surplus, including that due to this Council, from 2024/25 onwards. The surplus on the Collection Fund mainly reflects strong underlying performance in respect of Council Tax, including an increase in the tax base and collection rates which, so far, have not been significantly impacted by the cost-of-living crisis.

Group Performance

The Council is required to produce Group Financial Statements incorporating the performance of its subsidiary company (Cambridge City Housing Company Ltd), and its share of the profits of

Cambridge Investment Partnership (CIP). The Council's share of the net assets of group reduced by £1.866 million during the year.

Risks and Opportunities

The Council manages all risks in line with its [Risk Management Strategy and Framework](#)⁵, which is approved by the Civic Affairs Committee. As part of the process, comprehensive strategic, service and project risk registers are maintained, and processes are in place for risk identification, evaluation and prioritisation. Resources can then be allocated to manage risks in the most efficient way possible.

Financial risks are specifically identified and considered within the General Fund and Housing Revenue Account [Medium Term Financial Strategies](#)⁶ (MTFS), and as part of the budget setting process. These risks are then monitored throughout the year, with quarterly financial monitoring reports reviewed by the Leadership Team and members.

The key strategic risks for the council are:

- The Council is not financially sustainable
- The Council's resilience to change is inadequate
- Insufficient officer capacity to deliver safe and effective services
- Failure to establish and adhere to effective governance arrangements
- Failure to achieve corporate objectives including those relating to climate change

Future Outlook

The Council's [Corporate Plan 2022 - 2027](#)⁷ sets out the current strategic priorities. The General Fund and Housing Revenue Account [Budget Setting Reports](#)⁸ set out how these will be funded. These are all available on the Council's website.

The government has recently consulted on significant reform of local government financing, and a review of the business rates retention scheme. The latest General Fund budget assumes that there will be a significant impact on our funding levels, with a net reduction in finance settlement income of £5 million per year from 2026/27. However, the Council has plans in place, including the use of existing reserves, to ensure that savings targets can be met in a sustainable manner.

The prudent minimum balance for the General Fund has been set at £6.541 million based on our current understanding of financial risk. The balance of this reserve at 31 March 2024 was £40.919 million, although it is planned to use £33.146 million of this over the following five years, including £20 million to fund the Civic Quarter project, and £9.521 million to smooth future savings requirements. Nevertheless, the strategy set out in the Budget Setting Report will ensure that reserve levels remain above the prudent minimum balance in the medium term.

⁴ <https://democracy.cambridge.gov.uk/mgAi.aspx?ID=34008#mgDocuments>

⁵ <https://democracy.cambridge.gov.uk/documents/s65091/Risk%20Management%20Strategy%20Framework%20-%20January%202024.pdf>

⁶ <https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=116&MId=4446>

⁷ <https://www.cambridge.gov.uk/corporate-plan-2022-27-our-priorities-for-cambridge>

⁸ <https://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=116&MId=4457>

The Council has approved the following capital programme for the period 1 April 2024 to 31 March 2028:

| | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|--|------------------|------------------|------------------|------------------|
| General Fund capital expenditure | 111,539 | 22,747 | 3,025 | 2,225 |
| Housing Revenue Account capital expenditure | 107,748 | 81,980 | 120,189 | 137,235 |
| Total capital expenditure | 219,287 | 104,727 | 123,214 | 139,460 |
| Financed by: | | | | |
| Capital receipts | (19,446) | (5,458) | (2,694) | (1,563) |
| Other contributions and balances (including capital grants) | (56,961) | (38,452) | (74,573) | (100,034) |
| Total capital financing to be applied | (76,407) | (43,910) | (77,267) | (101,597) |
| Total to be financed from internal and external borrowing | (142,880) | (60,817) | (45,947) | (37,883) |

Statement of Responsibilities

The Council’s Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Chief Finance Officer’s Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council’s Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (‘the Code’).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Chief Finance Officer has also:

- kept proper accounting records that were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification

I certify that this Statement of Accounts gives a true and fair view of the financial position of Cambridge City Council as at 31 March 2024, and of its expenditure and income for the year then ended.

Jody Etherington
Chief Finance Officer and Section 151 Officer
12 May 2025

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Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The amounts chargeable to taxation and rents for the year are set out in the Movement in Reserves Statement, whilst the Expenditure and Funding Analysis (note 1) shows how these amounts have been applied to fund services.

| | Note | 2023/24 | | | 2022/23 (restated) | | |
|--|----------|----------------------------|-----------------------|--------------------------|----------------------------|-----------------------|--------------------------|
| | | Gross expenditure £'000 | Gross income £'000 | Net expenditure £'000 | Gross expenditure £'000 | Gross income £'000 | Net expenditure £'000 |
| Climate Action and Environment | | 11,788 | (3,367) | 8,421 | 15,254 | (3,129) | 12,125 |
| Community Wealth Building and Community Safety | | 1,555 | (338) | 1,217 | 1,532 | (569) | 963 |
| Communities | | 13,403 | (7,166) | 6,237 | 14,975 | (8,123) | 6,852 |
| General Fund Housing | | 12,324 | (5,674) | 6,650 | 9,032 | (3,072) | 5,960 |
| Open Spaces and City Services | | 14,343 | (11,913) | 2,430 | 15,472 | (12,388) | 3,084 |
| Planning, Building Control and Infrastructure | | 4,837 | (2,202) | 2,635 | 5,955 | (2,244) | 3,711 |
| Finance and Resources | | 43,182 | (29,784) | 13,398 | 32,174 | (28,169) | 4,005 |
| The Leader | | 7,712 | (879) | 6,833 | 7,228 | (505) | 6,723 |
| Housing Revenue Account | | 77,598 | (50,928) | 26,670 | 50,823 | (45,423) | 5,400 |
| Cost of services | | 186,742 | (112,251) | 74,491 | 152,445 | (103,622) | 48,823 |
| Other operating income and expenditure | 10 | 0 | (480) | (480) | 178 | (1,980) | (1,802) |
| Financing and investment income and expenditure | 11 | 11,277 | (32,502) | (21,225) | 16,780 | (23,035) | (6,255) |
| Taxation and non-specific grant income | 12 | 0 | (39,010) | (39,010) | 0 | (39,347) | (39,347) |
| Deficit on the provision of services | 1 | 198,019 | (184,243) | 13,776 | 169,403 | (167,984) | 1,419 |
| Surplus on revaluation of non-current assets | 16 | | | (7,248) | | | (31,519) |
| Remeasurement of the net defined benefit asset / liability | 23 | | | (9,368) | | | (118,510) |
| Other comprehensive income | | | | (16,616) | | | (150,029) |
| Total comprehensive income | | | | (2,840) | | | (148,610) |

Prior year cost of services figures have been reclassified to reflect changes in the Council's internal reporting structure.

Prior year HRA income has been restated (reduced by £517,000) to reflect a prior period adjustment in respect of rent refunds (see note 6).

Movement in Reserves Statement (MIRS)

This statement shows the movement on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Movement in Reserves Statement shows how the movements in the Council's reserves are broken down between comprehensive income and expenditure incurred in accordance with generally accepted accounting practices (as shown in the Comprehensive Income and Expenditure Statement) and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The increase / decrease line shows the reserve movements for the year following those adjustments.

| | Note | General Fund | Collection Fund deficit earmarked reserve | Other earmarked General Fund reserves | Housing Revenue Account (HRA) | Earmarked HRA reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied Reserve | Total usable reserves | Unusable reserves | Total Council reserves |
|---|------|-----------------|---|---------------------------------------|-------------------------------|------------------------|--------------------------|-----------------------|----------------------------------|-----------------------|-------------------|------------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 April 2022 (restated) | | (25,533) | (6,377) | (23,389) | (16,281) | (17,351) | (43,139) | (11,541) | (41,534) | (185,145) | (770,535) | (955,680) |
| Movement in reserves during 2022/23 (restated): | | | | | | | | | | | | |
| Total comprehensive income and expenditure (restated) | CIES | 4,415 | 0 | 0 | (2,996) | 0 | 0 | 0 | 0 | 1,419 | (150,029) | (148,610) |
| Adjustments between accounting basis and funding basis under statutory provisions | 13 | (5,965) | 0 | 0 | 12,605 | 0 | 7,410 | 3,857 | 20,331 | 38,238 | (38,238) | 0 |
| Transfers to / from earmarked reserves | 14 | (978) | 6,253 | (5,275) | (23) | 23 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / decrease in year | | (2,528) | 6,253 | (5,275) | 9,586 | 23 | 7,410 | 3,857 | 20,331 | 39,657 | (188,267) | (148,610) |
| Balance at 31 March 2023 (restated) | | (28,061) | (124) | (28,664) | (6,695) | (17,328) | (35,729) | (7,684) | (21,203) | (145,488) | (958,802) | (1,104,290) |
| Movement in reserves during 2023/24: | | | | | | | | | | | | |
| Total comprehensive income and expenditure | CIES | (4,464) | 0 | 0 | 18,240 | 0 | 0 | 0 | 0 | 13,776 | (16,616) | (2,840) |
| Adjustments between accounting basis and funding basis under statutory provisions | 13 | (8,575) | 0 | 0 | (4,587) | 0 | 10,731 | 7,684 | 8,887 | 14,140 | (14,140) | 0 |
| Transfers to / from earmarked reserves | 14 | 256 | 0 | (256) | (14,524) | 14,524 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / decrease in year | | (12,783) | 0 | (256) | (871) | 14,524 | 10,731 | 7,684 | 8,887 | 27,916 | (30,756) | (2,840) |
| Balance at 31 March 2024 | | (40,844) | (124) | (28,920) | (7,566) | (2,804) | (24,998) | 0 | (12,316) | (117,572) | (989,558) | (1,107,130) |

The Housing Revenue Account (HRA) balance as at 1 April 2022 has been restated (reduced by £3.309 million), and the total comprehensive income on the HRA during 2022/23 has been restated (reduced by £517,000), both to reflect a prior period adjustment in respect of rent refunds (see note 6).

Balance Sheet

| | Note | 31 March 2024 | | 31 March 2023 (restated) | |
|-----------------------------------|------|--------------------|-------|--------------------------|-------|
| | | £'000 | £'000 | £'000 | £'000 |
| Property, plant and equipment | 16 | 1,061,192 | | 1,027,960 | |
| Heritage assets | | 669 | | 669 | |
| Investment property | 17 | 164,421 | | 161,708 | |
| Intangible assets | | 404 | | 512 | |
| Loans to joint ventures | 18 | 19,228 | | 12,875 | |
| Loan to subsidiary | 18 | 7,500 | | 7,500 | |
| Other long-term investments | 18 | 16,815 | | 23,382 | |
| Long-term debtors | 19 | 3,912 | | 1,729 | |
| Net defined benefit pension asset | 23 | 18,073 | | 6,865 | |
| Long-term assets | | 1,292,214 | | 1,243,200 | |
| Investment property held for sale | 17 | 1,250 | | 825 | |
| Short-term investments | 18 | 50,038 | | 105,709 | |
| Short-term debtors | 20 | 13,322 | | 10,815 | |
| Inventories | | 171 | | 200 | |
| Cash and cash equivalents | CFS | 21,872 | | 31,790 | |
| Current assets | | 86,653 | | 149,339 | |
| Short-term borrowing | 18 | (82) | | (82) | |
| Short-term creditors | 21 | (54,270) | | (70,640) | |
| Provisions | 22 | (3,757) | | (3,891) | |
| Current liabilities | | (58,109) | | (74,613) | |
| Long-term borrowing | 18 | (213,572) | | (213,572) | |
| Long-term receipts in advance | | (56) | | (64) | |
| Long-term liabilities | | (213,628) | | (213,636) | |
| Net assets | | 1,107,130 | | 1,104,290 | |
| Usable reserves | MIRS | (117,572) | | (145,488) | |
| Unusable reserves | 15 | (989,558) | | (958,802) | |
| Total reserves | | (1,107,130) | | (1,104,290) | |

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold. It also includes reserves which reflect timing differences between the recognition of income and expenditure under generally accepted accounting practices, and the point at which it must be credited or charged to usable reserves under statutory provisions.

Prior year short-term creditors have been restated (increased by £3.826 million) to reflect a prior period adjustment in respect of rent refunds (see note 6).

Jody Etherington
Chief Finance Officer
12 May 2025

Cash Flow Statement (CFS)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation, grant income and from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities reflect movements in the cash collected by the Council on behalf of others in respect of council tax and business rates.

| | Note | 2023/24 | | 2022/23 (restated) | |
|--|------|-----------|-----------------|--------------------|-----------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Net deficit on the provision of services | CIES | (13,776) | | (1,419) | |
| Adjust net deficit on the provision of services for non-cash movements | 24 | 47,512 | | 33,780 | |
| Adjust for items included in the net deficit on the provision of services that are investing and financing activities | 24 | (18,568) | | (21,106) | |
| Net cash flows from operating activities | | | 15,168 | | 11,255 |
| Investing activities: | | | | | |
| Purchase of property, plant and equipment, investment property and intangible assets | | (91,472) | | (84,481) | |
| Purchase of short-term and long-term investments | | (154,081) | | (263,250) | |
| Proceeds from the sale of property, plant and equipment, assets held for sale, investment property and intangible assets | | 5,179 | | 7,117 | |
| Proceeds from short-term and long-term investments | | 210,569 | | 297,310 | |
| Capital grants received | | 13,144 | | 13,352 | |
| Other receipts from investing activities | | 24 | | 12 | |
| Net cash flows from investing activities | | | (16,637) | | (29,940) |
| Financing activities | 25 | | (8,449) | | 20,267 |
| Net increase / (decrease) in cash and cash equivalents | | | (9,918) | | 1,582 |
| Cash and cash equivalents at the beginning of the year: | | | | | |
| Overnight money market funds | | 30,000 | | 29,500 | |
| Bank accounts | | 1,780 | | 692 | |
| Cash held by the Council | | 10 | | 16 | |
| Total cash and cash equivalents at the beginning of the year | | | 31,790 | | 30,208 |
| Cash and cash equivalents at the end of the year: | | | | | |
| Overnight money market funds | | 15,000 | | 30,000 | |
| Bank accounts | | 6,866 | | 1,780 | |
| Cash held by the Council | | 6 | | 10 | |
| Total cash and cash equivalents at the end of the year | | | 21,872 | | 31,790 |

The prior year net deficit on the provision of services has been restated (increased by £517,000) to reflect a prior period adjustment in respect of rent refunds, with a corresponding increase in the adjustment for non-cash movements (see note 6).

Note 1 – Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| | Note | 2023/24 | | | | | 2022/23 (restated) | | | | |
|--|-------------|---|----------------------------------|----------------------|-----------------------------|---|---|----------------------------------|----------------------|-----------------------------|---|
| | | Net expenditure chargeable to the General Fund and HRA balances | Adjustments for capital purposes | Pensions adjustments | Other statutory adjustments | Net expenditure in the Comprehensive Income and Expenditure Statement | Net expenditure chargeable to the General Fund and HRA balances | Adjustments for capital purposes | Pensions adjustments | Other statutory adjustments | Net expenditure in the Comprehensive Income and Expenditure Statement |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Climate Action and Environment | | 7,569 | 751 | 101 | 0 | 8,421 | 6,738 | 4,696 | 691 | 0 | 12,125 |
| Community Wealth Building and Community Safety | | 1,018 | 150 | 49 | 0 | 1,217 | 601 | 150 | 212 | 0 | 963 |
| Communities | | 4,817 | 1,174 | 246 | 0 | 6,237 | 3,355 | 2,391 | 1,106 | 0 | 6,852 |
| General Fund Housing | | 3,047 | 3,354 | 249 | 0 | 6,650 | 4,251 | 837 | 872 | 0 | 5,960 |
| Open Spaces and City Services | | (357) | 2,375 | 412 | 0 | 2,430 | (966) | 2,112 | 1,938 | 0 | 3,084 |
| Planning, Building Control and Infrastructure | | 2,375 | 155 | 105 | 0 | 2,635 | 2,368 | 863 | 480 | 0 | 3,711 |
| Finance and Resources | | 8,326 | 4,967 | 105 | 0 | 13,398 | 2,521 | 1,079 | 405 | 0 | 4,005 |
| The Leader | | 9,235 | (32) | (2,370) | 0 | 6,833 | 8,281 | 9 | (1,567) | 0 | 6,723 |
| Housing Revenue Account | | 8,932 | 18,004 | (266) | 0 | 26,670 | 4,184 | 502 | 714 | 0 | 5,400 |
| Net cost of services | | 44,962 | 30,898 | (1,369) | 0 | 74,491 | 31,333 | 12,639 | 4,851 | 0 | 48,823 |
| Other income and expenditure | | (44,383) | (20,826) | (471) | 4,930 | (60,715) | (23,274) | (18,147) | 2,832 | (8,815) | (47,404) |
| (Surplus) / deficit | | 614 | 10,072 | (1,840) | 4,930 | 13,776 | 8,059 | (5,508) | 7,683 | (8,815) | 1,419 |
| Opening General Fund and HRA balance | MIRS | (80,872) | | | | | (88,931) | | | | |
| Closing General Fund and HRA balance | MIRS | (80,258) | | | | | (80,872) | | | | |

Prior year figures have been restated to reflect changes in the Council's internal reporting structure, together with a prior period adjustment in respect of rent refunds (see note 6).

Further information about the adjustments for capital purposes, pensions adjustments and other statutory adjustments are set out at note 13.

Note 2 – Accounting Policies

1 General Principles

This Statement of Accounts summarises the Council’s transactions for the 2023/24 financial year and its financial position at the year-end of 31 March 2024. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (‘the Code’), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2 Going Concern

These accounts have been prepared on a going concern basis, in accordance with the requirements of the Code.

In making its assessment that this basis is appropriate, for the going concern period to 12 May 2026, the Council has carried out forecasting of income and expenditure, the impact on reserve balances, and cash flows.

The Council’s assessment of going concern can be found at note 33.

Changes in Accounting Policies and Estimates

Changes in accounting policies are only made when required by proper accounting practices, or where the change provides more reliable or relevant information about the Council’s financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and prior year amounts as if the new policy had always applied.

There have been no significant changes in accounting policies during 2023/24.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years, and do not give rise to a prior year adjustment.

4 Fair Value Measurement

The Council measures some of its financial and non-financial assets at fair value at each Balance Sheet date, as set out in these accounting policies. For other financial assets and liabilities measured at amortised cost, the Council is required to disclose the fair value in this Statement of Accounts (see note 18).

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset takes place either in the principal market for the asset, or, in the absence of a principal market, in the most advantageous market.

The Council measures the fair value of its assets using the assumptions that market participants would use when pricing the asset, assuming that they act in their economic best interest.

The fair value of the Council’s financial assets is measured based upon quoted market prices where available, or if not, using discounted cash flow analysis.

The fair value of the Council’s non-financial assets (such as investment properties) assumes that a market participant would look to use the asset in its highest and best use, which may differ from its current use.

For all assets, the Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs.

Inputs to the valuation techniques are categorised within the following fair value hierarchy:

| Input Level | Description |
|-------------|--|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date |
| Level 2 | Inputs, other than quoted prices included within level 1, that are observable for the asset, either directly or indirectly |
| Level 3 | Unobservable inputs for the asset |

5 Income and Expenditure Accruals

Income and expenditure are accounted for in the Comprehensive Income and Expenditure Statement (CIES) in the year in which the activity takes place, not simply when cash is received or paid. In particular:

- Revenue from contracts for goods or services is recognised when (or as) the goods or services are transferred in accordance with the performance obligations in the contract.
- Expenditure on goods and services is recognised when (or as) the goods or services are received.
- Interest payable on borrowings is accounted for based on the effective interest rate for the relevant financial instrument.

Where there is a timing difference between the recognition of income or expenditure as above and the receipt or payment of cash, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Where the Council is acting as an agent for a third party, income and expenditure are recognised only to the extent that commission is receivable by the Council, or the Council incurs expenses directly on its own behalf.

6 Council Tax and Business Rates

The Council, as a billing authority, collects council tax and business rates both for itself, and on behalf of local preceptors (and central government for business rates). Billing authorities are required to maintain a separate Collection Fund for the collection and distribution of council tax and business rates. Under the legislative framework, billing authorities, major preceptors, and central government (for business rates) share proportionately the risks and rewards that the amount of council tax and business rates collected could be more or less than predicted.

The council tax and business rates income included in the CIES is the Council’s share of accrued income for the year. However, regulations determine the amount that must be included in the Council’s General Fund, which is based upon amounts forecast in the preceding January, adjusted for the distribution or repayment of historic Collection Fund surpluses or deficits. The difference between the income included in the CIES and the amount required to be credited to the General Fund is transferred to the Collection Fund Adjustment Account through the Movement in Reserves Statement (MIRS).

The Balance Sheet includes the Council’s share of the year-end balances in respect of council tax and business rates arrears, impairment allowances for doubtful debts, overpayments and prepayments, and business rates appeal provisions.

7 Grants and Contributions

Grants and contributions are recognised as income in the CIES when there is reasonable assurance that the grants or contributions will be received, and that the Council will comply with any conditions attached. Revenue grants and contributions for specific services are credited to the relevant service line, whilst non-ringfenced revenue grants and all capital grants are credited to taxation and non-specific grant income.

Conditions are stipulations that the grant or contribution is to be used by the Council as specified, or that it must be returned to the donor. Where there is not yet sufficient assurance that conditions will be met, any cash received is held on the Balance Sheet as a creditor.

Under statutory provisions, capital grants credited to the CIES are reversed out of the General Fund or Housing Revenue Account (HRA) to the Capital Grants Unapplied Reserve through the MIRS. When the amount is applied to fund capital expenditure, it is transferred through the MIRS to the Capital Adjustment Account.

8 Employee Benefits

Short-term Employee Benefits

Short-term employee benefits, such as wages and salaries and paid leave, are recognised as expenditure on the relevant service line in the CIES, in the year in which employees render service to the Council.

Termination Benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer’s employment before the normal retirement date, or an officer’s decision to accept voluntary redundancy. They are recognised as expenditure on the relevant service line in the CIES, at the earlier of the point that the Council can no longer withdraw the offer of termination, or the point at which the Council recognises restructuring costs. Where termination benefits reflect the outcome of a restructure which impacts multiple services the termination benefits associated with that restructure are apportioned on an appropriate basis reflective of the services impacted by the change.

Local Government Pension Scheme

Employees of the Council are members of the Local Government Pension Scheme (LGPS), unless they opt out. The LGPS is a defined benefit scheme.

The Council’s share of pension fund liabilities is included on the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based upon assumptions about mortality rates, employee turnover rates, projected earnings for current employees, etc.

Liabilities are discounted to their value at current prices, using a discount rate of 4.85% (based upon constituents of the iBoxx AA corporate bond index).

The Council’s share of the assets of the pension fund is included in the Balance Sheet at their fair value, using bid prices where quoted, or professional estimates for unquoted securities and property assets.

The change in the net pension asset / liability is analysed into the following components:

| Component | Description | Accounting Treatment |
|----------------------|---|--|
| <u>Service costs</u> | | |
| Current service cost | Increase in liabilities as a result of years of service earned this year | Service costs are charged to the services for which the employees worked in the CIES, whilst net interest costs are charged to financing and investment expenditure. |
| Past service cost | Change in liabilities as a result of scheme amendment or curtailment affecting years of service earned in earlier years | |
| Net interest cost | Increase in net liability arising from the passage of time, calculated by applying the liability discount rate at the start of the year to the net liability at the start of the year | |

| Component | Description | Accounting Treatment |
|------------------------------|--|--|
| <u>Remeasurements</u> | | |
| Return on plan assets | The Council's share of the return on pension fund assets for the year, excluding amounts included within the net interest cost | Remeasurements are included in the CIES as other comprehensive income and expenditure and credited or charged to the Pensions Reserve. |
| Actuarial gains and losses | Changes to the net pension liability because events have not occurred in line with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions | |
| <u>Other</u> | | |
| Employer contributions | Cash contributions paid by the Council to fund future benefit payments in accordance with scheme rules. | Employer contributions will reduce the net pension liability, but do not give rise to expenditure in the CIES. |

Statutory provisions require the General Fund and HRA to be charged with the amount of employer contributions payable by the Council in the year, not the amount calculated according to accounting standards. This means that the MIRS includes transfers to and from the Pensions Reserve to remove the notional expenditure set out under ‘service costs’ in the table above and replace it with the employer contributions payable for the year.

The balance on the Pensions Reserve therefore measures the impact on the General Fund and HRA of being required to account for retirement benefits on the basis of cash flows, rather than as benefits earned by employees.

Additionally, the Council has applied the asset ceiling principle set out in IAS 19 which limits the extent to which an entity can recognise a pension asset where an actuarial valuation indicates that the value of pension assets exceeds the value of pension liabilities. The net defined benefit pension asset on the Balance Sheet is based on the actuary’s assessment of the difference between the net present value of future service costs and the net present value of future contributions by the employer.

9 Overheads and Support Services

The cost of overheads and support services is apportioned to individual service lines within the CIES. This is based upon a best estimate of the proportions in which each support service is utilised.

10 VAT

VAT payable is included within expenditure only to the extent that it is not recoverable from HM Revenue & Customs (HMRC). VAT receivable is excluded from income.

11 Investment Property

Investment properties are those that are used solely to earn rental income and / or for capital appreciation. Rental income receivable in relation to investment properties is credited to financing and investment income in the CIES.

Recognition and Measurement

Investment properties are measured initially at cost, and subsequently at fair value.

Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are credited or charged to financing and investment income in the CIES.

Under statutory arrangements, gains and losses on revaluation are not permitted to have an impact on the General Fund or HRA balance. Any gains or losses are therefore transferred through the MIRS to the Capital Adjustment Account.

Investment Properties Held for Sale and Disposals

When it becomes probable that the carrying amount of an investment property will be recovered principally through sale, rather than through its continuing use, it is reclassified as an investment property held for sale. The property is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

When an investment property is sold, the carrying amount of the asset in the Balance Sheet (whether investment property or investment property held for sale) is written off to other operating income or expenditure in the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same place.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and transferred to the Capital Receipts Reserve through the MIRS. These amounts are restricted for use to fund new capital investment, or to reduce the Council’s underlying need to borrow.

Under statutory arrangements, any gain or loss on disposal is transferred through the MIRS to the Capital Adjustment Account, in order that it does not impact the General Fund or Housing Revenue Account balance. This is because the cost of investment properties is fully provided for under separate arrangements for capital financing.

12 Property, Plant and Equipment

Property, plant and equipment comprises physical assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used for more than one year.

Recognition and Measurement

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be reliably measured.

Expenditure on repairs and maintenance that does not add to an asset’s potential to deliver future economic benefits or service potential (e.g. by enhancing its performance or extending its life) is charged as an expense to the relevant service line in the CIES.

Assets are initially measured at cost, comprising the purchase price plus any costs attributable to bringing the asset to the location and condition necessary for its operation.

Assets are subsequently carried on the Balance Sheet using the following measurement bases:

| Class of asset | Measurement basis |
|--|---|
| Council dwellings | Current value, determined using the basis of existing use value for social housing (EUV-SH) |
| Other land and buildings | Current value, determined as the amount that would be paid for the asset in its existing use (EUV), except for highly specialised assets where there is no market-based evidence of current value, for which depreciated replacement cost (DRC) is used |
| Vehicles, plant, furniture and equipment | Current value, determined using depreciated historic cost as a proxy (due to assets having short lives and/or low values) |
| Infrastructure assets | Depreciated historic cost |
| Community assets | Historic cost |
| Surplus assets | Fair value |
| Assets under construction | Historic cost |

Assets measured at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, and as a minimum every five years.

In addition, an assessment is made at each year-end as to whether there is any indication that any property, plant and equipment assets may be impaired. Where such indications exist, and any possible impairment is estimated to be material, an impairment loss is recognised for the difference between the recoverable amount of the asset and its carrying amount.

Revaluation gains are recognised in other comprehensive income within the CIES and credited to the Revaluation Reserve. The exception is for gains that reverse a previous revaluation or impairment loss which was charged to the CIES – in this case the gain will be credited back to same service line originally charged to the extent that it reverses the original loss (adjusted for additional depreciation which would have been charged in the meantime had the loss not been recognised).

Revaluation and impairment losses are accounted for as follows:

- Where there is a balance of previous revaluation gains for the asset in the Revaluation Reserve, the loss will be charged to other comprehensive income within the CIES, and the Revaluation Reserve reduced accordingly.

- Where there is no balance for the asset in the Revaluation Reserve, or the balance is insufficient to cover the full amount of the loss, any excess amount will be charged to the relevant service line in the CIES.

Under statutory arrangements, gains and losses on revaluation and impairment are not permitted to have an impact on the General Fund or HRA balance. Any gains or losses charged to the CIES are therefore transferred through the MIRS to the Capital Adjustment Account.

The Revaluation Reserve only contains revaluation gains recognised since 1 April 2007, the date of its implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Depreciation

Depreciation is charged on property, plant and equipment assets on the following bases:

| Asset Class | Depreciation Method | Useful Economic Lives |
|--|---|---|
| Council dwellings | Land: Not depreciated as indefinite useful economic life Buildings: Straight line using a weighted average life for all significant components | As advised by external valuer: Houses / Bungalows: 55 years Flats / Maisonettes: 53 years |
| Other land and buildings | Land: Not depreciated as indefinite useful economic life Buildings: Straight line | Buildings: 5 – 90 years (as advised by external valuer), with shorter lives applied to individual components where the impact is material |
| Vehicles, plant, furniture and equipment | Straight line | 3 – 25 years |
| Infrastructure assets | Straight line | 10 – 40 years |
| Community assets | Not depreciated | Not applicable |
| Surplus assets | Not depreciated | Not applicable |
| Assets under construction | Not depreciated | Not applicable |

Revaluation gains are also depreciated. An amount equal to the difference between the depreciation charged on assets and the depreciation that would have been charged based on their historic cost is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Under statutory arrangements, the Council is not required to raise council tax to fund depreciation. However, it is required to make an annual contribution from revenue resources towards the reduction in its overall General Fund borrowing requirement, known as the Minimum Revenue Provision (MRP). MRP must be calculated on a prudent basis determined in accordance with statutory guidance.

Depreciation charges on General Fund assets are therefore reversed out of the General Fund to the Capital Adjustment Account by way of a transfer in the MIRS and replaced by a transfer in the opposite direction representing the annual MRP charge.

Different arrangements apply to the HRA whereby depreciation charged is not reversed, but an equivalent amount is transferred from the Capital Adjustment Account to the Major Repairs Reserve through the MIRS to ensure that the Council maintains a prudent level of capital resources ringfenced for maintaining the standard of council dwellings.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to other operating income or expenditure in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same place. Any accumulated revaluation gains for the asset held in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and transferred to the Capital Receipts Reserve through the MIRS. These amounts are restricted for use to fund new capital investment, or to reduce the Council's underlying need to borrow.

Under statutory arrangements, any gain or loss on disposal is transferred through the MIRS to the Capital Adjustment Account, in order that it does not impact the General Fund or HRA balance. This is because the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing.

Donations

When the Council receives an asset by way of a donation, the asset is recognised at fair value at the date when the Council takes possession of the asset. The fair value of the asset is credited to the Comprehensive Income and Expenditure Account. Donated assets are subject to revaluation in accordance with the principles set out above reflecting the type of asset which has donated.

13 Leases

Leases are classified as finance leases where substantially all the risks and rewards incidental to ownership of the asset are transferred from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, each element is considered separately for classification.

Council as Lessee – Finance Leases

Property held under finance leases is recognised on the Balance Sheet at the start of the lease, at the lower of its fair value and the present value of minimum lease payments. The asset is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset, applied to write down the lease liability; and
- a finance charge, debited to financing and investment expenditure in the CIES.

Property held under finance leases is accounted for using the policies applied generally to the relevant class of asset, subject to depreciation being charged over the lease term if this is shorter than the asset's useful economic life.

Council as Lessor – Operating Leases

Where the Council grants an operating lease over a property, the asset is retained on the Balance Sheet. Rental income is credited to financing and investment income in the CIES, on a straight-line basis over the life of the lease.

14 Investments in Other Entities

The Council has material interests in a number of subsidiaries and joint ventures, which requires the preparation of group accounts. The basis of consolidation is set out at note 1 to the Group Financial Statements.

Within the Council Financial Statements (the single-entity accounts), these interests are recorded as financial assets at cost.

15 Financial Instruments

Financial Assets

Financial assets are classified and measured using an approach that reflects the business model for holding the assets and their cash flow characteristics. The Council holds financial assets measured at:

- Amortised cost
- Fair value through profit or loss

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except those whose contractual payments do not take the form of a basic debt instrument (i.e. are not solely payments of principal and interest).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the asset and are initially measured at fair value. They are subsequently measured at amortised cost, i.e. the outstanding principal receivable plus any accrued interest not yet received. Interest receivable is credited to financing and investment income in the CIES, based upon the amount due for the year as set out in the loan agreement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis.

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an asset was recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed based on 12-month expected losses.

Trade receivables (debtors) held by the authority are only assessed on a lifetime basis.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets measured at fair value through profit or loss are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the asset and are initially measured and subsequently carried at fair value. Fair value gains and losses are recognised as they arise within financing and investment income in the CIES.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of the liability and are initially measured at fair value. They are subsequently carried at amortised cost, i.e. the outstanding principal repayable (plus any accrued interest not yet paid). Interest payable is charged to financing and investment expenditure in the CIES, based upon the amount due for the year as set out in the loan agreement.

16 Cash and Cash Equivalents

Cash comprises cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value.

17 Provisions and Contingencies

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement (e.g. a payment to be made), and the amount of the obligation can be reliably estimated. For instance, the Council may be involved in a court case that could eventually result in the payment of compensation.

Provisions are charged to the appropriate service line in the CIES when the Council has an obligation and are measured at the best estimate at the Balance Sheet date, considering relevant risks and uncertainties.

When payments are made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that

payment will now be required (or a lower settlement is anticipated), the provision is reversed in full or in part and credited back to the relevant service line in the CIES.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset, whose existence will only be confirmed by the outcome of future uncertain events not entirely within the Council's control.

Contingent assets are not recognised in the Balance Sheet but disclosed in the Statement of Accounts where it is probable that the asset will be received.

18 Earmarked Reserves

The Council sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by transferring amounts out of the General Fund or HRA through the MIRS. When expenditure to be financed from an earmarked reserve is incurred, it is charged to the appropriate service line in the CIES, then an equivalent amount transferred back to the General Fund or HRA through the MIRS.

Note 3 – Accounting Standards Issued but not yet Adopted

The following accounting standards are adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and therefore apply to the Council with effect from 1 April 2024. None are anticipated to have a material impact on the Statement of Accounts 2024/25:

- IFRS 16 Leases issued in January 2016 and last amended in September 2022.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

Note 4 – Critical Judgement in Applying Accounting Policies

In applying the accounting policies set out in note 2, the Council has had to make the following critical judgement involving uncertainty about future events:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to indicate that its assets might be impaired, for example as a result of a need to close facilities or reduce levels of service provision.

Note 5 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of these accounts requires estimates to be made that are based upon the Council’s assumptions about the future or that are otherwise uncertain. Estimates are made which incorporate historical experience, current trends and other relevant factors – nevertheless some balances cannot be determined with certainty and actual results could be materially different from the estimates made.

The items in the Balance Sheet as at 31 March 2024 at significant risk of material adjustment in the following year are set out below. These are the estimates which require the most difficult, subjective or complex judgements. More detailed information about each estimate is set out within the relevant disclosure note.

| Balance Sheet Item | Source of Estimation Uncertainty | 31 March 2024 £'000 | 31 March 2023 £'000 | Note |
|---|---|---------------------|---------------------|------|
| Property, plant and equipment | Assets are depreciated over useful lives dependent on assumptions made about the level of repairs and maintenance that will be carried out. Should the Council not sustain an appropriate level of spending on repairs and maintenance, asset lives may be reduced leading to a higher annual depreciation charge. Operational property assets are revalued by the Council's external valuers, using valuation techniques which are based upon observable data wherever possible. Where such data is not available, professional judgements must be made taking into account considerations such as uncertainty and risk. Changes in the assumptions used could affect the valuation amount. | 1,060,721 | 1,027,960 | 16 |
| Investment property | Investment property assets are held at fair value as determined by the Council's external valuers, using valuation techniques which are based upon observable data wherever possible. Where such data is not available, professional judgements must be made that reflect considerations such as uncertainty and risk. Changes in the assumptions used could affect the valuation amount. | 164,587 | 161,708 | 17 |
| Provisions – business rates appeals provision | The Council is liable for its share (40%) of current and previous years' business rates income lost due to successful rating appeals. An external expert has been engaged to assist with calculating a best estimate of the provision required, but inherent uncertainties remain around the quantity, value and success rates of appeals, both already submitted and still to come. | (2,378) | (2,984) | 22 |

| Balance Sheet Item | Source of Estimation Uncertainty | 31 March 2024 £'000 | 31 March 2023 £'000 | Note |
|-----------------------------------|--|---------------------|---------------------|------|
| Net defined benefit pension asset | The net pension asset depends on a number of complex judgements, e.g. the discount rate used, the rate at which salaries are expected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The assumptions used are themselves highly sensitive to external economic factors, for example increasing interest rates could have a detrimental impact on asset returns. The Council engages a professional actuary to carry out the valuation of the net pension liability. See note 23 for more information on sensitivity analysis and the quantification of some of these uncertainties. | 18,073 | 6,865 | 23 |

Note 6 – Prior Period Adjustment

In late 2023, the Council identified potential historical errors in the way in which rent and service charges had been set for a number of its housing tenants.

Following further investigation, it was confirmed that two breaches of the Rent Standard have occurred in relation to policies introduced in 2004 and 2016. The first error related to a failure to correctly apply a 1% per annum rent reduction under the Welfare Reform and Work Act 2016 to affordable rented homes. The second error related to the incorrect separation of certain service charges which should have been included in the total rent figure, leading to a breach of the formula rent cap in a number of cases.

The Council self-referred these issues to the Regulator of Social Housing in December 2023, and a Regulatory Judgement was issued in June 2024.

Correct rents have been in place for all tenants since April 2024, but there is a need for the Council to refund tenants who have been historically overcharged. The estimated total to be refunded is £517,000 in respect of 2022/23, and £3.309 million in respect of earlier years.

The information within this Statement of Accounts relating to 2022/23 has therefore been restated to take account of these errors, as follows:

- The opening balance on the HRA as at 1 April 2022 has been reduced by £3.309 million (from £19.590 million to £16.281 million).
- HRA income from dwelling rents in 2022/23 has been reduced by £517,000 (from £40.795 million to £40.278 million).

These adjustments have been reflected throughout this Statement of Accounts as required.

The Council also identified that the reconciliation of the net book value of property, plant and equipment did not cast. The correct totals were included in note 16 in the 2022/23 Statement of Accounts however, the reconciliation from 1 April 2022 to 31 April 2023 included some errors.

The information within note 16 in this Statement of Accounts relating to 2022/23 has therefore been restated to take account of these errors.

Note 7 – Events After the Reporting Period

This draft unaudited Statement of Accounts was authorised for issue by the Chief Finance Officer on 28 February 2025. Events taking place after this date are not reflected in the accounts or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the accounts and notes have been adjusted to reflect the impact of this information

Note 8 – Income and Expenditure Analysed by Nature

| | Note | 2023/24 £'000 | 2022/23 (restated) £'000 |
|---|------|------------------|-----------------------------|
| Income | | | |
| Fees, charges and other service income | 9 | (77,573) | (70,339) |
| Interest and investment income | 11 | (24,916) | (14,857) |
| Share of profits from connected entities | 11 | (6,000) | (6,500) |
| Income from council tax and business rates | 12 | (15,286) | (14,503) |
| Government grants and contributions | 29 | (59,988) | (59,805) |
| Gain on disposal of non-current assets | 10 | (480) | (1,980) |
| Total income | | (184,243) | (167,984) |
| Expenditure | | | |
| Employee benefits expenses | | 44,096 | 44,515 |
| Other service expenses | | 82,945 | 74,900 |
| Depreciation, amortisation and impairment | | 61,471 | 34,625 |
| Interest payments and investment expenses | 11 | 9,507 | 15,185 |
| Payments to the housing capital receipts pool | 10 | 0 | 178 |
| Total expenditure | | 198,019 | 169,403 |
| Deficit on the provision of services | | 13,776 | 1,419 |

Prior year figures have been restated to reflect changes in the Council’s internal reporting structure, together with a prior period adjustment in respect of rent refunds (see note 6).

Included within other service expenses is expenditure associated with housing benefits of £28.6 million (2022/23: £27.6 million). Within the CIES, this is included in Finance and Resources expenditure.

Note 9 – Segmental Fees, Charges and Other Service Income

| | 2023/24 £'000 | 2022/23 (restated) £'000 |
|---|------------------|-----------------------------|
| Climate Action and Environment | (3,358) | (3,109) |
| Community Wealth Building and Community Safety | (34) | 1 |
| Communities | (5,926) | (4,946) |
| General Fund Housing | (1,695) | (1,471) |
| Open Spaces and City Services | (11,702) | (11,986) |
| Planning, Building Control and Infrastructure | (2,003) | (2,122) |
| Finance and Resources | (874) | (647) |
| The Leader | (91) | (89) |
| Housing Revenue Account | (50,304) | (44,291) |
| Financing and investment income | (1,586) | (1,679) |
| Total fees, charges and other service income | (77,573) | (70,339) |

Prior year figures have been restated to reflect changes in the Council’s internal reporting structure, together with a prior period adjustment in respect of rent refunds (see note 6).

Note 10 – Other Operating Income and Expenditure

| | 2023/24 | | 2022/23 | |
|--|-----------------|----------------------|-----------------|----------------------|
| | Income £'000 | Expenditure £'000 | Income £'000 | Expenditure £'000 |
| Gains on the disposal of non-current assets | (480) | 0 | (1,980) | 0 |
| Payments to government housing capital receipts pool | 0 | 0 | 0 | 178 |
| Total other operating income and expenditure | (480) | 0 | (1,980) | 178 |

Note 11 – Financing and Investment Income and Expenditure

| | 2023/24 | | 2022/23 | |
|---|-----------------|----------------------|-----------------|----------------------|
| | Income £'000 | Expenditure £'000 | Income £'000 | Expenditure £'000 |
| Interest payable and similar charges | 0 | 7,494 | 0 | 7,494 |
| Interest on net defined benefit pension (asset) / liability | (471) | 0 | 0 | 2,832 |
| Interest receivable and similar income | (7,849) | 0 | (4,813) | 0 |
| Investment property income and expenditure | (10,547) | 1,726 | (10,043) | 1,910 |
| Changes in fair value of investment property | (6,049) | 0 | 0 | 21 |
| Losses on financial instruments classified as fair value through profit or loss | 0 | 287 | 0 | 2,927 |
| Share of profits from connected entities | (6,000) | 0 | (6,500) | 0 |
| Trading account income and expenditure | (1,586) | 1,770 | (1,679) | 1,596 |
| Total financing and investment income and expenditure | (32,502) | 11,277 | (23,035) | 16,780 |

Note 12 – Taxation and Non-Specific Grant Income

| | 2023/24 | | 2022/23 | |
|---|----------|-----------------|----------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Council tax | | (9,919) | | (9,539) |
| Business rates: | | | | |
| Council share of business rates income collected | (45,512) | | (42,226) | |
| Less tariff payable to central government | 40,145 | | 37,262 | |
| Net retained business rates income | | (5,367) | | (4,964) |
| Non-ringfenced government grants | | (10,580) | | (11,020) |
| Capital grants and contributions | | (13,144) | | (13,824) |
| Total taxation and non-specific grant income | | (39,010) | | (39,347) |

Note 13 – Adjustments Between Accounting Basis and Funding Basis Under Statutory Provisions

This note details the adjustments made to the total comprehensive income and expenditure recognised in accordance with proper accounting practice, in order to arrive at the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure. The adjustments are made against the following usable reserves:

General Fund – the statutory fund into which all the receipts of the Council are required to be paid, and out of which all liabilities of the Council are to be met, except to the extent that statutory rules provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with generally accepted accounting practices. The General Fund balance therefore summarises the resources that the Council is empowered to spend on its services or on capital investment at the end of the financial year. The balance is not available to be applied to funding HRA services.

Housing Revenue Account (HRA) – reflects the statutory obligation to maintain a separate revenue account for council housing provision under Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure in connection with the council's landlord function (for example rental income), which can only be used to fund expenditure on HRA services in the future.

Major Repairs Reserve – contains an element of the Council's capital resources which is limited to being used to finance future or historic capital expenditure on HRA assets (such as council houses).

Capital Receipts Reserve – holds the proceeds from the disposal of property and other assets, which can only be used to finance future or historic capital expenditure.

Capital Grants Unapplied Reserve – holds grants and contributions received towards capital projects which have not yet been applied to meet expenditure. The balance is restricted by the grant terms as to the capital expenditure against which it can be applied and / or the financial years in which this can place.

| | 2023/24 | | | | | | 2022/23 | | | | | | Unusable Reserve Affected |
|---|----------------|-------------------------------|--------------------------|-----------------------|----------------------------------|-------------------|-----------------|-------------------------------|--------------------------|-----------------------|----------------------------------|-------------------|----------------------------|
| | General Fund | Housing Revenue Account (HRA) | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied Reserve | Unusable reserves | General Fund | Housing Revenue Account (HRA) | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied Reserve | Unusable reserves | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| <u>Adjustments for capital purposes</u> | | | | | | | | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | | | | | | | | |
| Depreciation, derecognition, impairment and revaluation gains and losses on property, plant and equipment | (8,926) | (40,965) | 0 | (11,380) | 0 | 61,271 | (6,016) | (17,822) | 0 | (10,451) | 0 | 34,289 | Capital Adjustment Account |
| Amortisation of intangible assets | (95) | 0 | 0 | (104) | 0 | 199 | (160) | 0 | 0 | (177) | 0 | 337 | Capital Adjustment Account |
| Movements in the fair value of investment properties | 6,384 | (335) | 0 | 0 | 0 | (6,049) | (338) | 317 | 0 | 0 | 0 | 21 | Capital Adjustment Account |
| Capital grants and contributions | 203 | 12,941 | 0 | 0 | (13,144) | 0 | 2,147 | 11,205 | 0 | 0 | (13,352) | 0 | |
| Revenue expenditure funded from capital under statute | (4,083) | 0 | 0 | 0 | 0 | 4,083 | (6,000) | (19) | 0 | 0 | 0 | 6,019 | Capital Adjustment Account |
| Costs of disposal funded from capital receipts | 0 | (150) | 150 | 0 | 0 | 0 | 0 | (142) | 142 | 0 | 0 | 0 | |
| Carrying value of non-current assets and non-current assets held for sale written off on disposal | (825) | (4,119) | 0 | 0 | 0 | 4,944 | (1,002) | (4,300) | 0 | 0 | 0 | 5,302 | Capital Adjustment Account |
| Proceeds from the disposal of non-current assets and non-current assets held for sale (greater than £10,000) | 819 | 4,592 | (5,411) | 0 | 0 | 0 | 650 | 6,615 | (7,265) | 0 | 0 | 0 | |
| Amount payable into the housing capital receipts pool | 0 | 0 | 0 | 0 | 0 | 0 | (178) | 0 | 178 | 0 | 0 | 0 | |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | | | | | | | | |
| Minimum revenue provision for repayment of debt | 314 | 0 | 0 | 0 | 0 | (314) | 1,509 | 0 | 0 | 0 | 0 | (1,509) | Capital Adjustment Account |
| Financing of capital expenditure from usable reserves | 1,030 | 23,111 | 23,585 | 19,168 | 22,031 | (88,925) | 1,100 | 17,480 | 45,965 | 14,485 | 33,683 | (112,713) | Capital Adjustment Account |
| Other capital adjustments | 39 | 0 | 0 | 0 | 0 | (39) | 472 | 0 | 0 | 0 | 0 | (472) | Capital Adjustment Account |
| Transfers on repayment of loans | (7) | 0 | (7,593) | 0 | 0 | 7,600 | (10) | 0 | (31,610) | 0 | 0 | 31,620 | Capital Adjustment Account |
| Total adjustments for capital purposes | (5,147) | (4,925) | 10,731 | 7,684 | 8,887 | (17,230) | (7,826) | 13,334 | 7,410 | 3,857 | 20,331 | (37,106) | |
| <u>Pensions adjustments</u> | | | | | | | | | | | | | |
| Reversal of pension costs charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 19 | (5,684) | (1,482) | 0 | 0 | 0 | 7,166 | (12,943) | (2,488) | 0 | 0 | 0 | 15,431 | Pensions Reserve |
| Insertion of contributions due under the pension scheme regulations | 7,258 | 1,748 | 0 | 0 | 0 | (9,006) | 5,974 | 1,774 | 0 | 0 | 0 | (7,748) | Pensions Reserve |
| Total pensions adjustments | 1,574 | 266 | 0 | 0 | 0 | (1,840) | (6,969) | (714) | 0 | 0 | 0 | 7,683 | |
| Total adjustments for capital purposes and pensions adjustments | (3,573) | (4,659) | 10,731 | 7,684 | 8,887 | (19,070) | (14,795) | 12,620 | 7,410 | 3,857 | 20,331 | (29,423) | |

| | 2023/24 | | | | | | 2022/23 | | | | | | Unusable Reserve Affected |
|---|----------------|-------------------------------|--------------------------|-----------------------|----------------------------------|-------------------|----------------|-------------------------------|--------------------------|-----------------------|----------------------------------|-------------------|--|
| | General Fund | Housing Revenue Account (HRA) | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied Reserve | Unusable reserves | General Fund | Housing Revenue Account (HRA) | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied Reserve | Unusable reserves | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| | | | | | | | | | | | | | |
| Total adjustments for capital purposes and pensions adjustments | (483) | (4,819) | 10,731 | 7,684 | 8,887 | (22,000) | (14,795) | 12,620 | 7,410 | 3,857 | 20,331 | (29,423) | |
| Other statutory adjustments | | | | | | | | | | | | | |
| Transfers between the General Fund and Housing Revenue Account under statutory provisions | (72) | 72 | 0 | 0 | 0 | 0 | 5 | (5) | 0 | 0 | 0 | 0 | |
| Adjustments for differences between the income and expenditure included in the Comprehensive Income and Expenditure Statement and the amounts charged to the General Fund and HRA under statutory provisions, in respect of: | | | | | | | | | | | | | |
| Finance income and expenditure | (9) | 0 | 0 | 0 | 0 | 9 | (69) | 0 | 0 | 0 | 0 | 69 | Financial Instruments Adjustment Account |
| Council tax and business rates income | (4,680) | 0 | 0 | 0 | 0 | 4,680 | 11,674 | 0 | 0 | 0 | 0 | (11,674) | Collection Fund Adjustment Account |
| Fair value gains and losses on pooled investment funds | (241) | 0 | 0 | 0 | 0 | 241 | (2,843) | 0 | 0 | 0 | 0 | 2,843 | Pooled Investment Adjustment Account |
| Movements in the accumulated absences accrual | 0 | 0 | 0 | 0 | 0 | 0 | 63 | (10) | 0 | 0 | 0 | (53) | Accumulated Absences Account |
| Total other statutory adjustments | (5,002) | 72 | 0 | 0 | 0 | 4,930 | 8,830 | (15) | 0 | 0 | 0 | (8,815) | |
| Total adjustments between accounting basis and funding basis under statutory provisions | (8,575) | (4,587) | 10,731 | 7,684 | 8,887 | (14,140) | (5,965) | 12,605 | 7,410 | 3,857 | 20,331 | (38,238) | |

Note 14 – Earmarked Reserves

| | 1 April 2022 £'000 | Transfers In £'000 | Transfers Out £'000 | 31 March 2023 £'000 | Transfers In £'000 | Transfers Out £'000 | 31 March 2024 £'000 |
|--|--------------------------|--------------------------|---------------------------|---------------------------|--------------------------|---------------------------|---------------------------|
| General Fund | | | | | | | |
| Collection Fund deficit reserve | (6,377) | 0 | 6,253 | (124) | 0 | 0 | (124) |
| Earmarked for capital use | (5,136) | (7,250) | 1,554 | (10,832) | (6,531) | 1,471 | (15,892) |
| Greater Cambridge Partnership | (5,214) | (242) | 196 | (5,260) | (6) | 5,266 | 0 |
| Other shared / partnership working | (2,034) | (435) | 154 | (2,315) | (277) | 469 | (2,123) |
| Insurance Fund | (1,319) | 0 | 25 | (1,294) | 0 | 537 | (757) |
| Service specific reserves | (5,510) | (2,387) | 1,969 | (5,928) | (4,144) | 1,769 | (8,303) |
| Transformation | (4,143) | 0 | 1,141 | (3,002) | 0 | 1,412 | (1,590) |
| Other | (33) | 0 | 0 | (33) | (600) | 378 | (255) |
| Total General Fund earmarked reserves | (29,766) | (10,314) | 11,292 | (28,788) | (11,558) | 11,302 | (29,044) |
| Housing Revenue Account (HRA) | | | | | | | |
| Asset repair and renewal reserves | (2,612) | (271) | 296 | (2,587) | (283) | 99 | (2,771) |
| Earmarked for HRA debt redemption / reinvestment | (14,705) | 0 | 0 | (14,705) | 0 | 14,705 | 0 |
| Other | (34) | (27) | 25 | (36) | (8) | 11 | (33) |
| Total HRA earmarked reserves | (17,351) | (298) | 321 | (17,328) | (291) | 14,815 | (2,804) |

The **Collection Fund deficit reserve** holds money set aside to cover the Council's share of forecast future collection fund deficits caused mainly by the Covid-19 pandemic and the government's response (for example the expansion of mandatory and discretionary rates relief). The impact of this has largely been funded by compensatory grants from central government. The balance on this reserve has been substantially utilised as at 31 March 2024 as the deficits linked to Covid-19 have been largely recovered.

Note 15 – Unusable Reserves

The Council's principal unusable reserves are as follows:

Capital Adjustment Account – absorbs timing differences arising from the different arrangements for accounting for the consumption of non-current assets, and for financing the capital expenditure on these assets under statutory provisions. The account is debited as depreciation, revaluation and impairment losses and losses on disposal of non-current assets are charged to the Comprehensive Income and Expenditure Statement, and credited as amounts are set aside from capital resources to finance capital expenditure. It contains accumulated gains and losses on investment properties, together with revaluation gains accumulated on property, plant and equipment prior to 1 April 2007.

Revaluation Reserve – holds unrealised gains on property, plant and equipment accumulated since the reserve's implementation on 1 April 2007. Gains accumulated before this date are held in the Capital Adjustment Account.

Pensions Reserve – absorbs timing differences arising from the different arrangements for accounting for the Local Government Pension Scheme, and for funding the scheme in accordance with statutory provisions. The Council accounts for scheme costs in the Comprehensive Income and Expenditure Statement as benefits are earned by employees, updating the future liability each year to reflect changing assumptions and investment returns. However, statutory arrangements require the General Fund and Housing Revenue Account to be charged only with the employer contributions payable for the year. The balance on the reserve therefore reflects the current difference between the benefits earned by employees and the resources set aside to meet them.

Collection Fund Adjustment Account – absorbs timing differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers, and the statutory arrangements for paying across amounts to the General Fund. The balance here will be transferred to the General Fund in future years in line with statutory requirements.

| | Note | Capital Adjustment Account | Revaluation Reserve | Pensions Reserve | Collection Fund Adjustment Account | Pooled Investment Adjustment Account | Accumulated Absences Account | Financial Instruments Adjustment Account | Deferred Capital Receipts Reserve | Total unusable reserves |
|---|------|----------------------------------|------------------------|---------------------|--|---|------------------------------------|---|---|----------------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 April 2022 | | (620,741) | (258,609) | 103,961 | 6,839 | (2,351) | 341 | 97 | (72) | (770,535) |
| Other comprehensive income and expenditure: | | | | | | | | | | |
| Surplus on revaluation of non-current assets | CIES | 0 | (31,519) | 0 | 0 | 0 | 0 | 0 | 0 | (31,519) |
| Remeasurement of the net defined benefit liability | CIES | 0 | 0 | (118,510) | 0 | 0 | 0 | 0 | 0 | (118,510) |
| Adjustments between accounting basis and funding basis under statutory provisions: | | | | | | | | | | |
| Adjustments for capital purposes | 13 | (37,105) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (37,105) |
| Pensions adjustments | 13 | 0 | 0 | 7,683 | 0 | 0 | 0 | 0 | 0 | 7,683 |
| Other statutory adjustments | 13 | 0 | 0 | 0 | (11,674) | 2,843 | (54) | 69 | 0 | (8,816) |
| Transfers between unusable reserves: | | | | | | | | | | |
| Difference between fair value depreciation and historic cost depreciation | | (4,365) | 4,365 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accumulated gains on non-current assets disposed of | | (618) | 618 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2023 | | (662,829) | (285,145) | (6,866) | (4,835) | 492 | 287 | 166 | (72) | (958,802) |
| Other comprehensive income and expenditure: | | | | | | | | | | |
| Surplus on revaluation of non-current assets | CIES | 0 | (7,248) | 0 | 0 | 0 | 0 | 0 | 0 | (7,248) |
| Remeasurement of the net defined benefit liability | CIES | 0 | 0 | (9,368) | 0 | 0 | 0 | 0 | 0 | (9,368) |
| Adjustments between accounting basis and funding basis under statutory provisions: | | | | | | | | | | |
| Adjustments for capital purposes | 13 | (17,230) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (17,230) |
| Pensions adjustments | 13 | 0 | 0 | (1,840) | 0 | 0 | 0 | 0 | 0 | (1,840) |
| Other statutory adjustments | 13 | 0 | 0 | 0 | 4,680 | 241 | 0 | 9 | 0 | 4,930 |
| Transfers between unusable reserves: | | | | | | | | | | |
| Difference between fair value depreciation and historic cost depreciation | | (4,740) | 4,740 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accumulated gains on non-current assets disposed of | | (845) | 845 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2024 | | (685,644) | (286,808) | (18,074) | (155) | 733 | 287 | 175 | (72) | (989,558) |

Note 16 – Property, Plant and Equipment

Movements on Balances

| | Council dwellings £'000 | Other land and buildings £'000 | Vehicles, plant, furniture and equipment £'000 | Infrastructure assets £'000 | Community assets £'000 | Surplus assets £'000 | Assets under construction £'000 | Total property, plant and equipment £'000 |
|--|----------------------------|-----------------------------------|---|--------------------------------|---------------------------|-------------------------|------------------------------------|--|
| Balance at 1 April 2022: | | | | | | | | |
| Gross carrying amount | 726,429 | 145,652 | 21,595 | 7,295 | 1,331 | 79 | 64,193 | 966,574 |
| Accumulated depreciation and impairment | 0 | (1,302) | (13,456) | (1,506) | 0 | 0 | 0 | (16,264) |
| Net book value | 726,429 | 144,350 | 8,139 | 5,789 | 1,331 | 79 | 64,193 | 950,310 |
| Additions | 36,789 | 2,794 | 433 | 1,175 | 0 | 0 | 43,911 | 85,102 |
| Disposals | (4,299) | 0 | (308) | (75) | 0 | 0 | 0 | (4,682) |
| Derecognition | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases / (decreases) recognised in the revaluation reserve | 23,719 | 7,812 | 0 | 0 | 0 | (12) | 0 | 31,519 |
| Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services | (17,015) | (1,210) | 0 | 0 | 0 | (17) | 0 | (18,242) |
| Assets reclassified (to) / from other categories of property, plant and equipment | 28,742 | 366 | 200 | 17 | 15 | 0 | (29,340) | 0 |
| Depreciation charge | (10,067) | (3,718) | (2,075) | (187) | 0 | 0 | 0 | (16,047) |
| Balance at 1 April 2023: | | | | | | | | |
| Gross carrying amount | 784,298 | 151,982 | 20,671 | 8,238 | 1,346 | 50 | 78,764 | 1,045,349 |
| Accumulated depreciation and impairment | 0 | (1,588) | (14,282) | (1,519) | 0 | 0 | 0 | (17,389) |
| Net book value | 784,298 | 150,394 | 6,389 | 6,719 | 1,346 | 50 | 78,764 | 1,027,960 |
| Additions | 43,429 | 1,131 | 1,759 | 866 | 0 | 0 | 41,904 | 89,089 |
| Disposals | (4,119) | 0 | 0 | 0 | 0 | 0 | 0 | (4,119) |
| Revaluation increases / (decreases) recognised in the revaluation reserve | 674 | 6,574 | 0 | 0 | 0 | 0 | 0 | 7,248 |
| Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services | (41,125) | (3,005) | 0 | 0 | 0 | 0 | 0 | (44,130) |
| Assets reclassified (to) / from investment properties or intangible assets | 0 | 2,267 | 0 | 0 | 0 | 0 | 0 | 2,267 |
| Assets reclassified (to) / from other categories of property, plant and equipment | 47,898 | 469 | 46 | 0 | 0 | 0 | (48,413) | 0 |
| Other movement | 0 | (29) | (40) | 0 | 0 | 0 | 87 | 18 |
| Depreciation charge | (11,114) | (3,817) | (2,000) | (210) | 0 | 0 | 0 | (17,141) |
| Balance at 31 March 2024: | | | | | | | | |
| Gross carrying amount | 819,941 | 155,715 | 22,152 | 9,099 | 1,346 | 50 | 72,342 | 1,080,645 |
| Accumulated depreciation and impairment | 0 | (1,731) | (15,998) | (1,724) | 0 | 0 | 0 | (19,453) |
| Net book value | 819,941 | 153,984 | 6,154 | 7,375 | 1,346 | 50 | 72,342 | 1,061,192 |

The prior year movement in net book value has been restated to reflect a prior period adjustment (see note 6). The overall net book value at 31 March 2023 remains unchanged.

Valuation

Council dwellings are revalued at 31 March each year, using a beacon approach. The housing stock is divided into a number of ‘archetypes’ containing dwellings with similar characteristics (e.g. location, property type, number of bedrooms). Within each archetype, one representative ‘beacon’ property is selected for revaluation, with the resulting valuation applied to all similar dwellings.

Valuations are undertaken by an external valuer who inspects beacon properties on a rolling 5-yearly cycle. Valuations are carried out in accordance with ‘Stock Valuation for Resource Accounting – Guidance for Valuers’ published by the Ministry of Housing, Communities and Local Government (MHCLG), and the RICS Valuation – Professional Standards (‘Red Book’) except where varied to reflect MHCLG requirements.

In addition, the external valuer carries out an annual desktop revaluation exercise on all properties not subject to inspection in any given year. This exercise is carried out with reference to UK House Price Index data.

Other land and buildings are subject to revaluation on at least a 5-yearly rolling basis, with additional valuations carried out where there is a risk that values have moved significantly in the intervening period. Valuations are undertaken by an external valuer in accordance with the RICS Valuation – Professional Standards (‘Red Book’), with one departure in respect of the physical inspection of properties. The valuer undertakes physical inspection of only a sample of properties, relying upon information provided by the Council in respect of the remaining properties. The Council has chosen to depart from the Red Book in this way to secure best value for money in relation to property valuation work.

The following table shows the current carrying value of property, plant and equipment (excluding those classes of asset held at historic cost) by date of most recent valuation:

| | Council dwellings | Other land and buildings | Surplus assets | Total |
|--------------------------------|-------------------|--------------------------|----------------|---------|
| | £'000 | £'000 | £'000 | £'000 |
| Valued at current value as at: | | | | |
| 31 March 2024 | 819,941 | 122,346 | 0 | 942,287 |
| 31 March 2023 | 0 | 1,072 | 50 | 1,122 |
| 31 March 2022 | 0 | 19,475 | 0 | 19,475 |
| 31 March 2021 | 0 | 3,537 | 0 | 3,537 |
| 31 March 2020 | 0 | 595 | 0 | 595 |
| Prior to 2020 | 0 | 6,959 | 0 | 6,959 |
| Total | 819,941 | 153,984 | 50 | 973,975 |

Finance Leases

Included under other land and buildings are three car parks held by the Council under finance leases. The net carrying value as at 31 March 2024 is £35,777,000 (31 March 2023: £36,685,000). Since the leases are at peppercorn rent, there is no associated lease liability.

Capital Commitments

The Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in future years, with the following values:-

| | 31 March 2024 | 31 March 2023 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Park Street car park redevelopment | 64,262 | 76,376 |
| New build dwellings | 27,826 | 41,431 |
| Capital works on existing dwellings | 10,525 | 7,150 |
| Depot relocation | 8,884 | 157 |
| Meadows Community Centre and Buchan Street shops | 0 | 516 |
| Other property, plant and equipment | 2,276 | 615 |
| Total contractual commitments for property, plant and equipment | 113,773 | 126,245 |

Note 17 – Investment Property

Movements on Balances

| | Central Cambridge shopping centres £'000 | Other retail £'000 | Offices £'000 | Industrial £'000 | Land £'000 | Leisure £'000 | Other £'000 | Total investment properties £'000 | Investment properties held for sale £'000 | Total £'000 |
|---|--|-----------------------|------------------|---------------------|---------------|------------------|----------------|--|--|----------------|
| Balance at 1 April 2022 | 15,610 | 29,293 | 12,365 | 30,790 | 41,572 | 3,562 | 27,490 | 160,682 | 620 | 161,302 |
| Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 1,477 | 1,477 | 0 | 1,477 |
| Additions – subsequent expenditure | 0 | 71 | 26 | 101 | 0 | 0 | 197 | 395 | 0 | 395 |
| Unrealised revaluation gains / (losses) | (4,230) | 841 | (255) | 1,359 | 1,420 | 7 | 837 | (21) | 0 | (21) |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (620) | (620) |
| Transfers (to) / from held for sale | 0 | (825) | 0 | 0 | 0 | 0 | 0 | (825) | 825 | 0 |
| Balance at 31 March 2023 | 11,380 | 29,380 | 12,136 | 32,250 | 42,992 | 3,569 | 30,001 | 161,708 | 825 | 162,533 |
| Adjustment to opening balance | 0 | 0 | 9 | 0 | 0 | 0 | 0 | 9 | 0 | 9 |
| Additions – subsequent expenditure | 0 | 0 | 36 | 21 | 0 | 0 | 115 | 172 | 0 | 172 |
| Unrealised revaluation gains / (losses) | (460) | 1,095 | (781) | 2,866 | 1,836 | (35) | 1,528 | 6,049 | 0 | 6,049 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (825) | (825) |
| Transfers (to) / from held for sale | 0 | (1,250) | 0 | 0 | 0 | 0 | 0 | (1,250) | 1,250 | 0 |
| Transfers (to) / from property, plant and equipment | 0 | 0 | 748 | 0 | (3,015) | 0 | 0 | (2,267) | 0 | (2,267) |
| Balance at 31 March 2024 | 10,920 | 29,225 | 12,148 | 35,137 | 41,813 | 3,534 | 31,644 | 164,421 | 1,250 | 165,671 |

Fair Value Measurement

Investment property is held at fair value as determined by an external valuer. Valuations are carried out in accordance with the RICS Valuation – Professional Standards (‘Red Book’), with one departure in respect of physical inspection of properties. The valuer undertakes physical inspection of only a sample of properties, relying upon information provided by the Council in respect of the remaining properties. The Council has chosen to depart from the Red Book in this way to secure best value for money in relation to property valuation work.

The valuation techniques and key inputs used for each class of investment property are as follows:-

| Investment property class | Predominant valuation technique | Key unobservable inputs | Range of inputs |
|------------------------------------|---------------------------------|-------------------------|-----------------|
| Central Cambridge shopping centres | Investment | Net initial yield | 7.00% - 7.04% |
| Other retail | Investment | Yield | 4.42% - 9.02% |
| Offices | Investment | Yield | 6.54% - 10.16% |
| Industrial | Investment | Yield | 5.99% - 8.26% |
| Land | Investment / Comparable | Net initial yield | 2.46% - 5.47% |
| Leisure | Investment / Comparable | Equivalent yield | 4.25% - 7.05% |
| Other | Investment / Comparable | Equivalent yield | 7.51% - 8.04% |
| | | Yield | 4.00% - 11.00% |

The **investment method** involves estimating the rental value of each property and capitalising at an appropriate yield. This approach factors in future assumptions such as rent growth, occupancy levels and future maintenance costs, and also adjusts for redevelopment potential where applicable.

The **comparable method** involves reviewing recent similar transactions on the open market and using these as a benchmark, with appropriate adjustments to reflect differences between observed transactions and the Council’s individual investment properties.

Both of these methods rely upon significant unobservable inputs to determine fair value, and therefore all investment property valuations are classified as level 3 in the fair value hierarchy. There is no reasonably available information that indicates that market participants would use different assumptions.

Significant increases in market rents or land values would result in a significantly higher fair value measurement, and vice versa.

Significant increases in yields would result in a significantly lower fair value measurement, and vice versa.

Income and Expenditure

The following is included within financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement:

| | 2023/24 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Rental income from investment property | (10,547) | (10,043) |
| Direct operating expenses arising from investment property | 866 | 1,910 |
| Net gain | (9,681) | (8,133) |

Highest and Best Use

All of the Council’s investment properties are currently operating at their highest and best use, with the exception of property in the Cambridge Northern Fringe East development area which is let out on a short-term basis (with the Council able to exercise break clauses) pending redevelopment.

Operating Leases

Investment properties are let to a variety of tenants under operating leases. The future minimum lease payments due under non-cancellable leases are as follows:-

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|--|------------------------|------------------------|
| Not later than one year | 6,574 | 6,603 |
| Between one and five years | 19,454 | 18,829 |
| Later than five years | 113,095 | 87,290 |
| Total future minimum lease payments due under non-cancellable leases | 139,123 | 112,722 |

The future minimum lease payments above do not include contingent rents. In 2023/24, contingent rents of £1,600,000 (2022/23: £1,297,000) were receivable.

Note 18 – Financial Instruments

Categories of Financial Instruments

Financial Assets

| | Long-term | | | | | | | | Short-term | | | | | | Total | |
|---|-------------------------|---------------|--------------------|---------------|-----------------------------|---------------|---------------|---------------|---------------|----------------|---------------------------|---------------|---------------|--------------------------|----------------|--------------------------|
| | Loans to joint ventures | | Loan to subsidiary | | Other long-term investments | | Debtors | | Investments | | Cash and cash equivalents | | Debtors | | | |
| | 31 March 2024 | 31 March 2023 | 31 March 2024 | 31 March 2023 | 31 March 2024 | 31 March 2023 | 31 March 2024 | 31 March 2023 | 31 March 2024 | 31 March 2023 | 31 March 2024 | 31 March 2023 | 31 March 2024 | 31 March 2023 (restated) | 31 March 2024 | 31 March 2023 (restated) |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fair value through profit or loss | 0 | 0 | 0 | 0 | 13,965 | 14,532 | 646 | 677 | 10,302 | 9,973 | 0 | 0 | 0 | 0 | 24,913 | 25,182 |
| Amortised cost | 19,228 | 12,875 | 7,500 | 7,500 | 2,850 | 8,850 | 819 | 819 | 39,736 | 95,736 | 21,872 | 31,790 | 7,487 | 6,436 | 99,492 | 164,006 |
| Total financial assets | 19,228 | 12,875 | 7,500 | 7,500 | 16,815 | 23,382 | 1,465 | 1,496 | 50,038 | 105,709 | 21,872 | 31,790 | 7,487 | 6,436 | 124,405 | 189,188 |
| Assets not defined as financial instruments | 0 | 0 | 0 | 0 | 0 | 0 | 2,447 | 233 | 0 | 0 | 0 | 0 | 5,835 | 4,379 | 8,282 | 4,612 |
| Total | 19,228 | 12,875 | 7,500 | 7,500 | 16,815 | 23,382 | 3,912 | 1,729 | 50,038 | 105,709 | 21,872 | 31,790 | 13,322 | 10,815 | 132,687 | 193,800 |

Page 51

Financial Liabilities

| | Long-term | | Short-term | | | | Total | |
|--|------------------|------------------|---------------|---------------|-----------------|--------------------------|------------------|--------------------------|
| | Borrowing | | Borrowing | | Creditors | | | |
| | 31 March 2024 | 31 March 2023 | 31 March 2024 | 31 March 2023 | 31 March 2024 | 31 March 2023 (restated) | 31 March 2024 | 31 March 2023 (restated) |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Amortised cost | (213,572) | (213,572) | (82) | (82) | (21,739) | (26,075) | (235,393) | (239,729) |
| Total financial liabilities | (213,572) | (213,572) | (82) | (82) | (21,739) | (26,075) | (235,393) | (239,729) |
| Liabilities not defined as financial instruments | 0 | 0 | 0 | 0 | (32,531) | (44,565) | (32,531) | (44,565) |
| Total | (213,572) | (213,572) | (82) | (82) | (54,270) | (70,640) | (267,924) | (284,294) |

Prior year short-term creditors have been restated to reflect a prior period adjustment in respect of rent refunds (see note 6).

Prior year short-term debtors held at amortised cost have been decreased by £3.497 million, and short-term debtors not defined as financial instruments increased by a corresponding amount, to correct a misclassification of credit loss allowance.

Income, Expense, Gains and Losses

The following income and expenditure relating to financial instruments is reflected in the surplus or deficit on the provision of services:

| | 2023/24 | | 2022/23 | |
|--|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 |
| Net losses on: | | | | |
| Financial assets measured at fair value through profit or loss | 287 | | 2,927 | |
| Total net losses | | 287 | | 2,927 |
| Interest revenue: | | | | |
| Financial assets measured at fair value through profit or loss | (742) | | (628) | |
| Financial assets measured at amortised cost | (7,107) | | (4,163) | |
| Total interest revenue | | (7,849) | | (4,791) |
| Interest expense on financial liabilities measured at amortised cost | | 7,494 | | 7,494 |
| Net (income) / expenditure recognised in surplus or deficit on the provision of services | | (68) | | 5,630 |

Page 2
Fair Value

Financial Assets Measured at Fair Value

The following financial assets are measured at fair value on a recurring basis:

| | Fair value hierarchy input level | Valuation technique | 31 March 2024 | 31 March 2023 |
|---|----------------------------------|--|---------------|---------------|
| | | | £'000 | £'000 |
| Investments in pooled investment vehicles | Level 1 | Unadjusted quoted prices in active markets for identical units | 23,017 | 24,529 |
| Soft loans | Level 3 | Present value of likely future cash flows | 646 | 677 |
| Contingent proceeds from disposal of assets | Level 3 | Present value of likely estimated sales proceeds | 1,250 | 825 |
| Total financial assets held at fair value | | | 24,913 | 26,031 |

Financial Assets Not Measured at Fair Value

The fair value of financial assets and liabilities measured at amortised cost can be assessed by calculating the present value of future cash flows, using the following assumptions:-

- For instruments which will mature in the next 12 months, carrying value is taken as an approximation of fair value.
- No early repayments are assumed.
- The fair value of long-term borrowing from the Public Works Loan Board (PWLB) is calculated using the average new loans rate for the year of 5.17% (2022/23: 4.67%).

| | 31 March 2024 | | 31 March 2023 | |
|--|-----------------|------------|----------------------------|-----------------------|
| | Carrying amount | Fair value | Carrying amount (restated) | Fair value (restated) |
| | £'000 | £'000 | £'000 | £'000 |
| Financial assets | | | | |
| Loans to joint ventures | 19,228 | 18,548 | 12,875 | 12,953 |
| Loan to subsidiary | 7,500 | 7,041 | 7,500 | 7,050 |
| Other long-term investments | 2,850 | 2,662 | 8,850 | 8,619 |
| Long-term debtors | 819 | 819 | 819 | 819 |
| Short-term investments | 39,736 | 39,736 | 95,736 | 95,736 |
| Cash and cash equivalents | 21,872 | 21,872 | 31,790 | 31,790 |
| Short-term debtors | 7,487 | 7,487 | 6,436 | 6,436 |
| Total financial assets held at amortised cost | 99,492 | 98,165 | 164,006 | 163,403 |
| Financial liabilities | | | | |
| Long-term borrowing | (213,572) | (190,669) | (213,572) | (178,319) |
| Short-term borrowing | (82) | (82) | (82) | (82) |
| Short-term creditors | (21,739) | (21,739) | (26,075) | (26,075) |
| Total financial liabilities held at amortised cost | (235,393) | (212,490) | (239,729) | (204,476) |

Prior year short-term creditors have been restated to reflect a prior period adjustment in respect of rent refunds (see note 6).

Prior year short-term debtors have been restated to correct a misclassification of credit loss allowances.

Note 19 – Long-term Debtors

| | 31 March 2024 | 31 March 2023 |
|--------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Prepayments | 2,291 | 71 |
| Other receivables | 1,621 | 1,658 |
| Total long-term debtors | 3,912 | 1,729 |

Note 20 – Short-term Debtors

| | 31 March 2024 | 31 March 2023 |
|---------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade receivables | 4,605 | 3,944 |
| Prepayments | 3,605 | 616 |
| Other receivables | 5,112 | 6,255 |
| Total short-term debtors | 13,322 | 10,815 |

Note 21 – Short-term Creditors

| | 31 March 2024 | 31 March 2023 (restated) |
|-----------------------------------|-----------------|-----------------------------|
| | £'000 | £'000 |
| Trade creditors | (6,191) | (2,797) |
| Receipts in advance | (7,879) | (8,522) |
| Other creditors | (40,200) | (59,321) |
| Total short-term creditors | (54,270) | (70,640) |

Prior year other creditors have been restated to reflect a prior period adjustment in respect of rent refunds (see note 6).

Note 22 – Provisions and Contingencies

Provisions

| | Business rates appeals £'000 | Other £'000 | Total £'000 |
|---------------------------------|---------------------------------|----------------|----------------|
| Balance at 1 April 2022 | (3,863) | (188) | (4,051) |
| Additional provisions made | (2,984) | (719) | (3,703) |
| Amounts used | 3,863 | 0 | 3,863 |
| Balance at 31 March 2023 | (2,984) | (907) | (3,891) |
| Additional provisions made | (2,378) | (703) | (3,081) |
| Amounts used | 2,984 | 66 | 3,050 |
| Unused amounts reversed | 0 | 165 | 165 |
| Balance at 31 March 2024 | (2,378) | (1,379) | (3,757) |

The **business rates appeals provision** represents the best estimate of the Council’s share of the amount repayable to ratepayers, for years up to 31 March 2024, following successful rating valuation appeals. The estimate is calculated with the assistance of an external expert, using data from the Valuation Office Agency (VOA) on outstanding appeals and the outcomes of historic appeals. The timing and amount of payments remains uncertain, as the settlement of appeals is outside of the Council’s control.

Other provisions reflect amounts provided for in respect of redundancy costs linked to restructuring approved prior to 31 March 2024 and the Council’s estimate of costs it will incur to settle insurance claims accepted by the Council’s insurers as at 31 March 2024.

Contingent Assets

The Council has disposed of land in North East Cambridge for a consideration which is contingent on a number of events. The potential proceeds are so uncertain both in timing and amount that no asset has been recognised in respect of this.

Note 23 – Defined Benefit Pension Scheme

The Council participates in the Local Government Pension Scheme (LGPS) administered by Cambridgeshire County Council. The scheme provides defined benefits (lump sums and pensions) to members on retirement. It is funded through contributions from the Council and employees, calculated at a level intended to balance future pension liabilities with investment assets.

The scheme is operated under the regulatory framework for the LGPS, and its governance is the responsibility of the Pensions Committee and Investment Sub Committee of Cambridgeshire County Council, along with the Local Pension Board. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council arising from the scheme are statutory or structural changes to the scheme (e.g. large scale withdrawals), changes to actuarial assumptions (e.g. longevity, discount rates and inflation rates), and the performance of investments held by the scheme. These are mitigated to some extent by the statutory requirement to charge the General Fund and Housing Revenue Account only with the employer contributions payable for the year (see note 2 – accounting policy 8).

Transactions relating to the Defined Benefit Pension Scheme

| | 2023/24 | | 2022/23 | |
|---|----------------|-------|------------------|-------|
| | £'000 | £'000 | £'000 | £'000 |
| <u>Comprehensive Income and Expenditure Statement</u> | | | | |
| Cost of services: | | | | |
| Current service cost | 6,596 | | 12,557 | |
| Past service costs (including settlements and curtailments) | 1,041 | | 42 | |
| Financing and investment expenditure: | | | | |
| Net interest (income)/expense | (471) | | 2,832 | |
| Total charged to deficit on the provision of services | 7,166 | | 15,431 | |
| Remeasurement of the net defined benefit asset: | | | | |
| Return on plan assets (excluding amount included in net interest expense) | (19,367) | | 613 | |
| Changes in demographic assumptions | (1,560) | | (9,145) | |
| Changes in financial assumptions | (16,856) | | (147,670) | |
| Other experience | 9,360 | | 36,098 | |
| Changes in the effect of the asset ceiling | 19,055 | | 1,594 | |
| Total charged to other comprehensive income and expenditure | (9,368) | | (118,510) | |
| Total charged to Comprehensive Income and Expenditure Statement | (2,202) | | (103,079) | |
| <u>Movement in Reserves Statement – General Fund and Housing Revenue Account</u> | | | | |
| Net charges included in deficit on the provision of services as above | 7,166 | | 15,431 | |
| Reversal of net charges included in deficit on the provision of services | (7,166) | | (15,431) | |
| Insertion of employer contributions due under the pension scheme regulations | 9,006 | | 7,499 | |
| Total charged to General Fund and Housing Revenue Account | 9,006 | | 7,499 | |

Reconciliation of Plan Assets and Liabilities

| | Plan assets | | Plan liabilities | | Net defined benefit liability | |
|---|------------------|------------------|------------------|------------------|-------------------------------|------------------|
| | 2023/24 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2022/23 £'000 |
| Balance at 1 April | 298,488 | 292,693 | (291,623) | (396,654) | 6,865 | (103,961) |
| Current service cost | 0 | 0 | (6,596) | (12,557) | (6,596) | (12,557) |
| Past service costs (including settlements and curtailments) | 0 | 0 | (1,041) | (42) | (1,041) | (42) |
| Interest income and expense | 14,279 | 7,936 | (13,808) | (10,768) | 471 | (2,832) |
| Remeasurement of the net defined benefit asset: | | | | | | |
| Return on plan assets (excluding amount included in net interest expense) | 19,367 | (613) | 0 | 0 | 19,367 | (613) |
| Changes in demographic assumptions | 0 | 0 | 1,560 | 9,145 | 1,560 | 9,145 |
| Changes in financial assumptions | 0 | 0 | 16,856 | 147,670 | 16,856 | 147,670 |
| Other experience | 0 | 0 | (9,360) | (36,098) | (9,360) | (36,098) |
| Contributions from employer | 9,006 | 7,499 | 0 | 0 | 9,006 | 7,499 |
| Contributions from employees | 1,960 | 1,850 | (1,960) | (1,850) | 0 | 0 |
| Benefits paid | (11,490) | (9,283) | 11,490 | 9,531 | 0 | 248 |
| Changes in the effect of the asset ceiling | (19,055) | (1,594) | 0 | 0 | (19,055) | (1,594) |
| Balance at 31 March | 312,555 | 298,488 | (294,482) | (291,623) | 18,073 | 6,865 |

Fair Value of Plan Assets

| | 31 March 2024 | | | 31 March 2023 | | |
|--|---------------------------------|-------------------------------------|----------------|---------------------------------|-------------------------------------|----------------|
| | Quoted prices in active markets | Quoted prices not in active markets | Total | Quoted prices in active markets | Quoted prices not in active markets | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Equity securities | 21,182 | 0 | 21,182 | | | |
| Debt securities – UK government | 0 | 26,572 | 26,572 | 0 | 10,103 | 10,103 |
| Private equity | 0 | 38,093 | 38,093 | 0 | 37,041 | 37,041 |
| Real estate – UK property | 0 | 25,248 | 25,248 | 0 | 19,497 | 19,497 |
| Derivatives | 0 | 2 | 2 | 0 | 1,253 | 1,253 |
| Cash and cash equivalents | 6,785 | 0 | 6,785 | 7,211 | 0 | 7,211 |
| Investment funds and unit trusts: | | | | | | |
| Equities | 0 | 127,407 | 127,407 | 0 | 164,918 | 164,918 |
| Bonds | 0 | 44,859 | 44,859 | 0 | 32,224 | 32,224 |
| Infrastructure | 0 | 22,407 | 22,407 | 0 | 26,241 | 26,241 |
| Total plan assets | 27,967 | 284,588 | 312,555 | 7,211 | 291,277 | 298,488 |

Actuarial Assumptions

Plan liabilities have been assessed by an independent actuary, Hymans Robertson, based upon the latest full valuation of the scheme as at 31 March 2022, and the following significant assumptions:

| | 31 March 2024 | 31 March 2023 |
|--|---------------|---------------|
| Pension increase rate (CPI) | 2.75% | 2.95% |
| Salary increase rate | 3.25% | 3.45% |
| Discount rate (for plan liabilities) | 4.85% | 4.75% |
| Longevity at 65: | | |
| Current pensioners – men | 21.5 years | 21.6 years |
| Current pensioners – women | 24.3 years | 24.5 years |
| Future pensioners (aged 45 at last valuation date) – men | 22.5 years | 22.7 years |
| Future pensioners (aged 45 at last valuation date) – women | 25.9 years | 26.2 years |

The estimation of the plan liabilities is sensitive to the actuarial assumptions in the table above. The sensitivity analysis below is based upon reasonably possible changes to the assumptions used at the Balance Sheet date. It assumes in each case that the assumption analysed changes whilst all other

assumptions remain constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be interrelated. The estimations used in the sensitivity analysis have followed the accounting policies for the scheme.

| Change in assumption as at 31 March 2024 | Approximate increase in plan liabilities | |
|--|--|--------|
| | % | £'000 |
| 0.1% decrease in real discount rate | 2 | 5,430 |
| 1 year increase in member life expectancy | 4 | 11,779 |
| 0.1% increase in salary increase rate | 0 | 238 |
| 0.1% increase in pension increase rate (CPI) | 2 | 5,292 |

Funding Policy

The objective of the scheme is to keep employer contributions at as constant a rate as possible. A strategy has been agreed with the scheme actuary to achieve an appropriate funding level during the period to 31 March 2026.

Employer contributions in 2024/25 are projected to be £5.321 million.

Note 24 – Cash Flows from Operating Activities

Cash flows from operating activities include the following amounts relating to interest and dividends:

| | 2023/24 £'000 | 2022/23 £'000 |
|--------------------|------------------|------------------|
| Interest received | 7,387 | 3,582 |
| Interest paid | (7,494) | (7,494) |
| Dividends received | 677 | 614 |

Within the Cash Flow Statement, the surplus/deficit on the provision of services has been adjusted for the following items:

| | 2023/24 £'000 | 2022/23 (restated) £'000 |
|---|------------------|--------------------------------|
| Non-cash movements | | |
| Depreciation | 17,141 | 16,047 |
| Amortisation | 199 | 337 |
| Increase / (decrease) in impairment for bad debts | 335 | (721) |
| Increase / (decrease) in creditors | (5,717) | (16,080) |

| | | |
|---|-----------------|-----------------|
| (Increase) / decrease in debtors | (5,493) | 964 |
| Decrease / (increase) in inventories | 29 | (6) |
| Movement in pension liability | (1,840) | 7,683 |
| Carrying amount of non-current assets and assets held for sale disposed of | 4,944 | 5,302 |
| Other non-cash items credited to surplus on the provision of services | 37,916 | 20,254 |
| Total adjustments to net surplus on the provision of services for non-cash movements | 47,512 | 33,780 |
| <u>Items that are investing and financing activities</u> | | |
| Proceeds from sale of property, plant and equipment, investment property and intangible assets | (5,424) | (7,282) |
| Capital grants receivable | (13,144) | (13,824) |
| Total adjustments from items included in the net surplus on the provision of services that are investing or financing activities | (18,568) | (21,106) |

Prior year decrease in creditors has been restated to reflect a prior period adjustment in respect of rent refunds (see note 6).

Note 25 – Reconciliation of Assets and Liabilities Arising from Financing Activities

| | 1 April 2022 | Financing Cash Flows | 31 March 2023 | Financing Cash Flows | 31 March 2024 |
|---|------------------|----------------------------|------------------|----------------------------|------------------|
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Long-term borrowings | (213,572) | 0 | (213,572) | 0 | (213,572) |
| Short-term borrowings | (82) | 0 | (82) | 0 | (82) |
| Short-term creditors: business rates and council tax collected as an agent for others | (1,731) | (17,448) | (19,179) | 8,449 | (10,730) |
| Total liabilities from financing activities | (215,385) | (17,448) | (232,833) | 8,449 | (224,384) |
| Short-term debtors: business rates and council tax collected as an agent for others | 2,819 | (2,819) | 0 | 0 | 0 |
| Total assets from financing activities | 2,819 | (2,819) | 0 | 0 | 0 |

Note 26 – Members’ Allowances

The total of members’ allowances and expenses paid in the year was £484,000 (2022/23: £426,000).

Note 27 – Officers' Remuneration

Senior Employees

| | 2023/24 | | | 2022/23 | | |
|--|-------------------------------|---------------------------|------------|-------------------------------|---------------------------|------------|
| | Salary, fees, allowances £ | Pension contribution £ | Total £ | Salary, fees, allowances £ | Pension contribution £ | Total £ |
| Chief Executive | 121,819 | 23,222 | 145,041 | 127,280 | 22,147 | 149,427 |
| Programme Director Major Regeneration ¹ | 109,368 | 19,249 | 128,617 | 105,670 | 18,387 | 124,057 |
| Chief Operating Officer ² | 107,787 | 18,971 | 126,758 | 94,684 | 16,475 | 111,159 |
| Chief Finance Officer ³ | 90,079 | 14,801 | 104,880 | 81,251 | 14,138 | 95,389 |
| Assistant Chief Executive ⁴ | 88,473 | 15,571 | 104,044 | 81,251 | 14,138 | 95,389 |
| Director of City Services ⁵ | 87,014 | 15,314 | 102,328 | 0 | 0 | 0 |
| Director of Communities ⁶ | 43,990 | 7,742 | 51,732 | 0 | 0 | 0 |

1. Previously Director of Enterprise and Sustainable Development until 29 November 2023

2. Previously Director of Communities & Neighbourhoods until 23 May 2023; also includes remuneration in respect of a period of acting up to Chief Executive from 16 November 2023 to 29 January 2024

3. Previously Head of Finance until 23 May 2023

4. Previously Assistant Chief Executive and Head of Corporate Strategy until 23 May 2023

5. Appointed 24 May 2023

6. Appointed 1 November 2023

Other Employees

The Council's other employees (excluding the senior employees disclosed separately above) receiving more than £50,000 remuneration for the year (excluding employer pension contributions) were paid as follows:

| Remuneration band | 2023/24 No. of employees | 2022/23 No. of employees |
|-------------------|-----------------------------|-----------------------------|
| £50,000 - £54,999 | 42 | 35 |
| £55,000 - £59,999 | 16 | 18 |
| £60,000 - £64,999 | 11 | 5 |
| £65,000 - £69,999 | 4 | 3 |
| £70,000 - £74,999 | 3 | 0 |
| £75,000 - £79,999 | 1 | 2 |
| £85,000 - £89,999 | 3 | 0 |

Exit Packages

| Exit package cost band (including special payments) | Total number of exit packages | | Total cost of exit packages | |
|--|-------------------------------|----------------|-----------------------------|------------------|
| | 2023/24 No. | 2022/23 No. | 2023/24 £'000 | 2022/23 £'000 |
| Compulsory redundancies | | | | |
| £0 - £20,000 | 2 | 3 | 30 | 10 |
| £20,001 - £40,000 | 2 | 1 | 58 | 21 |
| £40,001 - £60,000 | 0 | 1 | 0 | 48 |
| £100,000 and above | 5 | 0 | 756 | 0 |
| Total compulsory redundancies | 9 | 5 | 844 | 79 |
| Other departures | | | | |
| £0 - £20,000 | 2 | 0 | 12 | 0 |
| Total other departures | 2 | 0 | 12 | 0 |
| Total exit packages | 11 | 5 | 856 | 79 |

Note 28 – Related Party Transactions

Central Government and Other Public Bodies

The UK government has significant influence over the operations of the Council. It is responsible for setting the statutory framework in which the Council operates, provides a significant level of funding, and prescribes the terms of many of the Council's transactions with others (e.g. relating to council tax and housing benefits).

The Council has a number of transactions and balances with central government and other public bodies (under its common control). Most of those which are material are disclosed elsewhere in this Statement of Accounts as follows:

| Transaction / Balance | Note |
|---|-------------------------------|
| Government grant income and material year-end balances | 29 |
| Council tax and business rates collected on behalf of central government and local preceptors and related year-end balances | 25, Collection Fund Statement |
| Transactions and balances with Local Government Pension Scheme administered by Cambridgeshire County Council | 23 |

The Council shares a number of key services with Huntingdonshire District Council and South Cambridgeshire District Council under the banner of 3C Shared Services, including ICT, Building Control and Legal. The Council also shares waste, planning, internal audit and payroll services with South Cambridgeshire District Council. In each case, the Council accounts for its share of income and expenditure, and any year-end debtor or creditor balances, in accordance with Code requirements.

Members

Members of the Council have direct control over its financial and operating policies. The total of members’ allowances and expenses paid in 2023/24 is set out at note 26.

Members are required to make declarations of interest concerning third parties. Details are recorded in the Council’s [Register of Interests](#)⁹ which is open to public inspection and available on the Council’s website. The following table sets out transactions and balances (material to either party) between the Council and other organisations in which members have declared a controlling interest:

| Organisation | Relationship | Income from services provided | | Grants paid to organisation | | Year-end debtor / (creditor) | |
|--------------------------------------|--|-------------------------------|---------|-----------------------------|---------|------------------------------|---------------|
| | | 2023/24 | 2022/23 | 2023/24 | 2022/23 | 31 March 2024 | 31 March 2023 |
| | | £’000 | £’000 | £’000 | £’000 | £’000 | £’000 |
| Cambridge BID Ltd | One member is a director | (114) | (107) | 191 | 59 | (23) | 0 |
| Cambridge Sustainable Food CIC | Two members sit on Partnership Board | (20) | (8) | 106 | 56 | (1) | (8) |
| Cherry Hinton Residents’ Association | Three members sit on the Committee (including the Committee Chair) | 0 | 0 | 0 | 2 | 0 | 0 |

In addition to the amounts in the table above, the Council acts as agent for Cambridge BID Ltd in collecting levy payments from local businesses. During 2023/24, the Council collected £1.193 million (2022/23: £1.013 million) and paid £1.192 million (2022/23: £1.175 million) to Cambridge BID Ltd. On

31 March 2024, the outstanding creditor balance in respect of levies due was £21,000 (31 March 2023: £19,000).

Subsidiaries and Joint Ventures

The transactions and balances arising with the Council’s subsidiaries and joint ventures are as follows:

| | Cambridge Investment Partnership | | Cambridge City Housing Company | | Storey’s Field Community Trust | |
|--|----------------------------------|---------------|--------------------------------|---------------|--------------------------------|---------------|
| | 2023/24 £’000 | 2022/23 £’000 | 2023/24 £’000 | 2022/23 £’000 | 2023/24 £’000 | 2022/23 £’000 |
| Income | | | | | | |
| Management fees and recharged costs | (381) | (312) | (83) | (59) | (176) | (159) |
| Rent and service charges | 0 | 0 | 0 | 0 | 0 | 0 |
| Section 106 capital contributions | (168) | 0 | 0 | 0 | 0 | 0 |
| Interest receivable on loans | 0 | (776) | (152) | (152) | 0 | 0 |
| Expenditure | | | | | | |
| Capital expenditure – new development | 8,300 | 14,379 | 0 | 0 | 0 | 0 |
| Grants paid | 0 | 0 | 5 | 0 | 0 | 0 |
| Services provided | 0 | 78 | 0 | 0 | 4 | 5 |
| Payments for loss of rental income due to property voids | 0 | 0 | 0 | 29 | 0 | 0 |
| Balance Sheet | | | | | | |
| Loans | 19,228 | 12,875 | 7,500 | 7,500 | 0 | 0 |
| Short-term debtors | 12 | 0 | 0 | 0 | 116 | 0 |
| Short-term creditors | 0 | 0 | 0 | 874 | (1) | (1) |

The **Cambridge Investment Partnership (CIP)** consists of the following four limited liability partnerships (LLPs) in which the Council holds a 50% interest and exercises joint control:

- Cambridge Investment Partnership LLP
- CIP (Mill Road Development) LLP
- CIP (Cromwell Road) LLP
- CIP Orchard Park L2 LLP

⁹ <https://www.cambridge.gov.uk/councillors-duties-conduct-and-allowances>

Cambridge City Housing Company Ltd (CCHC) is a wholly owned subsidiary of the Council.

Storey’s Field Community Trust is a company limited by guarantee in which the Council exercises joint control.

In addition, the Council has significant influence over the following entities:

| Entity | Relationship |
|---|---------------------|
| Cambridge Live | Full control |
| Cambridge Live (Trading) Limited | Full control |
| Iron Works (Cambridge) Management Company Limited | Joint control (75%) |
| Cambridge 4 LLP | Joint control (50%) |
| Romsey Works Cambridge Management Company Limited | Joint control (50%) |
| Virido Management Company Limited | Joint control (50%) |

Income amounts received from Virido Management Company Limited during 2023/24 totalled £24,000 (2022/23: £25,000). The 31 March 2024 year-end debtor balance was £24,000 (31 March 2023: £25,000). Amounts paid by the Council to Virido Management Company Limited in 2023/24 were £129,000 (2022/23: £113,000), and the outstanding creditor balance was £111,000 (31 March 2023: £112,000). There were no transactions or balances concerning the other entities detailed above during 2023/24 or 2022/23.

Note 29 – Grant Income

| | 2023/24 | | 2022/23 | |
|---|----------|-----------------|----------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| <u>Credited to taxation and non-specific grant income</u> | | | | |
| Business rates relief grant – retail discount, nursery relief and Covid-19 Additional Relief Fund | (3,295) | | (4,083) | |
| Business rates relief grant – other | (3,235) | | (2,192) | |
| Capital grants and contributions | (13,144) | | (13,824) | |
| New Homes Bonus | (53) | | (1,957) | |
| Other grants and contributions | (3,997) | | (2,788) | |
| Total credited to taxation and non-specific grant income | | (23,726) | | (24,844) |
| <u>Credited to services</u> | | | | |
| Housing benefit subsidy | (27,905) | | (27,072) | |
| Other grants and contributions | (8,357) | | (7,889) | |
| Total credited to services | | (36,262) | | (34,961) |
| Total grants and contributions | | (59,988) | | (59,805) |

Council Acting as Distributary Agent

There are several arrangements by which the Council acts as a distributary agent for government grants. In these cases, grant amounts and eligibility criteria are set by central government, and the Council has no discretion to alter these. The Council is reimbursed in full (or paid in advance) for the expenditure incurred.

Income and expenditure related to such grants is not included in the Comprehensive Income and Expenditure Statement (or the tables above), as the Council does not have control over how the grants are spent. The material agency arrangements in place during the year were as follows:-

| | Covid-19 business support grants £'000 | Council tax rebate £'000 | Other £'000 |
|---------------------------------------|--|-----------------------------|----------------|
| Balance at 1 April 2022 | (4,784) | (6,239) | 0 |
| Cash received from central government | 0 | 0 | (989) |
| Cash distributed to grant recipients | 0 | 6,071 | 663 |
| Cash repaid to central government | 4,784 | 168 | 0 |
| Balance at 31 March 2023 | 0 | 0 | (326) |
| Cash received from central government | 0 | 0 | (586) |
| Cash distributed to grant recipients | 0 | 0 | 419 |
| Cash repaid to central government | 0 | 0 | 493 |
| Balance at 31 March 2024 | 0 | 0 | 0 |

The other column relates to amounts paid out to households and individuals in connection with the government's Homes for Ukraine scheme and the Energy Bill Support Scheme.

Note 30 – External Audit Costs

| | 2023/24 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| Fees payable to EY for external audit services carried out by the appointed auditor for the year | 90 | 90 |
| Additional fees payable to EY for external audit services carried out by the appointed auditor for previous years | 35 | 52 |
| Fees payable to EY for the certification of grant claims and returns | 12 | 26 |
| Total fees payable to EY | 137 | 168 |

Note 31 – Capital Expenditure and Financing

The table below shows the capital expenditure incurred along with the resources used to finance it. All capital expenditure must be financed, either at the point it is incurred, or in future years as the underlying assets are used. The balance of historic capital expenditure yet to be financed is known as the Capital Financing Requirement (CFR).

| | 2023/24 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Capital Financing Requirement at 1 April | 269,964 | 285,618 |
| Capital investment: | | |
| Property, plant and equipment | 89,218 | 84,632 |
| Investment property | 172 | 1,872 |
| Intangible assets | 47 | 35 |
| Revenue expenditure funded from capital under statute | 4,083 | 4,062 |
| Repayment of Capital Grants | 107 | 1,938 |
| Capital loans advanced | 13,919 | 6,029 |
| Capital financing applied: | | |
| Capital receipts | (23,585) | (45,965) |
| Capital grants and contributions | (22,031) | (33,684) |
| Major Repairs Reserve | (19,168) | (14,485) |
| Direct revenue contributions (towards in year capital investment) | (24,141) | (18,579) |
| Minimum revenue provision (towards historic unfinanced capital investment) | (314) | (1,509) |
| (Decrease) / increase in Capital Financing Requirement | 18,307 | (15,654) |
| Capital Financing Requirement at 31 March | 288,271 | 269,964 |

Note 32 – Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, including:

- Credit risk – the risk that other parties may fail to pay amounts due to the Council.
- Liquidity risk – the risk that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the risk that financial loss may occur because of changes in financial markets (e.g. interest rate and stock market movements).

The Council's approach to managing these risks is set out in the Treasury Management Strategy and Capital Strategy. These are refreshed annually and approved by Full Council and are available to view on the Council's [website](https://democracy.cambridge.gov.uk/mgAi.aspx?ID=34008#mgDocuments)¹⁰. Day to day risk management is carried out by the Finance team in accordance with these strategies.

¹⁰ <https://democracy.cambridge.gov.uk/mgAi.aspx?ID=34008#mgDocuments>

Credit Risk

Credit risk arises both from the Council’s investments and receivables from customers.

Investments

Credit risk management practices in relation to investments are set out in section 7 of the Treasury Management Strategy. Investments with financial institutions are assessed using an external creditworthiness service provided by Mitsubishi UFG (previously Link Asset Services). This uses credit ratings from three rating agencies, overlaid with credit watches, credit outlooks, and Credit Default Swap spreads to give early warning of likely changes. In making its investments, the Council prioritises security, liquidity and yield, in that order.

Investments with other local authorities are considered to have a low credit risk, due to the strong capacity of local authorities generally to meet future cash flow commitments, and the fact that they can only be discontinued through statutory provision.

Other significant investments (e.g. loans to subsidiaries and joint ventures) are only made where sufficient collateral is offered, for example through a charge on the assets of the borrower.

In light of the above, there are no expected credit losses arising from investments as of 31 March 2024 (31 March 2023: nil).

Receivables

There are written policies in place for the recovery and write-off of receivables from customers. An expected credit loss allowance is made for receivables, grouped by age and type, based upon previous collection experience. Movements in the credit loss allowance are follows:-

| | 2023/24 £'000 | 2022/23 £'000 |
|-----------------------------------|------------------|------------------|
| Balance at 1 April | (3,154) | (3,160) |
| Amounts written off | 3 | 181 |
| Increase in credit loss allowance | (436) | (175) |
| Balance at 31 March | (3,587) | (3,154) |

The maximum exposure to credit risk on receivables held at amortised cost is as follows:

| | 31 March 2024 | | | 31 March 2023 | | |
|--------------------------------|---------------|-----------------------|----------------|-------------------------|----------------------------------|---------------------------|
| | Gross debtor | Credit loss allowance | Carrying value | Gross debtor (restated) | Credit loss allowance (restated) | Carrying value (restated) |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Current and former HRA tenants | 2,847 | (2,356) | 491 | 2,425 | (1,952) | 473 |
| Other debtors | 9,438 | (1,623) | 7,815 | 8,418 | (1,636) | 6,782 |
| Total | 12,285 | (3,979) | 8,306 | 10,843 | (3,588) | 7,255 |

Prior year figures have been restated to correct a misclassification of credit loss allowances.

Liquidity Risk

The Council has comprehensive cash flow management processes which ensure that cash is available as needed, with balances monitored and forecasts updated daily. Should unexpected events occur which require additional cash at short notice, the Council has ready access to borrowing from the money markets and other local authorities. Therefore, the risk that the Council will be unable to meet its commitments to make payments is considered very low. The maturity profile of the Council’s borrowing is as follows:

| | 31 March 2024 | | | 31 March 2023 | | |
|-------------------------|----------------------|-------------------|----------------|----------------------|-------------------|----------------|
| | Principal repayments | Interest payments | Total payments | Principal repayments | Interest payments | Total payments |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Less than 1 year | 0 | 7,494 | 7,494 | 0 | 7,494 | 7,494 |
| Between 1 and 5 years | 0 | 29,977 | 29,977 | 0 | 29,977 | 29,977 |
| Between 5 and 10 years | 0 | 37,471 | 37,471 | 0 | 37,471 | 37,471 |
| Between 10 and 15 years | 21,357 | 37,102 | 58,459 | 10,679 | 37,471 | 48,150 |
| Between 15 and 20 years | 53,393 | 30,044 | 83,437 | 53,393 | 31,908 | 85,301 |
| Between 20 and 25 years | 53,393 | 20,667 | 74,060 | 53,393 | 22,548 | 75,941 |
| Between 25 and 30 years | 53,393 | 11,253 | 64,646 | 53,393 | 13,136 | 66,529 |
| Between 30 and 35 years | 32,036 | 2,246 | 34,282 | 42,714 | 3,744 | 46,458 |
| Total | 213,572 | 176,254 | 389,826 | 213,572 | 183,749 | 397,321 |

Borrowing consists of fixed-rate maturity loans from the Public Works Loan Board (PWLb), and was taken out to meet the cost of the Housing Revenue Account (HRA) self-financing settlement in March 2012.

Market Risk

Since most of the Council’s investments are at fixed interest rates, the Council is not exposed to significant risks arising from changes in interest rates.

Instead, the principal market risk to which the Council is exposed is the risk of price changes on investments held at fair value. This is mitigated to some extent by the fact that it is the Council’s intention to hold such investments over the long term.

The following investment balances are subject to price risk:

| Investment type | Fair value at 31 March 2024 | Change in value considered reasonably possible | Impact on surplus on the provision of services of reasonably possible change in value |
|----------------------------|-----------------------------|--|---|
| | £’000 | % | £’000 |
| Enhanced cash funds | 10,302 | 2 | 206 |
| Pooled investment vehicles | 13,965 | 20 | 2,793 |

The change in value which is deemed reasonably possible has been based upon prior experience.

Please note that any movements in the fair value of pooled investment vehicles are transferred through the Movement in Reserves Statement to unusable reserves (the Pooled Investment Adjustment Account), so as not to affect the General Fund.

Note 33 – Going Concern

The Council has applied the going concern basis to prepare these financial statements having considered its forecast reserve balances, forecast income and expenditure, and accompanying cash flows for the period to 28 February 2026.

Reserve Balances

The availability of reserves forms a key aspect of the Council’s arrangements to mitigate the impact of a short-term deterioration in its financial performance. Such a deterioration could be linked to increasing net expenditure on service delivery, particularly non-discretionary services, or a decline in the resources available to the Council.

The Council’s year-end General Fund reserve balance, as reported in these statements, is £40.919 million.

As part of the Budget Setting Report considered by Full Council in February 2025, the Council’s Chief Finance Officer provided the following forecasts of General Fund Balances relating to the expected year-end position and the assessment period covered by this note.

| Date | General Fund £’000 |
|---------------|--------------------|
| 31 March 2025 | 16,318 |
| 31 March 2026 | 10,727 |

The Council has assessed the minimum balance that it should hold to mitigate against risks it has identified. This assessment is based on an analysis of the financial impact of risks identified and a consideration of their relative probability. A prudent minimum balance has been set at £6.541 million, with a target balance 20% above this at £7.849 million. The above table demonstrates that balances are forecast to remain comfortably above this level in the medium-term.

Liquidity

The Council’s cash flow forecast is updated on an ongoing basis. Investments are managed proactively to ensure there is sufficient cash available to meet the Council’s operational needs in respect of the General Fund, Housing Revenue Account and the capital programme.

The Council can access loans provided by the Public Works Loans Board to fund its capital programme.

External Factors

The Council recognises that delivery of its [Medium-Term Financial Strategy](#)¹¹ (MTFS) is partly dependent on the accuracy of the assumptions management have made about the economic environment in which the Council operates. The MTFS includes, at section 7, a series of scenarios exploring the impact on the Council’s future finances should actual experience differ from the assumptions made in key areas, such as inflation, interest rates, and the future of local government funding. The Council continues to hold sufficient reserve balances to be able to manage the impact of such changes over a reasonable period of time, as set out above.

In December 2024, the government published its English Devolution White Paper, which sets out the intention that all lower tier local authorities in England will eventually be replaced by an overarching unitary authority. In March 2025, the Minister of State wrote to all local authorities in Cambridgeshire and Peterborough to invite proposals for forming one or more new unitary authorities. However, no firm proposals have yet been developed, and there is no timescale as to when any changes will come into effect. Since local authorities may only be discontinued by statutory prescription, this Statement of Accounts has been prepared on a going concern basis.

¹¹ <https://democracy.cambridge.gov.uk/documents/s67048/Appendix%201%20-%20GF%20MTFS%202025-26%20to%202034-35.pdf>

Housing Revenue Account Income and Expenditure Statement

This statement shows the economic cost in the year of providing Housing Revenue Account (HRA) services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. The Council charges rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The total increase or decrease on the HRA for the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

| | 2023/24 | | 2022/23 (restated) | |
|--|----------|-----------------|--------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Expenditure: | | | | |
| Repairs and maintenance | 14,332 | | 12,728 | |
| Supervision and management | 9,394 | | 8,484 | |
| Rents, rates, taxes and other charges | 365 | | 350 | |
| Depreciation, impairment, derecognition and revaluation losses on non-current assets (net of reversals) | 52,450 | | 28,450 | |
| Movement in the allowance for bad debts | 483 | | 309 | |
| HRA share of corporate and democratic core costs | 574 | | 502 | |
| Total expenditure | | 77,598 | | 50,823 |
| Income: | | | | |
| Dwelling rents | (44,460) | | (40,278) | |
| Non-dwelling rents | (840) | | (827) | |
| Charges for services and facilities | (5,005) | | (3,666) | |
| Contributions towards expenditure | (531) | | (608) | |
| Reimbursement of costs | (92) | | (44) | |
| Total income | | (50,928) | | (45,423) |
| Net income from HRA services as included in the Comprehensive Income and Expenditure Statement | | 26,670 | | 5,400 |
| HRA share of other income and expenditure included in the Comprehensive Income and Expenditure Statement: | | | | |
| Gain on sale of HRA non-current assets | | (473) | | (2,315) |
| Interest payable and similar charges | | 7,494 | | 7,494 |
| HRA interest and investment income | | (2,510) | | (2,370) |
| Capital grants and contributions | | (12,941) | | (11,205) |
| Surplus for the year on HRA services | | 18,240 | | (2,996) |

Prior year dwelling rents income has been restated (reduced by £517,000) to reflect a prior period adjustment in respect of rent refunds (see note 6 to the Council Financial Statements).

Movement on the Housing Revenue Account Statement

| | 2023/24 | | 2022/23 (restated) | |
|---|----------|----------------|--------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Deficit / (surplus) for the year on HRA services | | 18,240 | | (2,996) |
| Adjustments between accounting basis and funding basis under statutory provisions: | | | | |
| Depreciation, derecognition, impairment and revaluation gains and losses on property, plant and equipment | (40,965) | | (17,822) | |
| Movements in the fair value of investment properties | (335) | | 317 | |
| Capital grants and contributions | 12,941 | | 11,205 | |
| Revenue expenditure funded from capital under statute | 0 | | (19) | |
| Costs of disposal funded from capital receipts | (150) | | (142) | |
| Gain on sale of HRA non-current assets | 473 | | 2,315 | |
| Capital expenditure funded by the HRA | 23,111 | | 17,480 | |
| HRA share of contributions to / (from) the Pensions Reserve | 266 | | (714) | |
| Transfers to / (from) the General Fund under statutory provisions | 72 | | (5) | |
| Movements in the accumulated absences accrual | 0 | | (10) | |
| Total adjustments between accounting basis and funding basis under statutory provisions | | (4,587) | | 12,605 |
| Net increase in HRA before transfers to / (from) earmarked reserves | | 13,653 | | 9,609 |
| Transfers to / (from) earmarked reserves | | (14,524) | | (23) |
| Increase in year in the HRA | | (871) | | 9,586 |
| Balance at 1 April | | (6,695) | | (16,281) |
| Balance at 31 March | | (7,566) | | (6,695) |

The Housing Revenue Account (HRA) balance as at 1 April 2022 has been restated (reduced by £3.309 million), and the surplus on HRA services for 2022/23 has been restated (reduced by £517,000), both to reflect a prior period adjustment in respect of rent refunds (see note 6 to the Council Financial Statements).

Notes to the Housing Revenue Account Statements

1 Dwelling Stock

| | 31 March 2024 No. | 31 March 2023 No. |
|---|----------------------|----------------------|
| Sheltered housing units | 522 | 522 |
| Shared ownership properties (whole property equivalent) | 42 | 43 |
| Other houses and bungalows | 3,562 | 3,524 |
| Other flats and maisonettes | 3,503 | 3,302 |
| Total dwelling stock (whole property equivalent) | 7,629 | 7,391 |

2 Non-Current Assets

The value of non-current assets held by the HRA, and depreciation charged for the year, are as follows:-

| | Net Book Value | | Depreciation charged for the year | |
|--|------------------------|------------------------|-----------------------------------|------------------|
| | 31 March 2024 £'000 | 31 March 2023 £'000 | 2023/24 £'000 | 2022/23 £'000 |
| Property, plant and equipment: | | | | |
| Council dwellings | 819,941 | 784,298 | 11,114 | 10,067 |
| Other land and buildings | 9,660 | 10,404 | 163 | 274 |
| Vehicles, plant, furniture and equipment | 76 | 87 | 13 | 19 |
| Infrastructure assets | 5,229 | 4,476 | 91 | 91 |
| Assets under construction | 31,332 | 52,791 | 0 | 0 |
| Total property, plant and equipment | 866,238 | 852,056 | 11,381 | 10,451 |
| Investment property | 7,537 | 6,922 | 0 | 0 |
| Intangible assets | 209 | 209 | 104 | 177 |
| Total non-current assets | 873,984 | 859,187 | 11,485 | 10,628 |

The value of council dwellings at 31 March 2024, based upon vacant possession, was £2.158 billion (31 March 2023: £2.064 billion). This is the estimate of the total sum that would be received if all dwellings were sold with vacant possession on the open market. However, the Balance Sheet value above is calculated based on existing use value – social housing (EUV-SH), which considers the fact that the dwellings are subject to ongoing tenancies at less than market rent. The difference between the two valuations shows the economic cost of providing housing at less than market rents.

3 Capital Expenditure and Financing

The following table sets out total capital expenditure on HRA assets, together with sources of capital financing:

| | 2023/24 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Capital expenditure: | | |
| Property, plant and equipment | 70,951 | 69,007 |
| Investment property | 0 | 160 |
| Intangible assets | 92 | 32 |
| Total capital expenditure | 71,043 | 69,196 |
| Financed by: | | |
| Capital receipts | (12,128) | (11,307) |
| Capital grants and contributions | (16,636) | (25,924) |
| Major Repairs Reserve | (19,168) | (14,485) |
| Direct revenue contributions | (23,111) | (17,480) |
| Total capital financing applied | (71,043) | (69,196) |

4 Capital Receipts

The following amounts have been received from the disposal of HRA non-current assets:

| | 2023/24 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Capital receipts from the disposal of: | | |
| Council dwellings | 4,512 | 6,570 |
| Other land | 80 | 45 |
| Total capital receipts | 4,592 | 6,615 |
| Payments to the central government housing capital receipts pool | 0 | (178) |
| Total capital receipts retained by Council | 4,592 | 6,437 |

The capital receipts retained by the Council have been transferred to the Capital Receipts Reserve to finance future capital expenditure, in line with statutory requirements.

5 Rent Arrears

Rent arrears at 31 March 2024 were £2.847 million (31 March 2023: £2.425 million). At 31 March 2024, a net provision for bad debt of £2.356 million was held on the Balance Sheet (31 March 2023: £1.952 million).

Collection Fund Statement

As a billing authority, the Council has a statutory obligation to maintain a separate Collection Fund in respect of council tax and business rates. This statement shows the amounts collected from tax and rate payers, together with the amounts distributed to local preceptors (including the Council's own share) and central government.

| | Council tax | | Business rates | |
|--|------------------|------------------|------------------|------------------|
| | 2023/24 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2022/23 £'000 |
| Income | | | | |
| Council tax and business rates receivable from taxpayers | (95,709) | (89,631) | (117,103) | (116,941) |
| Transitional protection payment receivable from central government | 0 | 0 | (8,114) | 0 |
| Transfers from General Fund in respect of locally funded discounts | (74) | (82) | 0 | 0 |
| Contributions towards previous year's Collection Fund deficit: | | | | |
| Cambridge City Council | 0 | (23) | 0 | (7,344) |
| Cambridgeshire County Council | 0 | (149) | 0 | (1,652) |
| Cambridgeshire and Peterborough Police and Crime Commissioner | 0 | (22) | 0 | 0 |
| Cambridgeshire and Peterborough Fire Authority | 0 | (8) | 0 | (183) |
| Central government | 0 | 0 | 0 | (9,180) |
| Expenditure | | | | |
| Council tax precepts and shares of business rates income distributed: | | | | |
| Cambridge City Council | 9,813 | 9,371 | 51,472 | 43,381 |
| Cambridgeshire County Council | 69,178 | 64,809 | 11,581 | 9,761 |
| Cambridgeshire and Peterborough Police and Crime Commissioner | 12,219 | 11,359 | 0 | 0 |
| Cambridgeshire and Peterborough Fire Authority | 3,583 | 3,306 | 1,287 | 1,085 |
| Cambridgeshire and Peterborough Combined Authority | 538 | 0 | 0 | 0 |
| Central government | 0 | 0 | 64,339 | 54,226 |
| Distribution of previous year's Collection Fund surplus: | | | | |
| Cambridge City Council | 21 | 0 | 3,840 | 0 |
| Cambridgeshire County Council | 145 | 0 | 864 | 0 |
| Cambridgeshire and Peterborough Police and Crime Commissioner | 29 | 0 | 0 | 0 |
| Cambridgeshire and Peterborough Fire Authority | 6 | 0 | 96 | 0 |
| Central government | 0 | 0 | 4,801 | 0 |
| Other expenditure: | | | | |
| Increase / (reduction) in provision for outstanding arrears | (594) | (727) | 131 | (215) |
| Reduction in provision for outstanding appeals | 0 | 0 | (1,514) | (2,197) |
| Transitional protection payment payable to central government | 0 | 0 | 0 | 316 |
| Allowable collection costs payable to General Fund | 0 | 0 | 238 | 233 |
| Total movement on fund balance | (845) | (1,797) | 11,918 | (28,710) |
| Collection Fund (surplus) / deficit at 1 April | (664) | 1,133 | (11,923) | 16,787 |
| Collection Fund surplus at 31 March | (1,509) | (664) | (5) | (11,923) |

Notes to the Collection Fund Statement

1 Collection Fund Balances

The surplus on the Collection Fund will be managed in future years via liaison with local preceptors (including the Council) and central government in line with statutory requirements. Each entity’s share of the Collection Fund balance is as follows:-

| Entity | Council tax surplus | | Business rates surplus | |
|---|---------------------|---------------|------------------------|-----------------|
| | 31 March 2024 | 31 March 2023 | 31 March 2024 | 31 March 2023 |
| | £'000 | £'000 | £'000 | £'000 |
| Cambridge City Council | (153) | (66) | (2) | (4,769) |
| Cambridgeshire County Council | (1,099) | (486) | 0 | (1,073) |
| Cambridgeshire and Peterborough Police and Crime Commissioner | (197) | (89) | 0 | 0 |
| Cambridgeshire and Peterborough Fire Authority | (55) | (23) | 0 | (119) |
| Cambridgeshire and Peterborough Combined Authority | (5) | 0 | 0 | 0 |
| Central government | 0 | 0 | (3) | (5,962) |
| Total surplus | (1,509) | (664) | (5) | (11,923) |

2 Council Tax Base

Each domestic property within the Council’s area is assigned to one of eight valuation bands for council tax purposes, based on its estimated value as at 1 April 1991. Council tax is set for band D properties (separately by the Council and each local preceptor), and the tax for other bands is calculated as a proportion of the band D amount.

The council tax for the year due on band D properties can be broken down as follows:-

| Entity | Council tax per band D property | |
|---|---------------------------------|-----------------|
| | 2023/24 | 2022/23 |
| | £ | £ |
| Cambridge City Council | 218.85 | 212.50 |
| Cambridgeshire County Council | 1,542.87 | 1,469.61 |
| Cambridgeshire and Peterborough Police and Crime Commissioner | 272.52 | 257.58 |
| Cambridgeshire and Peterborough Fire Authority | 79.92 | 74.97 |
| Cambridgeshire and Peterborough Combined Authority | 12.00 | 0 |
| Total council tax due per band D property | 2,126.16 | 2,014.66 |

In setting council tax, the Council and preceptors must first calculate their council tax requirement for the year (the amount which must be raised to cover budgeted expenditure net of other sources of finance such as government grants). This is then divided by the council tax base, which is the number of domestic properties in the Council’s area, expressed as the number of ‘band D equivalent’ dwellings.

The council tax base is forecast each January for the following financial year. The council tax base was calculated as follows:

| Valuation band | 2023/24 | | | | 2022/23 | | | |
|--------------------------|----------------------------|--|-----------------|-----------------------------|----------------------------|--|-----------------|-----------------------------|
| | Total chargeable dwellings | Equivalent dwellings after discounts, reliefs and exemptions | Ratio to band D | Band D equivalent dwellings | Total chargeable dwellings | Equivalent dwellings after discounts, reliefs and exemptions | Ratio to band D | Band D equivalent dwellings |
| | No. | No. | | No. | No. | No. | | No. |
| A | 3,815 | 3,322 | 6/9 | 2,215 | 4,324 | 3,322 | 6/9 | 2,216 |
| B | 10,290 | 8,822 | 7/9 | 6,862 | 10,761 | 8,788 | 7/9 | 6,835 |
| C | 19,414 | 17,779 | 8/9 | 15,804 | 20,137 | 17,667 | 8/9 | 15,704 |
| D | 9,678 | 9,001 | 1 | 9,001 | 10,245 | 8,914 | 9/9 | 8,914 |
| E | 5,531 | 5,186 | 11/9 | 6,338 | 5,940 | 5,151 | 11/9 | 6,295 |
| F | 3,582 | 3,388 | 13/9 | 4,894 | 3,836 | 3,395 | 13/9 | 4,903 |
| G | 2,846 | 2,725 | 15/9 | 4,542 | 3,252 | 2,719 | 15/9 | 4,533 |
| H | 332 | 321 | 18/9 | 642 | 498 | 314 | 18/9 | 627 |
| Total | 55,488 | 50,544 | | 50,298 | 58,993 | 50,270 | | 50,027 |
| Adjustments to tax base | | | | (5,461) | | | | (5,917) |
| Forecast tax base | | | | 44,837 | | | | 44,110 |

The adjustments to tax base in the table above are to take account of forecast growth in property numbers, changes in exemption status, local council tax support scheme claims and an allowance for non-collection.

3 Business Rates Multiplier and Rateable Value

The total rateable value of non-domestic properties within the Council area at 31 March 2024 was £345,593,902 (31 March 2023: £313,496,554). The standard business rates multiplier for 2023/24 as set by central government was 51.2p (2022/23: 51.2p).

Group Comprehensive Income and Expenditure Statement (GCIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The amounts chargeable to taxation and rents for the year are set out in the Group Movement in Reserves Statement.

| | Note | 2023/24 | | | 2022/23 (restated) | | |
|---|------|----------------------------|-----------------------|--------------------------|----------------------------|-----------------------|--------------------------|
| | | Gross expenditure £'000 | Gross income £'000 | Net expenditure £'000 | Gross expenditure £'000 | Gross income £'000 | Net expenditure £'000 |
| Climate Action and Environment | | 11,788 | (3,367) | 8,421 | 15,254 | (3,129) | 12,125 |
| Community Wealth Building and Community Safety | | 1,555 | (338) | 1,217 | 1,532 | (569) | 963 |
| Communities | | 13,403 | (7,166) | 6,237 | 14,975 | (8,123) | 6,852 |
| General Fund Housing | | 12,319 | (5,653) | 6,666 | 9,003 | (3,051) | 5,952 |
| Open Spaces and City Services | | 14,343 | (11,913) | 2,430 | 15,472 | (12,388) | 3,084 |
| Planning, Building Control and Infrastructure | | 4,837 | (2,202) | 2,635 | 5,955 | (2,244) | 3,711 |
| Finance and Resources | | 43,182 | (29,779) | 13,403 | 32,174 | (28,167) | 4,007 |
| The Leader | | 7,712 | (879) | 6,833 | 7,228 | (505) | 6,723 |
| Housing Revenue Account | | 77,598 | (50,890) | 26,708 | 50,823 | (45,397) | 5,426 |
| Other group housing services | | 132 | (318) | (186) | 157 | (311) | (154) |
| Cost of services | | 186,869 | (112,505) | 74,364 | 152,573 | (103,884) | 48,689 |
| Other operating income and expenditure | | 0 | (480) | (480) | 178 | (1,980) | (1,802) |
| Financing and investment income and expenditure | | 11,277 | (26,349) | (15,072) | 16,780 | (16,373) | 407 |
| Taxation and non-specific grant income | | 0 | (39,010) | (39,010) | 0 | (39,347) | (39,347) |
| (Surplus) / deficit on the provision of services | | 198,146 | (178,344) | 19,802 | 169,531 | (161,584) | 7,947 |
| Share of the surplus on the provision of services by joint ventures | 3 | | | (1,518) | | | (5,557) |
| Group deficit | | | | 18,284 | | | 2,390 |
| Surplus on revaluation of non-current assets | | | | (7,341) | | | (31,701) |
| Remeasurement of the net defined benefit liability | | | | (9,368) | | | (118,510) |
| Other comprehensive income | | | | (16,709) | | | (150,211) |
| Total comprehensive (income) / expenditure | | | | 1,575 | | | (147,821) |

Prior year cost of services figures have been reclassified to reflect changes in the Council's internal reporting structure.

Prior year HRA income has been restated (reduced by £517,000) to reflect a prior period adjustment in respect of rent refunds (see note 6 to the Council Financial Statements).

Group Movement in Reserves Statement (GMIRS)

This statement shows the movement on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Group Movement in Reserves Statement shows how the movements in the Group's reserves are broken down between comprehensive income and expenditure incurred in accordance with generally accepted accounting practices (as shown in the Group Comprehensive Income and Expenditure Statement) and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The increase / decrease line shows the reserve movements for the year following those adjustments.

| | General Fund | Collection Fund deficit earmarked reserve | Other earmarked General Fund reserves | Housing Revenue Account (HRA) | Earmarked HRA reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied Reserve | Total usable reserves | Unusable reserves | Total Council reserves | Council share of subsidiary and joint venture reserves | Total Group reserves |
|---|-----------------|---|---------------------------------------|-------------------------------|------------------------|--------------------------|-----------------------|----------------------------------|-----------------------|-------------------|------------------------|--|----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 April 2022 (restated) | (25,533) | (6,377) | (23,389) | (16,281) | (17,351) | (43,139) | (11,541) | (41,534) | (185,145) | (770,535) | (955,680) | (6,997) | (962,677) |
| Movement in reserves during 2022/23: | | | | | | | | | | | | | |
| Total comprehensive income and expenditure | 11,071 | 0 | 0 | (2,970) | 0 | 0 | 0 | 0 | 8,101 | (150,029) | (141,928) | (5,893) | (147,821) |
| Adjustments between Group accounts and Council accounts | (6,656) | 0 | 0 | (26) | 0 | 0 | 0 | 0 | (6,682) | 0 | (6,682) | 6,682 | 0 |
| Net (increase) / decrease before transfers | 4,415 | 0 | 0 | (2,996) | 0 | 0 | 0 | 0 | 1,419 | (150,029) | (148,610) | 789 | (147,821) |
| Adjustments between accounting basis and funding basis under statutory provisions | (5,965) | 0 | 0 | 12,605 | 0 | 7,410 | 3,857 | 20,331 | 38,238 | (38,238) | 0 | 0 | 0 |
| Transfers to / from earmarked reserves | (978) | 6,253 | (5,275) | (23) | 23 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / decrease in year | (2,528) | 6,253 | (5,275) | 9,586 | 23 | 7,410 | 3,857 | 20,331 | 39,657 | (188,267) | (148,610) | 789 | (147,821) |
| Balance at 31 March 2023 (restated) | (28,061) | (124) | (28,664) | (6,695) | (17,328) | (35,729) | (7,684) | (21,203) | (145,488) | (958,802) | (1,104,290) | (6,208) | (1,110,498) |
| Movement in reserves during 2023/24: | | | | | | | | | | | | | |
| Total comprehensive income and expenditure | 1714 | 0 | 0 | 18,278 | 0 | 0 | 0 | 0 | 19,992 | (16,616) | 3,376 | (1,801) | 1,575 |
| Adjustments between Group accounts and Council accounts | (6,178) | 0 | 0 | (38) | 0 | 0 | 0 | 0 | (6,216) | 0 | (6,216) | 6,216 | 0 |
| Net (increase) / decrease before transfers | (4,464) | 0 | 0 | 18,240 | 0 | 0 | 0 | 0 | 13,776 | (16,616) | (2,840) | 4,415 | 1,575 |
| Adjustments between accounting basis and funding basis under statutory provisions | (8,575) | 0 | 0 | (4,587) | 0 | 10,731 | 7,684 | 8,887 | 14,140 | (14,140) | 0 | 0 | 0 |
| Transfers to / from earmarked reserves | 256 | 0 | (256) | (14,524) | 14,524 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) / decrease in year | (12,783) | 0 | (256) | (871) | 14,524 | 10,731 | 7,684 | 8,887 | 27,916 | (30,756) | (2,840) | 4,415 | 1,575 |
| Balance at 31 March 2024 | (40,844) | (124) | (28,920) | (7,566) | (2,804) | (24,998) | 0 | (12,316) | (117,572) | (989,558) | (1,107,130) | (1,793) | (1,108,923) |

The Housing Revenue Account (HRA) balance as at 1 April 2022 has been restated (reduced by £3.309 million), and the total comprehensive income on the HRA during 2022/23 has been restated (reduced by £517,000), both to reflect a prior period adjustment in respect of rent refunds (see note 6 to the Council Financial Statements).

Group Balance Sheet

| | Note | 31 March 2024 | | 31 March 2023 (restated) | |
|---------------------------------------|------|--------------------|-------|--------------------------|-------|
| | | £'000 | £'000 | £'000 | £'000 |
| Property, plant and equipment | 4 | 1,069,473 | | 1,036,230 | |
| Heritage assets | | 669 | | 669 | |
| Investment property | | 164,421 | | 161,708 | |
| Intangible assets | | 404 | | 512 | |
| Loans to joint ventures | | 19,228 | | 12,875 | |
| Investments in joint ventures | 3 | 739 | | 5,222 | |
| Other long-term investments | | 16,857 | | 23,424 | |
| Long-term debtors | | 3,912 | | 1,729 | |
| Net defined benefit pension asset | | 18,073 | | 6,865 | |
| Long-term assets | | 1,293,776 | | 1,249,234 | |
| Investment property held for sale | | 1,250 | | 825 | |
| Short-term investments | | 50,038 | | 105,709 | |
| Short-term debtors | | 13,324 | | 10,816 | |
| Inventories | | 171 | | 200 | |
| Cash and cash equivalents | | 22,340 | | 32,201 | |
| Current assets | | 87,123 | | 149,751 | |
| Short-term borrowing | | (82) | | (82) | |
| Short-term creditors | | (54,304) | | (70,676) | |
| Provisions | | (3,757) | | (3,891) | |
| Current liabilities | | (58,143) | | (74,649) | |
| Long-term borrowing | | (213,572) | | (213,572) | |
| Long-term receipts in advance | | (97) | | (105) | |
| Net defined benefit pension liability | | 0 | | 0 | |
| Other long-term liabilities | | (164) | | (161) | |
| Long-term liabilities | | (213,833) | | (213,838) | |
| Net assets | | 1,108,923 | | 1,110,498 | |
| Usable reserves | | (118,177) | | (150,584) | |
| Unusable reserves | | (990,746) | | (959,914) | |
| Total reserves | | (1,108,923) | | (1,110,498) | |

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold. It also includes reserves which reflect timing differences between the recognition of income and expenditure under generally accepted accounting practices, and the point at which it must be credited or charged to usable reserves under statutory provisions.

Prior year short-term creditors have been restated (increased by £3.826 million) to reflect a prior period adjustment in respect of rent refunds (see note 6 to the Council Financial Statements).

Group Cash Flow Statement (GCFS)

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation, grant income and from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Group’s future service delivery. Cash flows arising from financing activities reflect movements in the cash collected by the Council on behalf of others in respect of council tax and business rates.

| | 2023/24 | | 2022/23 (restated) | |
|--|-----------|-----------------|--------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Net deficit on the provision of services | (19,802) | | (7,947) | |
| Adjust net deficit on the provision of services for non-cash movements | 53,589 | | 40,413 | |
| Adjust for items included in the net deficit on the provision of services that are investing and financing activities | (18,562) | | (21,106) | |
| Net cash flows from operating activities | | 15,225 | | 11,360 |
| Investing activities: | | | | |
| Purchase of property, plant and equipment, investment property and intangible assets | (91,472) | | (84,953) | |
| Purchase of short-term and long-term investments | (154,081) | | (263,250) | |
| Proceeds from the sale of property, plant and equipment, assets held for sale, investment property and intangible assets | 5,179 | | 7,117 | |
| Proceeds from short-term and long-term investments | 210,569 | | 297,310 | |
| Capital grants received | 13,144 | | 13,824 | |
| Other receipts and payments from investing activities | 24 | | 12 | |
| Net cash flows from investing activities | | (16,637) | | (29,940) |
| Financing activities | | (8,449) | | 20,267 |
| Net increase / (decrease) in cash and cash equivalents | | (9,861) | | 1,687 |
| Cash and cash equivalents at the beginning of the year: | | | | |
| Overnight money market funds | 30,000 | | 29,500 | |
| Bank accounts | 2,191 | | 998 | |
| Cash held by the Council | 10 | | 16 | |
| Total cash and cash equivalents at the beginning of the year | | 32,201 | | 30,514 |
| Cash and cash equivalents at the end of the year: | | | | |
| Overnight money market funds | 15,000 | | 30,000 | |
| Bank accounts | 7,334 | | 2,191 | |
| Cash held by the Council | 6 | | 10 | |
| Total cash and cash equivalents at the end of the year | | 22,340 | | 32,201 |

The prior year net deficit on the provision of services has been restated (increased by £517,000) to reflect a prior period adjustment in respect of rent refunds, with a corresponding increase in the adjustment for non-cash movements (see note 6 to the Council Financial Statements).

Note 1 – Accounting Policies

The accounting policies applied to the Group Financial Statements are the same as those set out at note 2 to the Council Financial Statements, with the following additions:

Basis of Consolidation

Control and Joint Control

The Council is deemed to have control over another entity when both of the following conditions are met:

- The Council is exposed to variable returns from its involvement with the entity (for example a share of the entity’s profits).
- The Council can use its power over the entity to affect these returns.

Joint control exists where decisions affecting the entity’s returns can only be made by the unanimous consent of more than one investor.

Subsidiaries

Subsidiaries are separate entities which are controlled by the Council. The financial statements of subsidiaries are consolidated on a line by line basis. This means that transactions and balances are included in the relevant lines in the Group Financial Statements. Adjustments are made to remove transactions and balances between the Council and its subsidiary, such that the Group Financial Statements present the financial performance and position of the Group as a whole, from an external perspective.

Joint Ventures

A joint venture is a separate entity which is jointly controlled by the Council and at least one other investor.

The financial statements of joint ventures are consolidated using the equity method. The Council’s investment in the joint venture is initially recognised on the Balance Sheet at cost, and subsequently adjusted to match the Council’s share of the entity’s net assets. The change in the Council’s share of net assets (effectively the Council’s share of the entity’s profit or loss) is recognised within other comprehensive income in the Group Comprehensive Income and Expenditure Statement (GCIES).

Alignment of Accounting Policies

The results of subsidiaries and joint ventures are adjusted where applicable to align their accounting policies with those of the Council:

- Cambridge City Housing Company Ltd holds a portfolio of dwellings for rent. Within the company accounts these are accounted for as investment properties under International Accounting Standard (IAS) 40. However, adjustments are made within the Group Financial Statements to

account for these dwellings as property, plant and equipment (other land and buildings) using the Council’s accounting policies (see note 2 to the Council Financial Statements – accounting policy 12). The difference in treatment reflects the fact that the Group’s primary reason for holding the properties is service related (i.e. the provision of affordable housing), rather than solely to generate rental income.

Note 2 – Group Composition

Cambridge City Housing Company Ltd

Cambridge City Housing Company Ltd (CCHC) is a private limited company. Its main activity is to provide and manage housing for those in housing need in Cambridge and neighbouring districts, whilst also generating a financial return for the Council.

The Council owns 100% of the company’s share capital and has the right to appoint all of the company’s directors (all of whom are Council officers). As such, the Council is deemed to have full control over CCHC and it is accounted for as a subsidiary.

Cambridge Investment Partnership

The Cambridge Investment Partnership (CIP) consists of the four separate limited liability partnerships (LLPs), as follows:

- Cambridge Investment Partnership LLP
- CIP (Mill Road Development) LLP
- CIP (Cromwell Road) LLP
- CIP Orchard Park L2 LLP

The main activity of the partnership is the redevelopment of sites within Cambridge for the provision of housing, including affordable housing. The partnership is strategically important to the Council as the vehicle through which a significant proportion of its new build programme for council dwellings is to be delivered.

Each of the four LLPs is owned jointly by the Council and a private sector property developer, with each having a 50% interest and equal voting rights. As such, the Council is deemed to have joint control over each of the LLPs, and they are accounted for as separate joint ventures.

Note 3 – Joint Ventures

The financial performance and position of the Council's joint ventures can be summarised as follows:

| | Cambridge Investment Partnership LLP | | CIP (Mill Road Development) LLP | | CIP (Cromwell Road) LLP | | CIP Orchard Park L2 LLP | | Total | |
|---|--------------------------------------|------------------|---------------------------------|------------------|-------------------------|------------------|-------------------------|------------------|------------------|------------------|
| | 2023/24 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2022/23 £'000 |
| Income | (12,622) | (26,089) | (20) | (37,847) | (30,340) | (51,908) | (8,428) | (8,522) | (51,410) | (124,366) |
| Expenditure | 12,616 | 26,265 | 6 | 33,393 | 27,601 | 45,998 | 8,151 | 8,033 | 48,374 | 113,689 |
| (Profit) / loss from continuing operations and total comprehensive income | (6) | 176 | (14) | (4,454) | (2,739) | (5,910) | (277) | (489) | (3,036) | (10,677) |
| Council share (50%) | (3) | 88 | (7) | (2,227) | (1,370) | (2,955) | (138) | (245) | (1,518) | (5,339) |
| Adjustments in respect of unrealised losses | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 4 | 0 | 4 |
| Other adjustments | 0 | 0 | 0 | (222) | 0 | 0 | 0 | 0 | 0 | (222) |
| Share of the (surplus) / deficit on the provision of services by joint ventures recognised in the Group Comprehensive Income and Expenditure Statement | (3) | 88 | (7) | (2,449) | (1,370) | (2,955) | (138) | (241) | (1,518) | (5,557) |

| | Cambridge Investment Partnership LLP | | CIP (Mill Road Development) LLP | | CIP (Cromwell Road) LLP | | CIP Orchard Park L2 LLP | | Total | |
|--|--------------------------------------|---------------------------|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2024 £'000 | 31 March 2023 £'000 | 31 March 2024 £'000 | 31 March 2023 £'000 | 31 March 2024 £'000 | 31 March 2023 £'000 | 31 March 2024 £'000 | 31 March 2023 £'000 | 31 March 2024 £'000 | 31 March 2023 £'000 |
| Current assets | 45,840 | 10,846 | 1,670 | 2,172 | 1,633 | 17,270 | 1,366 | 3,117 | 50,509 | 33,405 |
| Current liabilities (including members' loans) | (45,544) | (10,557) | (1,303) | (1,819) | (1,577) | (7,953) | (608) | (2,636) | (49,032) | (22,965) |
| Members' capital (classified as a liability) | 296 | 289 | 367 | 353 | 56 | 9,317 | 758 | 481 | 1,477 | 10,440 |
| Council share (50%) | 148 | 145 | 184 | 177 | 28 | 4,659 | 379 | 241 | 739 | 5,222 |
| Investments in joint ventures recognised in the Group Balance Sheet | 148 | 145 | 184 | 177 | 28 | 4,659 | 379 | 241 | 739 | 5,222 |
| Included in current assets and liabilities above: | | | | | | | | | | |
| Cash and cash equivalents | 176 | 308 | 1,503 | 1,982 | 1,490 | 4,724 | 1,356 | 2,372 | 4,525 | 9,386 |
| Current financial liabilities (excluding trade and other payables) | (23,328) | (9,398) | 0 | 0 | 0 | (7,557) | 0 | 0 | (23,328) | (16,955) |

Note 4 – Property, Plant and Equipment

Movements on Balances

| | Council dwellings £'000 | Other land and buildings £'000 | Vehicles, plant, furniture and equipment £'000 | Infrastructure assets £'000 | Community assets £'000 | Surplus assets £'000 | Assets under construction £'000 | Total property, plant and equipment £'000 |
|--|----------------------------|-----------------------------------|---|--------------------------------|---------------------------|-------------------------|------------------------------------|--|
| Balance at 1 April 2022: | | | | | | | | |
| Gross carrying amount | 726,429 | 153,775 | 21,595 | 7,295 | 1,331 | 79 | 64,193 | 974,697 |
| Accumulated depreciation and impairment | 0 | (1,302) | (13,456) | (1,506) | 0 | 0 | 0 | (16,264) |
| Net book value | 726,429 | 152,473 | 8,139 | 5,789 | 1,331 | 79 | 64,193 | 958,433 |
| Additions | 36,789 | 2,793 | 433 | 1,175 | 0 | 0 | 43,911 | 85,101 |
| Donated assets | (4,299) | 0 | (308) | (75) | 0 | 0 | 0 | (4,682) |
| Revaluation increases / (decreases) recognised in the revaluation reserve | 23,719 | 7,994 | 0 | 0 | 0 | (12) | 0 | 31,701 |
| Revaluation decreases recognised in the surplus / deficit on the provision of services | (17,015) | (1,130) | 0 | 0 | 0 | (17) | 0 | (18,162) |
| Assets reclassified (to) / from other categories of property, plant and equipment | 28,742 | 366 | 200 | 17 | 15 | 0 | (29,340) | 0 |
| Depreciation charge | (10,067) | (3,832) | (2,075) | (187) | 0 | 0 | 0 | (16,161) |
| Balance at 1 April 2023: | | | | | | | | |
| Gross carrying amount | 784,298 | 160,252 | 20,671 | 8,238 | 1,346 | 50 | 78,764 | 1,053,619 |
| Accumulated depreciation and impairment | 0 | (1,588) | (14,282) | (1,519) | 0 | 0 | 0 | (17,389) |
| Net book value | 784,298 | 158,664 | 6,389 | 6,719 | 1,346 | 50 | 78,764 | 1,036,230 |
| Additions | 43,429 | 1,131 | 1,759 | 866 | 0 | 0 | 41,904 | 89,089 |
| Donated assets | (4,119) | 0 | 0 | 0 | 0 | 0 | 0 | (4,119) |
| Revaluation increases recognised in the revaluation reserve | 674 | 6,666 | 0 | 0 | 0 | 0 | 0 | 7,340 |
| Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services | (41,125) | (2,970) | 0 | 0 | 0 | 0 | 0 | (44,095) |
| Assets reclassified (to) / from investment properties or intangible assets | 0 | 2,267 | 0 | 0 | 0 | 0 | 0 | 2,267 |
| Assets reclassified (to) / from other categories of property, plant and equipment | 47,898 | 469 | 46 | 0 | 0 | 0 | (48,413) | 0 |
| Other movement | 0 | (29) | (40) | 0 | 0 | 0 | 87 | 18 |
| Depreciation charge | (11,114) | (3,933) | (2,000) | (210) | 0 | 0 | 0 | (17,257) |
| Balance at 31 March 2024: | | | | | | | | |
| Gross carrying amount | 819,941 | 163,996 | 22,152 | 9,104 | 1,346 | 50 | 72,342 | 1,088,926 |
| Accumulated depreciation and impairment | 0 | (1,731) | (15,998) | (1,729) | 0 | 0 | 0 | (19,458) |
| Net book value | 819,941 | 162,265 | 6,154 | 7,375 | 1,346 | 50 | 72,342 | 1,069,473 |

The prior year movement in net book value has been restated to reflect a prior period adjustment (see note 6 to the Council Financial Statements). The overall net book value at 31 March 2023 remains unchanged.

Valuation

Details of the valuation approach adopted for the Council's property, plant and equipment are set out at note 16 to the Council Financial Statements.

CCHC dwellings are revalued on 31 March each year, using a beacon approach. The stock is divided into a number of 'archetypes' containing dwellings with similar characteristics (e.g. location, property type, number of bedrooms). Within each archetype, one representative 'beacon' property is selected for revaluation, with the resulting valuation applied to all similar dwellings.

Valuations are carried out in accordance with 'Stock Valuation for Resource Accounting – Guidance for Valuers' published by MHCLG, and the RICS Valuation – Professional Standards ('Red Book') except where varied to reflect MHCLG requirements.

The following table shows the current carrying value of property, plant and equipment (excluding those classes of asset held at historic cost) by date of most recent valuation:

| | Council dwellings | Other land and buildings | Surplus assets | Total |
|---------------------------------------|-------------------|--------------------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Valued at current value as at: | | | | |
| 31 March 2024 | 819,941 | 130,627 | 0 | 950,568 |
| 31 March 2023 | 0 | 1,072 | 50 | 1,122 |
| 31 March 2022 | 0 | 19,475 | 0 | 19,475 |
| 31 March 2021 | 0 | 3,537 | 0 | 3,537 |
| 31 March 2020 | 0 | 595 | 0 | 595 |
| Prior to 2020 | 0 | 6,959 | 0 | 6,959 |
| Total | 819,941 | 162,265 | 50 | 982,256 |

Note 5 – Commitments with Joint Ventures

Capital Commitments

The Council has contracted with the Cambridge Investment Partnership for the construction of new build council dwellings. The amounts contractually committed but not yet recognised at the year-end were as follows:-

| Entity | 31 March 2024 £'000 | 31 March 2023 £'000 |
|--------------------------------------|------------------------|------------------------|
| Cambridge Investment Partnership LLP | 0 | 989 |
| CIP (Mill Road Development) LLP | 0 | 0 |
| CIP (Cromwell Road) LLP | 0 | 350 |
| CIP Orchard Park L2 LLP | 0 | 7,075 |
| Total | 0 | 8,414 |

Loan Commitments

The Council has entered into agreements with the Cambridge Investment Partnership to provide loan financing for land purchase, and also development financing through the use of revolving credit facilities. Loans are secured on the property of the partnership (work in progress and unsold dwellings, excluding affordable housing), with a maximum loan to value ratio of 60% at any given time.

The balances on the facilities at year-end were as follows:

| Entity | 31 March 2024 | | | 31 March 2023 | | |
|--------------------------------------|---------------------------|--------------------------|--------------------------------|---------------------------|--------------------------|--------------------------------|
| | Maximum facility £'000 | Amount utilised £'000 | Unutilised commitment £'000 | Maximum facility £'000 | Amount utilised £'000 | Unutilised commitment £'000 |
| Cambridge Investment Partnership LLP | 28,610 | (8,360) | 20,250 | 28,000 | (5,250) | 22,750 |
| CIP Orchard Park L2 LLP | 8,000 | 0 | 8,000 | 8,000 | 0 | 8,000 |
| Total | 36,610 | (8,360) | 28,250 | 36,000 | (5,250) | 30,750 |

Note 6 – External Audit Costs

| Entity | Service | 2023/24 £'000 | 2022/23 £'000 |
|--------------------------------|--|------------------|------------------|
| Council | External audit and certification of grant claims | 137 | 168 |
| Cambridge City Housing Company | External audit | 6 | 6 |
| | Taxation compliance services | 1 | 1 |
| | Other non-audit services | 2 | 2 |
| Total | | 146 | 177 |

Glossary of Terms

| | |
|------------------------------------|--|
| Accrual | An item of income or expenditure which is included in the Statement of Accounts because it relates to goods or services provided or received during the year, even though payment has not yet been received or paid (and no formal invoices raised). |
| Amortisation | An expense recognised to reflect the consumption of intangible assets, similar to depreciation on property, plant and equipment. It is generally charged on a straight-line basis over the useful life of the relevant asset. |
| Amortised cost | A method for determining the value of financial assets or liabilities based upon the principal invested or borrowed, adjusted for any interest accrued and expected credit losses (e.g. bad debt). |
| Business rates retention | The arrangements, set out by central government, which determine the proportion of the business rates collected which can be retained by the City Council, and the proportion which is paid to local preceptors and central government (for redistribution to other local authorities). |
| Capital expenditure | Expenditure on new long-term assets such as property, plant and equipment, intangible assets, and investment property. Also includes expenditure which enhances existing assets, for example through significantly prolonging their useful life or increasing their value. Under statutory requirements, loans to third parties to finance their own capital expenditure are also treated as capital expenditure of the Council. |
| Capital financing | The use of the Council's resources (revenue or capital) to fund capital expenditure in the current year, or to repay borrowing associated with capital expenditure in previous years. |
| Capital grants | Grants received by the Council which can only be used for capital financing. |
| Capital loans | Loans made by the Council to a third party to finance their capital expenditure, for example loans made to the Cambridge Investment Partnership to fund property development. Under statutory provisions, the making of these loans is treated as capital expenditure by the Council, whilst repayments are treated as capital receipts. |
| Capital receipts | Cash received from the sale of long-term assets such as council houses, land or other buildings. This may only be used to finance future capital expenditure. |
| Cash equivalents | Highly liquid investments that mature in three months or less from the date of acquisition, and that are readily convertible to known amounts of cash with insignificant risk of change in value. |
| Code | The Code of Practice on Local Authority Accounting in the United Kingdom, which sets out the rules which the Council must follow in preparing and presenting the Statement of Accounts. |
| Creditors | Amounts owed by the Council. |
| Current assets | Assets which are expected to be used or realised within 12 months of the Balance Sheet date. |
| Current liabilities | Liabilities which are due to be settled (or could be called in) within 12 months of the Balance Sheet date. |
| Current service cost | The increase in the Council's net pension liability as a result of future pension entitlement earned by employees as a result of their service during the year. |
| Debtors | Amounts owed to the Council. |
| Defined benefit | A type of pension scheme whereby the benefits paid on retirement (lump sums and pensions) are based upon length of service with the Council and salary earned. |
| Depreciated replacement cost (DRC) | An approach to valuing property assets based upon the estimated cost of rebuilding an equivalent asset from scratch (using modern methods and specifications), depreciated to reflect the actual condition of the existing asset (i.e. the proportion of its total useful life remaining). |

| | |
|---------------------------------|---|
| Depreciation | An expense recognised to reflect the consumption of property, plant and equipment. It is generally charged on a straight-line basis over the useful life of the relevant asset. |
| Discount rate | The rate used to discount future cash flows (for example future pension payments) to their value at today's prices. |
| Effective interest rate (EIR) | The rate which exactly discounts the future cash flows arising from a financial instrument to the amount at which it was originally recognised – essentially representing the average interest rate over the life of the instrument. |
| Enhanced cash funds | A managed investment fund, similar to a money market fund, but generally offering slightly higher potential returns in exchange for slightly higher levels of risk in terms of the security and liquidity of its investments. |
| Fair value | The price at which an asset could be sold, or liability settled, in an orderly transaction between market participants (i.e. knowledgeable, willing parties operating at arm's length). |
| Finance lease | A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee. The lease period tends to cover most or all of the useful life of the asset, and the value of lease payments made over the duration of the lease tends to approximately equal the value of the asset at the start of the lease. |
| Financial asset | An asset which represents cash, or the right to receive cash (or cash equivalents) in the future, for example fixed term deposits, investments in pooled investment vehicles, loans and trade debtors. |
| Financial instrument | A contract which gives rise to a financial asset in one entity and a financial liability in another. |
| Financial liability | A liability which will require the Council to pay out cash (or cash equivalents) in the future, for example borrowings and trade creditors. |
| Going concern | A basis of accounting which assumes that the Council will continue in existence for the foreseeable future. |
| Group | Includes the Council and all other entities which it controls (subsidiaries). The Group Financial Statements also incorporate the Council's share of the profits of its joint ventures. |
| Impairment | A reduction to the value of a non-financial asset as a result of its recoverable amount falling below its carrying value on the Balance Sheet, for example because it has been damaged or become obsolete. Impairments can also apply to financial assets, for example when there is an expectation that amounts due to the Council in the future will not be paid (credit losses). |
| Intangible assets | Assets without physical substance, which are expected to benefit the Council over the course of more than one year, for example software licences. |
| Joint venture | A separate entity which is deemed to be jointly controlled by the Council and at least one other investor, where strategic decision making is by unanimous consent. The Council's share of any profits is included in the Group Financial Statements. |
| Minimum revenue provision (MRP) | A charge to the General Fund which must be made each year for the repayment of borrowing (internal and external) undertaken to fund historic capital expenditure. Effectively this is to ensure that the Council has sufficient capital resources available to renew or replace assets at the end of their lives. The charge must be set in accordance with statutory guidance, which ensures that it is prudent. |
| Money market funds | Managed investment funds consisting of highly liquid, short-term investments such as cash, cash equivalents, and short-term debt-based securities with high credit ratings. They are designed to offer high liquidity and very low risk to investors. |
| Non-current assets | Assets which are expected to benefit the Council over the course of more than one year, for example property, plant and equipment, intangible assets and investment property. |

| | |
|--|--|
| Operating lease | A lease which does not in substance transfer ownership of an asset to the lessor (i.e. the opposite of a finance lease). In practice these tend to be short in nature (as compared to the total useful life of the asset). Since land is deemed to have an infinite useful life, all leases of land are classified as operating leases. |
| Outturn | Actual income or expenditure amounts as opposed to budgeted amounts. |
| Past service cost | A change in the Council’s net pension liability as a result of changes to the pension scheme which affect the pension entitlement earned by employees in previous years. |
| Pooled investment vehicle | A managed investment fund which takes investment from a large number of investors and pools this together in order to maximise returns and diversify risk. Investors can buy and sell units in these funds, which generate returns through the payment of dividends, increase in the underlying value of units, or both. Under statutory provisions, any change in value of pooled investment fund units is not recognised in the General Fund until it is realised (i.e. the units are sold). |
| Preceptor | Another local authority who is not a billing authority, and on whose behalf the Council collects council tax (i.e. Cambridgeshire County Council, Cambridgeshire and Peterborough Police and Crime Commissioner, Cambridgeshire and Peterborough Fire Authority, and Cambridgeshire and Peterborough Combined Authority) |
| Provision | A liability which represents a future obligation as a result of a past event, but where the timing or amount of the obligation is uncertain. An example is the settlement of business rates appeals, whose outcome is unknown and outside of the control of the Council. |
| Restricted grants | Grants which can only be spent on particular purposes (for example a specific service), under the terms of the grant agreement. |
| Revenue expenditure | Expenditure which is not capital, i.e. spending on the day to day running of the Council such as staff costs and general supplies and services. |
| Revenue Expenditure Funded from Capital under Statute (REFCUS) | Expenditure which is revenue in nature, but which statute permits to be funded from resources usually earmarked for capital use. This includes capital grants to third parties (such as Disabled Facilities Grants to residents). |
| Section 106 (S106) contributions | Contributions from developers agreed as part of planning conditions, for example to provide infrastructure improvements to support new housing development. |
| Soft loan | A loan made at a below-market interest rate (which could be nil), generally made in pursuit of service interests (for example the provision of interest-free home improvement loans to eligible residents). |
| Subsidiary | A separate entity which is deemed to be controlled by the Council, and whose results are therefore included in the Group Financial Statements. |

Abbreviations

| | |
|--------|--|
| CFS | Cash Flow Statement |
| CIC | Community Interest Company |
| CIES | Comprehensive Income and Expenditure Statement |
| CIP | Cambridge Investment Partnership |
| CIPFA | Chartered Institute of Public Finance and Accountancy |
| CPI | Consumer price inflation |
| HRA | Housing Revenue Account |
| IAS | International Accounting Standard |
| IFRS | International Financial Reporting Standards |
| LASAAC | Local Authority (Scotland) Accounts Advisory Committee |
| LGPS | Local Government Pension Scheme |
| LLP | Limited Liability Partnership |
| MIRS | Movement in Reserves Statement |
| RICS | Royal Institution of Chartered Surveyors |
| PSF | Per square foot |

Cambridge City Council

Audit Completion Report for Those Charged with Governance

Year ended 31 March 2024

Report issued - 1 May 2025

Page 77





Civic Affairs Committee
Cambridge City Council
The Guildhall
Peas Hill
Cambridge
CB2 3QJ

1 May 2025

Dear Civic Affairs Committee Members

Cambridge City Council – Audit Completion Report for Those Charged With Governance

We are pleased to attach our Audit Completion Report, summarising the status of our audit. We will update the Civic Affairs Committee at its meeting scheduled for 12 May 2025 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Cambridge City Council accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Civic Affairs Committee, as the (Council's) body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by Management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our 21 November 2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit.

We have not been able to commence any work to rebuild assurance ahead of the 2023/24 backstop date, as the Council did not publish its draft financial statements until 28 February 2025, we therefore did not undertake our planned procedures on the 2023/24 financial statements and have not been able to perform any audit procedures ahead of the legislative backstop date of 28 February 2025. We are therefore unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements and will be issuing a disclaimed 2023/24 audit opinion.

We draw the attention of Civic Affairs Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix G).

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

Yours faithfully

A handwritten signature in blue ink that reads "MARK HODGSON".

Mark Hodgson
Partner
For and on behalf of Ernst & Young LLP

Enc

Contents



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 sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Civic Affairs Committee and Management of Cambridge City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Civic Affairs Committee and Management of Cambridge City 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 Civic Affairs Committee and Management of Cambridge City 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.



01 Executive Summary

Executive Summary – Context for the audit

Context for the audit - Ministry of Housing, Communities and Local Government (MHCLG) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- ▶ Lack of capacity within the local authority financial accounting profession
- ▶ Increased complexity of reporting requirements within the sector
- ▶ Lack of capacity within audit firms with public sector experience
- ▶ Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly Department for Levelling-up, Housing and Communities) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ▶ Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 21 November 2024 Audit Completion Report to the Civic Affairs Committee we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit.

EY's Head of UK Government and Public Sector Audit wrote to the Section 151 officer at the Council on 21 August 2024 to set out that we would be prioritising those 2023/24 audits that we considered met the following criteria:

- ▶ draft unaudited financial statements were published by 29 October 2024;
- ▶ there was evidence that finance teams could effectively and efficiently support the audit process; and
- ▶ have high-quality audit evidence and supporting information that is delivered in accordance with our agreed timetable and in advance of the commencement of the audit.

We concluded that the Council had not met these requirements as the draft financial statements were not published until the 28 February 2025. We therefore did not undertake our planned procedures on the 2023/24 financial statements and have not been able to start rebuilding assurance ahead of the planned backstop date of 28 February 2025.

Executive Summary – Report structure and work completed

Report structure and work completed

This report covers the work we have completed to meet the requirements of the International Standards on Auditing (UK&I), (ISAs) and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office Value for Money Code (NAO VFM Code). It has been split into the following sections.

Section 1 – Executive Summary – this section setting out the national and local context and the structure of our report.

Section 2 – Work Plan – We have completed the following planning tasks:

- ▶ Required independence procedures.
- ▶ Set a level of materiality.
- ▶ Issued letters of inquiry to Management, Those Charged with Governance, the Head of Internal Audit and the Monitoring Officer.

Updated our understanding of the business, including through review of responses to inquiry letters, minute review and in discussion in our internal planning meeting,

Identified significant, inherent and other areas of higher risk or focus.

Considered any other matters that may require reporting to regulators or which may result in a modification to the audit report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 3 – Results and findings – Work completed to issue the disclaimer, findings and results:

- ▶ Review of the financial statements.
- ▶ Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems, service organisations, which we report as appropriate.
- ▶ Reporting on any other matters that may require the use of the auditor's powers, formal reporting or a modification to the auditor's report e.g. non-compliance with laws and regulations (NOCLAR), objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 4 – Audit Report

Section 5 – Value for Money reporting

- ▶ The value for money report covering the year to 31 March 2024.

Section 6 – Appendices



02 Work Plan



Work Plan – Audit Scope

Audit scope

This Audit Completion Report covers the work that we performed in relation to:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 5.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

Given that SI 2024/907 imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).⁴ (Ref: Para. A77&A78)

Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs(UK) and we will be issuing a disclaimed audit report.

Work Plan - Materiality

Materiality

Planning materiality

£3.90 million

Materiality for year ended 31 March 2024 has been set at £3.90 million, which represents 2% of 2023/24 gross expenditure on provision of services.

Performance materiality

£2.92 million

Performance materiality for year ended 31 March 2024 has been set at £2.92 million, which represents 75% of planning materiality.

Audit differences

£0.19 million

We will report all uncorrected misstatements relating to the primary statements greater than £0.19 million for year ended 31 March 2024. Other misstatements identified will be communicated to the extent that they merit the attention of the Civic Affairs Committee.

In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the 2023/24 audit year. We have considered updating this materiality for any key changes or known factors from that year. We determined that our audit procedures would be performed using a materiality of £3.90 million. This level of materiality remains appropriate for the actual results for the financial year.

These materiality levels have been set based on the main Council financial statements - we have not considered group materiality. These levels are being used to assess our response to any issues identified in the Council's financial statements.

Work Plan – Significant, inherent and other risk areas

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report and links to the Audit Plan we issued to the Council on the 11 April 2024. It seeks to provide the Civic Affairs Committee with an overview of our initial risk identification for the audit and any changes in risks identified in the 2023/24 year.

Audit risks and areas of focus

| Risk/area of focus | Risk identified | Change from PY | Details |
|--|------------------|----------------------------|---|
| Misstatement due to fraud or error | 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. |
| Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS) | Fraud Risk | No change in risk or focus | <p>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.</p> <p>Linking to our fraud risk identified above, we have determined that a way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements, given the extent of the Council's capital programme and Revenue Expenditure Funded from Capital Under Statute.</p> |
| Investment Property Valuations | Significant risk | No change in risk or focus | The Council's investment property is a material balance (£162 million at 31 March 2023) disclosed on the Council's balance sheet. There is a significant level of judgement around assumptions within valuations, especially where these assumptions rely on market data or income-based measures, given difficulties in estimating future income. |
| Accounting for Net Pension Assets | Significant risk | No change in risk or focus | <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme.</p> <p>Under IAS 19, there is a limit on the size of the net pension asset that can be recognised on the balance sheet. This is referred to as the asset ceiling. As a result of the complexities involved in determining the asset ceiling, we have identified pension fund assets as a significant risk.</p> <p>Accounting for the scheme liabilities 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.</p> |

Work Plan – Significant, inherent and other risk areas (cont'd)

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

Audit risks and areas of focus

| Risk/area of focus | Risk identified | Change from PY | Details |
|--|-----------------|----------------------------|--|
| Bad debt provision and recoverability of receivables | Inherent risk | No change in risk or focus | The provision for bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation at year end and assess the appropriateness of the estimation technique. Therefore, we have raised an inherent risk for this in our audit strategy. |
| Group Accounting | Inherent risk | No change in risk or focus | The Council prepares consolidated Group statement of accounts. The Council will need to undertake its annual assessment of the group structure to determine the procedures required to consolidate the relevant component entities. We will consider the need to engage with the auditors of the significant components to understand and evaluate any risks they have recognised on the 2023/24 audits and what impact this has on our risk procedures in relation to the group accounts. |
| Provision for HRA Liabilities | Inherent risk | New risk in 2023/24 | In 2023, the Council identified a possible breach of regulations relating to rental charges on housing stock which could potentially lead to refunds being made to those who had previously been overcharged. The computations in determining the liability for excess charges will involve assumptions and judgments, as well as considerations of completeness, hence this has been classified as an inherent risk. |
| Valuation of Land and Buildings | Inherent risk | No change in risk or focus | Other Land and Buildings (OLB) constitutes a significant balance in the Council's accounts (£150 million at 31 March 2023). These assets are subject to valuation changes, impairment reviews and depreciation charges. Significant judgemental inputs and estimation techniques are required to calculate the year-end balances. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates. |
| Council dwellings valuation | Inherent risk | No change in risk or focus | Council dwellings represent a significant balance in the Council's accounts (£784 million at 31 March 2023) and are subject to valuation changes, impairment reviews and depreciation charges. As the value of council houses are significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk that balances may be under/overstated or the associated accounting entries incorrectly posted. |

Work Plan - Independence

The FRC Ethical Standard 2019 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, as revised in December 2019, 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

- ▶ 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).

- ▶ All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

Final stage

- ▶ 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; 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.

Work Plan – Independence (cont'd)

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 Mark Hodgson, 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 authority. Examples include where we have an investment in your authority; 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 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. 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.

At the time of writing, there are no non-audit fees that require additional safeguards.

Self review threats

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 Ethical Standard part 4. There are no other self-interest 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 authority. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

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

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 2024

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 2024 and can be found here: [EY UK 2024 Transparency Report | EY - UK](#).



03 Results and findings



Results and findings

Status of the audit

Our audit work in respect of the Council opinion is substantially complete. We just need to complete our final closing procedures as follows:

- ▶ Completion of subsequent events procedures;
- ▶ Receipt of a signed management representation letter.

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion.

Value for Money

Our value for money (VFM) work is complete and reported in Section 05 of this report. We identified significant weaknesses in arrangements. Having updated and completed the planned procedures in these areas we have identified significant weaknesses upon which we are reporting within our Audit Report. See Section 5 of the report for further details.

Audit differences

We performed our work on the initial draft 2023/24 financial statements published for inspection. We identified differences which included:

- ▶ 5 instances of opening balance differences from the 2022/23 financial statements
- ▶ 1 instance of reclassification error between short-term debtors and short-term creditors
- ▶ 1 instance of casting difference in the financial statements
- ▶ 1 instance of internal cross-referencing inconsistencies in the financial statements

The Council should ensure that in approving the financial statements, all prior year comparatives agree to the final set of prior year financial statements, or explanations for prior year adjustments have been set out by the Section 151 Officer.

We are aware that Management has made a number of amendments to the draft financial statements published on the 28 February 2025. We have not performed any procedures over these changes and the Civic Affairs Committee should ensure that they understand the rationale of all the changes prior to their approval.

The Council should also ensure that the financial statements are compliant with the reporting requirements of CIPFA's Code of practice on Local Authority accounting for the respective year.

Results and findings

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial statements audit. We expect a delay in the audit certificate in respect of this work as NAO reserve the right to ask for further assurances. Until we have confirmation from the NAO that no further work is required, we will be unable to issue the audit certificate

Non-Compliance with Laws and Regulations (NOCLAR)

During the course of the audit, we were made aware of an instance of non-compliance with laws and regulations in relation to rent setting on the Council's housing stock. This has required us to complete extended procedures in order to assess the risk to the financial statements. That work is ongoing at the time of preparing this report. If non-compliance with laws and regulations has occurred and could have a material impact on the financial statements, we may, in the ordinary course of an audit, modify our audit opinion to refer to those matters. We will then determine whether we need to consider exercising any other power or duty.

Due to the imposed backstop date, we have been unable to perform sufficient further audit work to determine the impact on the financial statements - so will set that out within the Audit Report.

Objections to the financial statements

We did not receive any questions or objections to the Council's financial statements from any member of the public following the inspection period.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We have considered whether statutory recommendations are required under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014, in respect of the late publication of the draft financial statements, as set out elsewhere in this report, primarily on pages 27-29. We do understand the reasons behind the delayed publication of the financial statements, which Management have shared, as required, with the Minister at MHCLG, given the 28 February backstop date was breached. On balance, we are therefore not minded to issue statutory recommendations at this time. However, should the Council miss the publication date for the 2024/25 financial statements or not be able to support the audit, we would revisit our position at that point in time.

We did not identify any issues which required us to issue a report in the public interest.



Results and findings

Areas of audit focus

Based on the late publication of the Council's draft financial statements, we concluded we would disclaim the audit and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete, where relevant to do so.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by Management or disclosed in this report, which we believe should be brought to the attention of the Civic Affairs Committee or Management.

Control observations

During the audit, we did not identify any significant deficiencies in internal control.

Independence

Further to our review of independence in Section 2 of this report we have not identified any issues to bring to your attention.

Results and findings

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

We have no other matters to report.



04

Audit Report

DRAFT

Audit Report

Expected modification to the audit report

As reported in our Audit Completion Report (dated 21 November 2024), we issued a disclaimed audit report on the Council's financial statements for 2022/23 under the arrangements to reset and recover local government audit.

As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements.


We have not been able to commence any work to rebuild assurance ahead of the 2023/24 backstop date, as the Council were unable to publish the draft financial statements in sufficient time to support the audit and provide audit evidence in line with agreed deadlines. We have therefore, not been able to obtain sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement.

Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

The form and content of the Audit Report will be shared with the Section 151 officer to enable you to formally authorise the 2023/24 financial statements for issue.



05 Value for Money



VFM - Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this commentary is to explain the work we have undertaken during the period 01 April 2023 to 31 March 2024 and highlight any significant weaknesses identified along with recommendations for improvement. As we have previously reported significant weaknesses in arrangements to you, this report also includes our views as to the status of the recommendations made and whether they have been satisfactorily implemented. The commentary covers our findings for audit year 2023/24.

The report sets out the following areas which have been assessed up to the point of issuing this report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
 - An explanation of the planned responsive audit procedures to the significant risks identified; and
 - Findings to date from our planned procedures.
- Summary of arrangements over the period covered by this report (Appendix E).

VFM - Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with key Finance Officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council Management and the finance team.

We completed our risk assessment procedures and as a result, we identified significant risks related to Governance. We set out our planned response to address this risk in the table below.

| Description of risk identified | Work planned to address the risk of significant weakness |
|--|--|
| <p>Governance criteria - late publication of the 2023/24 draft financial statements</p> <p>The Council did not publish its draft financial statements for 2023/24 by the target date outlined in the Accounts and Audit Regulations 2015 (31 May 2024). The unaudited statements for 2023/24 were published on 28 February 2025.</p> <p>The issue above is evidence of a potential weaknesses in proper arrangements for supporting its statutory reporting requirements and effective processes and systems for accurate and timely management and financial information - Governance - How the Council ensures that it makes informed decisions and properly manages its risks.</p> | <ul style="list-style-type: none">• Assess the Council's delivery against the Audit and Accounts Regulations for the publication of the 2023/24 draft financial statements |
| <p>Governance criteria - failure to deliver outcomes of Rent Standards and breach of the Welfare Reform and Work Act 2016 (the Act)</p> <p>In December 2023, the Council has self-referred to the Regulator of Social Housing (RSH) identifying issues in rent setting. Following this, the RSH has published a regulatory judgement concluding that there have been serious failings in how the Council delivered the outcomes of the Rent Standard and therefore have no assurance that the Council was previously compliant with the Act.</p> | <ul style="list-style-type: none">• Review the Regulatory Judgement issued by the RSH and assess the pervasiveness of the findings.• Review the steps taken by Management to identify impacted tenants and to ensure repayment is made. <p>Our work will focus on the arrangements established and progress made during the year to address the findings.</p> |

VFM - Executive Summary (continued)

Reporting

Our final commentary for 2023/24 is set out over pages 26 to 30. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24. We include within the VFM commentary below the associated recommendations we have agreed with the Council.

In accordance with the NAO's 2024 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this report, we have concluded that there is a significant weakness in the body's arrangements.

| Reporting Criteria | Risks of significant weaknesses in arrangements identified? | Actual significant weaknesses in arrangements identified? |
|--|---|---|
| Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services | No significant risk identified | No significant weakness identified |
| Governance: How the Council ensures that it makes informed decisions and properly manages its risks | Two significant risks of weaknesses identified: 1. Council's arrangements to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015 2. Council's failure to deliver outcomes of Rent Standards and breach of the Act | Two significant weaknesses identified. |
| 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 | No significant risk identified | No significant weakness identified |

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2024. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

During 2023/24, the Council continued to manage the impact on finances of a number of issues such as general inflation, cost of living crisis, and uncertainties in relation to the amount of funding to be received in the future.

Page 102

The final outturn on the General Fund for the year was an underspend of £6 million. This is predominantly related to costs that were budgeted for but which ultimately were not incurred. The net underspend spreads across a number of individual services and is due to varying reasons, such as increase in interest earned as a result of sustained higher interest rates and higher than anticipated cash balances to invest, support services costs which have not been fully allocated, and staff vacancies arising from recruitment difficulties.

In 2023/24, the Council have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services. The Council recognises the challenges ahead in meeting their identified base savings requirements of £11.51 million over the 5 year period to 2029/30 and produce relevant models for assessing the gaps as part of their latest Medium Term Financial Strategy. Where possible, the Council seeks to maximise savings which do not impact upon its service users, for example through making Council structures and processes more efficient, challenging existing budget underspends, and reviewing long-term capital plans. The Council sets out a plan to address this starting with delivery of £6 million of recurring savings over the next two years. These savings are to be delivered through both the Our Cambridge transformation programme and other initiatives.

At the 31 March 2024, the Council held a General Fund Reserve balance of £40.91 million and had further Earmarked General Fund Reserves of £28.92 million. The Council plans to meet some of the identified budget gap using the Council's General Fund reserves. This provides the Council with strong level of resources, in the short to medium term, if future saving requirements are not identified or achieved in the Medium-Term Financial Strategy, allowing the Council to continue to deliver services. However, without achievement of the identified level of savings in each of the financial years, the financial sustainability of the Council weakens.

The Council should continue its scenario assessment of the savings requirement and continue to identify relevant schemes to achieve the annual savings requirements to minimise the use of reserves where possible.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

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

Significant weaknesses identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2024. Our risk assessment identified two risks of significant weakness in arrangements in respect of governance.

Financial reporting and monitoring

The Council have continued to manage governance considerations in response to the present challenges such as the cost-of-living crisis, including partnering and delivery of services with other local authorities. The Council produces the Budget Setting Report in February prior to the start of the financial year, with the Medium-Term Financial Strategy updated during the year. Both documents were taken to the Strategy and Resources Scrutiny Committee before final approval at Full Council, which ensures that all Members are kept well informed of the process.

The Annual Governance Statement sets out the core governance arrangements for the year, including an Action Plan, which demonstrates how the Council's Code of Governance reflects the seven principles of good governance. The Head of Internal Audit concluded that for the 2023/24 financial year, 'Reasonable Assurance' may be awarded over the adequacy and effectiveness of the Council's overall internal control environment.

The Council did not publish its 2023/24 draft financial statements by the target date outlined in the Accounts and Audit Regulations 2015 (being the 31 May 2024). The unaudited statements were published on 28 February 2025. The Council did publish a statutory notice on its website in May 2024 as required by the A&A Regulations, setting out the reasons for not publishing the draft financial statements by the 31 May 2024. The reasons set out in the notice for the delay in publication were:

- (i) a sector-wide skills shortage, which has hampered the Council's ability to recruit appropriately qualified staff to cover the absence of key individuals in the Finance team;
- (ii) the knock-on impact of delays to the audit of the 2022/23 Statement of Accounts, which has required additional quality assurance work to be carried out prior to publication.

The issue above is evidence of weakness in proper arrangements for supporting its statutory reporting requirements and effective processes and systems for accurate and timely management and financial information.

In relation to the sub-criteria for reporting this would align to: **Governance - 'How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.'**

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (cont'd)

Significant weaknesses identified

Ensuring effective internal control process and compliance to regulatory requirements

In light of the increased oversight by Regulator of Social Housing (RSH) whereby inspections are extended to include Council's housing provision, the Council has reviewed its housing regulated activities and identified two areas where they believed that they potentially breached laws and regulations relating to rental charges on its housing stock.

These two areas are as follows:

- Affordable Rents - the Council failed to reduce affordable rents by 1% as required by the Government from 2016 to 2020 in line with the Welfare Reform and Work Act 2016
- Social Rents - the Council incorrectly de-pooled service charges for Gas Maintenance and Electrical and Mechanical Maintenance from the housing rent element

Page 104
The Council sought legal advice (including a second opinion from Counsel) to assess implications of non-compliance to the identified areas. Following confirmation of the breach, the Council self-referred itself to RSH in December 2023 citing issues relating to its historic rent setting to its housing tenants. RSH commenced responsive engagement with the Council which focused on understanding the nature of the errors made in setting the rent and the actions the Council is taking to address the issue. In July 2024, RSH published a regulatory judgement concluding that there have been 'serious failings' in how the Council has delivered the outcomes of the Rent standards and that they do not have assurance that the Council was compliant with the Welfare Reform and Work Act 2016 (the Act).

The Council included a provision of £4.37 million in the 2023/24 draft financial statements to account for the estimated rent overpayments that were refundable to tenants. A process to enable tenants to claim back an overpayment was put in place.

Therefore, in respect of 2023/24, there was evidence of a significant weakness in arrangements that:

- Could reasonably lead to significant impact on the quality and effectiveness of the service, and the body's reputation; and
- Exposes the Council to financial losses as a result of overcharging of rent and service charges, the need to repay and compensate tenants for the overcharging, along with the costs associated with investigating the issue and quantifying the sums due for repayment, as well as remedial costs to ensure Council's compliance to relevant regulations.

This indicates weakness in proper arrangements to ensure compliance with laws and regulations - specifically in relation to Housing services. In relation to the sub-criteria for reporting this would align to: **Governance - 'How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards are met.'**

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (cont'd)

Significant weaknesses identified

Conclusion: Based on the work performed, significant weaknesses were identified regarding the Council's arrangements in 2023/24 to enable it to make informed decisions and properly manages its risks. We will be reporting by exception in relation to:

- 1) The delay in publication of the Council's 2023/24 draft financial statements;
- 2) The failure to deliver outcomes of Rent Standard and breach of the Act

Recommendation: We recommend that the Council continues to re-assess roles, responsibilities and resource requirement for financial reporting, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet the requirements for publication of financial statements as set out by the Audit and Accounts Regulations.

Recommendation: We recommend that Council continues to work with the Regulator of Social Housing to deliver the improvement plan to ensure that sufficient change and improvements are being made.

Note: these recommendations are not made under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014

Value for Money Commentary (continued)

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

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2024. In 2023/24, we did not identify a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

The Council launched the 'Our Cambridge' transformation program in January 2022, which aims to deliver a more efficient approach to customer focused service delivery. The programme has already achieved a number of key successes, including:

Senior Management review: the successful transition to a flatter management structure, saving £300,000 per year, and delivering a structure that better empowers the middle leadership cohort.

City Services Group design programme (phase 1): delivered £200,000 of ongoing savings by implementing a flatter structure and making better use of digital technology.

Partnerships by default: secured £700,000 in external funding, which has been used to support projects which enable community resilience and empowerment.

The 'Corporate Plan' for 2022 to 2027, approved in February 2022, sets four key priorities in respect of climate, poverty, housing, and equality. Performance reporting is maintained against these key criteria, with regular reporting on performance and finances taken to the relevant Scrutiny committees throughout the year to continuously monitor performance. The Council also produced a separate Annual Report which shows progress against the Corporate Plan and publishes an accompanying series of Key Performance Indicators linked to this. This performance information is available to the public and allows for key information to be considered as part of decision making on service delivery.

The Council ensures that it is represented on partnership bodies by relevant senior managers or members, as required. Regular reports are brought to the relevant Scrutiny Committee for review. The council has a procurement team which provides advice and support to officers undertaking procurement activities. The team also maintain procurement guidance and templates, contract register and a separate procurement system

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



06 Appendices

Appendix A – Management representation letter

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

This letter of representations is provided in connection with your audit of the consolidated and parent financial statements of [name of entity] ("the group and Council") for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Group and Council financial position of Borough Council of King's Lynn and West Norfolk as of 31 March 2024 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx, that are free from material misstatement, whether due to fraud or error.

Appendix A – Management representation letter (cont'd)

Management representation letter

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Management Rep Letter

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

[When the comparative figures have been restated]

5. The comparative amounts have been restated to reflect the below matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and parent Authority financial statements. [Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.] There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended [date] are solely the result of reclassifications for comparative purposes.
6. [When there are no unadjusted audit differences in either the current year or in the prior year or there are no unadjusted audit differences in the current year]. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
7. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange [other than...].

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group and Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group and Council's activities, its ability to continue to operate, or to avoid material penalties;

Appendix A – Management representation letter (cont'd)

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Group and Council and committees [add the full title of the relevant committees] (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the [period] to the most recent meeting on the following date: [list date].

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council 's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with [applicable financial reporting framework].
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Appendix A – Management representation letter (cont'd)

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

8. From [the date of our last management representation letter or the beginning of the current period for initial audits] through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount
9. [When management is aware of unauthorized access to information technology systems that has a material effect on the financial statements.] We have disclosed to you and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the financial statements, including disclosures.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.

4. The claim by [name of claimant] have been settled for the total sum of XXX which has been properly accrued in the financial statements. No other claims in connection with litigation have been or are expected to be received.

E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council 's assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note [X] to the financial statements. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Note [X] to the financial statements, we have no other line of credit arrangements.

F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the [describe assertion] and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists

Appendix A – Management representation letter (cont'd)

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

G. Estimates

1. When we have identified a higher risk estimate, we include the following representation(s):
2. We confirm that the significant judgments made in making the [insert name of the accounting estimate] have taken into account all relevant information [and the effects of the COVID-19 pandemic on XXX] of which we are aware.
3. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the [insert name of the accounting estimate].
4. We confirm that the significant assumptions used in making the [insert name of the accounting estimate] appropriately reflect our intent and ability to carry out [describe the specific courses of action] on behalf of the entity.
5. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty [and the effects of the COVID-19 pandemic on XXX], are complete and are reasonable in the context of [the applicable financial reporting framework].
6. We confirm that appropriate specialized skills or expertise has been applied in making the [insert name of the accounting estimate].
7. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements [, including due to the COVID-19 pandemic].

H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

1. Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities, [continue listing as appropriate]) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
2. Matters referred to in the letters dated [date] issued to you by the Group and Council 's Monitoring Officer and the Group and Council 's legal advisor.
3. Matters referred to in the letter of comments received from the [name of regulator] regarding.....

Appendix A – Management representation letter (cont'd)

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

K. Going Concern

1. Note [X] to the financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

L. Subsequent Events

1. Other than..... described in Note [X] to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises [describe the other information applicable to the entity].
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 20xx/xx is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 20xx/xx and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

N. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.

Yours faithfully,

(Chief Financial Officer)

(Chair of the Civic Affairs Committee)

Appendix B – Fees

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.

A breakdown of our fees is shown in the table to the right.

The original fees for these years were based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council;
- ▶ The Council has an effective control environment; and
- ▶ 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 sets out what is expected of audited bodies in preparing their financial statements. These are set out in full in Appendix D.

Due to the reset, the above clearly will not be achieved and we will be liaising with PSAA Ltd to discuss and agree fees.

| | 2023/24 | 2022/23 |
|---------------------------------------|---------------|---------------|
| | £'s | £'s |
| Scale Fee - Code Work | 174,191 | 61,962 |
| Determined Scale Fee Variation | Note 1 | Note 1 |
| Total audit | Note 1 | Note 1 |
| Total other non-audit services | - | - |
| Total fees | TBC | TBC |

All fees exclude VAT

Note 1 - As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2023/24 and 2022/23 audits.

In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Appendix C – Required communications with the Audit Committee

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

| Our Reporting to you | | |
|-------------------------------------|---|--|
| Required communications | What is reported? | 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. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Our responsibilities | Reminder of our responsibilities as set out in the engagement letter | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Planning and audit approach | <p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>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</p> | This Audit Completion Report for Those Charged with Governance |
| Significant findings from the audit | <ul style="list-style-type: none"> ▶ 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 ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process | This Audit Completion Report for Those Charged with Governance |

Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

| Required communications | What is reported? | When and where |
|-------------------------|--|--|
| Going concern | <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | This Audit Completion Report for Those Charged with Governance |
| Misstatements | <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management | This Audit Completion Report for Those Charged with Governance |
| Fraud | <ul style="list-style-type: none"> ▶ 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, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ 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 | This Audit Completion Report for Those Charged with Governance |

Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

| Required communications | What is reported? | When and where |
|-------------------------|--|--|
| Related parties | <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity | This Audit Completion Report for Those Charged with Governance |
| Independence | <ul style="list-style-type: none"> ▶ 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: <ul style="list-style-type: none"> ▶ 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 ▶ Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. | This Audit Completion Report for Those Charged with Governance |

Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

| Required communications | What is reported? | When and where |
|---------------------------------------|---|--|
| External confirmations | <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures | This Audit Completion Report for Those Charged with Governance |
| Consideration of laws and regulations | <ul style="list-style-type: none"> ▶ 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 | This Audit Completion Report for Those Charged with Governance |
| Internal controls | <ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit | This Audit Completion Report for Those Charged with Governance |
| Group audits | <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements | This Audit Completion Report for Those Charged with Governance |

Appendix C – Required communications with the Audit Committee (cont'd)

| | | Our Reporting to you |
|--|--|--|
| Required communications | What is reported? | When and where |
| Representations | Written representations we are requesting from management and/or those charged with governance | This Audit Completion Report for Those Charged with Governance |
| System of quality management | How the system of quality management (SQM) supports the consistent performance of a quality audit | This Audit Completion Report for Those Charged with Governance |
| Material inconsistencies and misstatements | Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | This Audit Completion Report for Those Charged with Governance |
| Auditors report | ► Any circumstances identified that affect the form and content of our auditor's report | This Audit Completion Report for Those Charged with Governance |
| Value for Money | Value for Money commentary. | This Audit Completion Report for Those Charged with Governance |

Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics](#) (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

Appendix D - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

Appendix E- Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|---|---|
| How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them | <p>The Council produce the Budget Setting Report (BSR) in February prior to the start of the financial year. Medium-term planning (or a three- to five-year planning system) involve a planning cycle in which managers develop their own plan considered, specific budget approval for all expenditure. As each year passes, another future year will be added to the Medium-Term Financial Strategy (MTFS). This ensures that the Council is always preparing for events in advance. Senior Leadership and the Executive are involved throughout the Budget setting process, ensuring that priorities are considered and relevant financial pressures are taken into account. It is presented to the Strategy and Resources Scrutiny Committee before being taken to the Full Council for approval each February. The Council prepares a capital strategy alongside the revenue budget for the same time period, with the revenue implications of the capital strategy included within the revenue budget. The Council takes into account all the expected financial pressures based on the available information.</p> |
| How the body plans to bridge its funding gaps and identifies achievable savings | <p>The five-year funding gap is reassessed each year through the MTFS, subject to uncertainties such as the local government finance settlement, political and economic challenges. Sensitivities are considered in this process. In previous years the council has undertaken a series of service reviews to achieve the necessary savings and provide the necessary headroom to fund its priorities. The Council considers a number of scenarios to assist with financial planning. The Council approved the commission of the Our Cambridge Transformation and Recovery Programme within MTFS. It is a long-term programme of transformation, incorporating savings and income generation, which will require an on-going focus on delivery.</p> <p>At the 31 March 2024, the Council held a General Fund Reserve balance of £40.91 million and had further Earmarked General Fund Reserves of £28.92 million. The Council plans to meet some of the identified budget gap using the Council's General Fund reserves. This provides the Council with strong level of resources, in the short to medium term, if future saving requirements are not identified or achieved in the Medium-Term Financial Strategy, allowing the Council to continue to deliver services. However, without achievement of the identified level of savings in each of the financial years, the financial sustainability of the Council becomes more fragile.</p> |
| How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities | <p>The budget setting process allows for the consideration of budget changes service by service, based on how the changes support the council's priorities and impact service delivery. Each budget proposal is supported by narrative which explains the context of the proposal and its impact. Capital proposals are supported by a summary business case. The latest MTFS identified a five-year net new savings requirement of £11.5 million. The 2024/25 BSR includes measures which, if approved, will reduce this requirement by around half (£5.7 million). The savings arise from a combination of efficiencies, changes to services, increases to fees and charges, and a review of the council's 10-year capital forecasts. The savings requirement has also been impacted by changes to assumptions around local government funding and future business rates. The Council's Corporate Plan 2022-2027, approved in February 2022, sets out four key priorities to address these challenges and deliver the council's vision of 'One Cambridge, Fair for All'. It describes what success will look like and includes performance indicators to measure progress.</p> |

Appendix E - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|---|---|
| How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system | The Council have a number of joint arrangements in place with other local councils to achieve effectiveness and efficiency of service delivery. Finances are planned through the Medium-Term Financial Strategy and budget setting processes. The Council's Corporate Plan is presented and approved alongside the budget, the Treasury Management Strategy and the Capital Strategy in February each year. This sets out the wider objectives of the Council in respect of service delivery. |
| How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans | <p>Budget holders and Heads of Service are responsible for delivering services within allocated budgets, and Heads of Service review financial and performance monitoring reports. Throughout the year, the Senior Leadership Team receive financial reports which identify and explain significant forecast outturn variances and summarise the impact on the overall financial position. Where concerns are identified these are actioned to ensure that the final outturn is consistent with the financial sustainability plans set out in the MTFS. The MTFS sets out risks and uncertainties that could impact the Council's financial position.</p> <p>Every year the MTFS is updated to incorporate the new challenges and pressures. Additional sensitivity analysis provided in the budget setting report to assess the impact of changes under various scenarios (e.g. Council tax, Developer contributions, Housing benefits) and to set out a guide to the effect of changes to the major cost elements and funding streams. Budget Setting Report includes "Performance against savings target" details with the reasons to explain the changes.</p> |

Page 123

Appendix E - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|--|--|
| How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud | The Council maintains risk registers covering corporate, service, shared service and project risks. These are reviewed by Senior Management, the Shared Services Board and programme and project boards as appropriate. The Chief Financial Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy. Internal Audit undertakes a programme of annual risk-based reviews and provides assurance to the Civic Affairs Committee. The Civic Affairs Committee also receives an Annual Report on the anti-fraud work of Internal Audit and the fraud team within the Revenues and Benefits Service. |
| How the body approaches and carries out its annual budget setting process | <p>The Council produce the Budget Setting Report in February prior to the start of the financial year. The Medium-Term Financial Strategy is then updated during the year. Senior Leadership and the Executive are involved throughout the Budget setting process, ensuring that priorities are considered and relevant financial pressures taken into account. The Medium-Term Financial Strategy and Budget are taken to Strategy and Resources Scrutiny Committee before approval at Full Council.</p> <p>The Leader will set a timetable for strategy proposals, including consultation plans, with input on methods from Scrutiny Committees. Scrutiny Committees review reports outlining strategies and consultation before executive decision-making. Executives consider any committee recommendations, then submit final proposals to the Council via the Chief Executive. The Executive discusses the Medium-Term Financial Strategy (MTFS) and strategic budget, followed by scrutiny and public consultation. The Strategy and Resources Scrutiny Committee reviews the draft budget, providing feedback to the Executive and Council. The final budget, incorporating public and committee input and the Council's Section 151 Officer's advice, is approved by the Council with potential amendments.</p> <p>Capital programme controls include full council approval for capital expenditure, Section 151 Officer's sanction on capital schemes, and Capital Programme Board approval before budget approval processes. Council members can speak at these meetings.</p> |

Appendix E - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|--|--|
| How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed | <p>The Council operates a modern, cloud-based financial management system. This enables budget holders to review their budgets on screen and regularly update their forecast spend. Budget holders are supported and challenged in this by Service Accountants. Internal Audit review aspects of the system of financial control on a rolling basis and report their findings to the Civic Affairs Committee as part of their annual Internal Audit reporting programme.</p> <p>The Council's Section 151 Officer is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the full council for approval and is also responsible for reporting, where appropriate, breaches of the financial regulations to the council and/or to the executive. The monitoring officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the full council and/or to the executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively.</p> <p>In the 2023/24 financial year, the Council was unable to publish its draft financial statements by the target date outlined in the Accounts and Audit Regulations 2015 (being the 31 May 2024). The unaudited statements were published 28 February 2025 due to issues noted within the Statutory notice published on Council's website. (i) a sector-wide skills shortage, which has hampered the Council's ability to recruit appropriately qualified staff to cover the absence of key individuals in the Finance team (ii) the knock-on impact of delays to the audit of the 2022/23 financial statements, which has required additional quality assurance work to be carried out prior to publication.</p> <p>Given the delay to the publication of the draft financial statements in 2023/24, we have determined that there was a significant weakness in the governance criteria and the Council's arrangements in place to address the issues arising.</p> |
| How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee | <p>The Council adopts a decision-making process based on a committee system. Council meetings are open to the public and Councillors decide overall policies and set the budget each year.</p> <p>Decision-making processes and delegations are set out within the Constitution and Financial Regulations for all Committees, as well as decision making that is delegated to Council Officers. Where formal decisions are required they are pre-scrutinised by the appropriate scrutiny committee in advance of presentation to Full Council. This ensures that the necessary information is provided and that recommendations can be challenged before decisions are made.</p> |

Appendix E - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|---|--|
| How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests) | <p>The Council maintains appropriate Registers of Gifts and Hospitality, and guidance is provided on the Council's intranet. Any matters, for example from whistle-blowing processes or complaints, are investigated in accordance with agreed processes and/or referred to Internal Audit or the Monitoring Officer, as appropriate. Councillors are required to complete and update the Council's Registers of Interest which are available on the Council's public website.</p> <p>Councillors must adhere to a Code of Conduct that outlines acceptable behaviours and Council dealings. They are required to declare their employment, financial interests, and maintain confidentiality, among other ethical rules. The Code mandates registering interests, owning land, affiliating with organizations, and reporting any gifts or hospitality. These disclosures are accessible on each Councillor's page under "Members Interests" and "Gifts and Hospitality." All related regulations are embedded in the Council's Constitution.</p> <p>In December 2023, the Council has self-referred to the Regulator of Social Housing (RSH) identifying issues in rent setting. Following this, the RSH has published a regulatory judgement in July 2024 concluding that there have been serious failings in how the Council delivered the outcomes of the Rent Standard and therefore have no assurance that the Council was previously compliant with the Welfare Reform and Work Act 2016. The Council included a provision of £4.37 million in the 2023/24 draft financial statements to account for the estimated rent overpayments refundable to tenants.</p> <p>Therefore, in respect of 2023/24, there was evidence of a significant weakness in arrangements that:</p> <ul style="list-style-type: none">• Could reasonably lead to significant impact on the quality and effectiveness of the service, and the body's reputation; and• Exposes the Council to financial losses as a result of overcharging of rent and service charges, the need to repay and compensate tenants for the overcharging, along with the costs associated with investigating the issue and quantifying the sums due for repayment, as well as further remedial costs to ensure Council's compliance to relevant regulations. <p>This indicates significant weakness in proper arrangements due to non-compliance with laws and regulations - specifically in relation to housing services.</p> |

Appendix E - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|---|---|
| How financial and performance information has been used to assess performance to identify areas for improvement | The Council's Corporate Plan 2022-2027, approved in February 2022, sets out four key priorities to address these challenges and deliver the Council's vision of 'One Cambridge, Fair for All'. It describes what success will look like and includes performance indicators to measure progress. Regular reporting of performance and financial is undertaken. As part of this, the Council consider the delivery of services and the Council priorities and previous performance. The Council, Executive & Scrutiny Committees receive a variety of performance based reports throughout the year to continuously monitor performance. The Annual Report sets out the performance against the Council's priorities and Annual Governance Statement set out the review of performance for the year. |
| How the body evaluates the services it provides to assess performance and identify areas for improvement | The Corporate Plan sets out key performance indicators for the Council's objectives, and provision of services are assessed against these objectives. The Annual Report sets out the performance against the Council's priorities and Annual Governance Statement set out the review of performance for the year. The nature of monitoring therefore is dependent on the nature of the service provided and the key performance indicators monitored. The Narrative Report sets out a review of achievements against the corporate plan. |

Appendix E - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

| Reporting criteria considerations | Arrangements in place |
|---|---|
| How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve | <p>The Council ensures that it is represented on partnership bodies by relevant senior managers or members, as required. Regular reports are brought to the relevant Scrutiny Committee for review, for example on shared services and work with the Combined Authority. Other key partnerships include the Greater Cambridge Partnership, where the Council have a nominated member who sits on the Executive Board for key decision making at the partnership.</p> <p>The Council's Section 151 Officer oversees effective controls to prevent resource waste, maintains a contract register, performs risk assessments before agreements, ensures proper accounting for partnerships, and considers governance and legal issues in external contracts. Directors/Assistant Directors must secure approvals prior to finalizing negotiations with external parties.</p> |
| How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits | <p>The Council has a procurement team which provides advice and support to officers undertaking procurement activities. The team also maintain procurement guidance and templates, the contract register and a separate procurement system. Internal Audit also review procurements as part of their Internal Audit plan. In accordance with the Constitution, significant procurements must be approved by the Executive Councillor following scrutiny at the relevant committee. The Monitoring Officer has overall responsibility for ensuring the Council complies with relevant laws and regulations.</p> <p>Each Director and Head of Service is responsible for ensuring that his/her department complies with Contract Procedure Rules, the Financial Regulations and all applicable legislation. They must ensure that procurement requirements are appropriately planned, reported, monitored and awarded. They may delegate the practical elements of the processes to competent personnel within their departments, who are then equally responsible for ensuring these Rules are adhered to.</p> |

Appendix F – Summary of recommendations

Recommendations

The table below sets out the recommendations arising from the value for money work in the year covered in this report (2023/24). All recommendations have been agreed by Management.

| Issue | Recommendation | Management response |
|--|--|---------------------|
| Governance: How the Council ensures that it makes informed decisions and properly manages its risks. | Recommendation: We recommend that the Council continues to re-assess roles, responsibilities and resource requirement for financial reporting, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and the requirements of the Audit and Accounts Regulations. | |
| | Recommendation: We recommend that Council continues to work with the Regulator of Social Housing to deliver the improvement plan to ensure that sufficient change and improvements are being made. | |

Appendix G – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. 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.

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[To be prepared on the entity's letterhead]

[Date]

Mark Hodgson

Ernst & Young
One Cambridge Square
Cambridge
CB4 0AE

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of *[name of entity]* ("the Group and [the Group and Council/Authority]") for the year ended *[balance sheet date]*. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the [the Group and Council/Authority] financial position of *[name of entity]* as of *[balance sheet date]* and of its income and expenditure for the year then ended in accordance with [CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx.
2. We acknowledge, as members of management of the [the Group and Council/Authority], our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the [the Group and Council/Authority] in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the [the Group and Council/Authority], we believe that the [the Group and Council/Authority] has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx, that are free from material misstatement, whether due to fraud or error.
5. ***[When there are unadjusted audit differences in the current year]*** We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement]

[When the comparative figures have been restated]

The comparative amounts have been restated to reflect the below matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and parent Authority financial statements. *[Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.]* There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended [date] are solely the result of reclassifications for comparative purposes.

6. ***[When there are no unadjusted audit differences in either the current year or in the prior year or there are no unadjusted audit differences in the current year, and we determine that the current year effects of correcting prior year differences are not significant to the current year]***. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
7. We confirm the [the Group and Council/Authority] does not have securities (debt or equity) listed on a recognized exchange [other than...].

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the [the Group and Council/Authority]'s activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. *[When management is aware of the occurrence of non-compliance with laws or regulations, or has received allegations of non-compliance with laws and regulations.]* We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the [the Group and Council/Authority] (regardless of the source or form and including, without limitation, allegations by “whistleblowers”) including non-compliance matters:
 - involving financial improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the [the Group and Council/Authority]’s financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the [the Group and Council/Authority]’s activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.
5. *[When management is not aware of the occurrence of non-compliance with laws and regulations, and has not received allegations of non-compliance with laws and regulations]* We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the [the Group and Council/Authority] (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
 - involving financial improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the [the Group and Council/Authority]’s financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the [the Group and Council/Authority]’s activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or

- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the [the Group and Council/Authority] and committees *[add the full title of the relevant committees]* (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the *[period]* to the most recent meeting on the following date: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the [the Group and Council/Authority]'s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with [applicable financial reporting framework].
6. We have disclosed to you, and the [the Group and Council/Authority] has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From [the date of our last management representation letter or the beginning of the current period for initial audits] through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory

agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

8. *[When management is aware of unauthorized access to information technology systems that has a material effect on the financial statements.]* We have disclosed to you and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the financial statements, including disclosures.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.
4. The claim by *[name of claimant]* have been settled for the total sum of XXX which has been properly accrued in the financial statements. No other claims in connection with litigation have been or are expected to be received.

E. Ownership of Assets

1. Except for assets capitalised under finance leases, the [the Group and Council/Authority] has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the [the Group and Council/Authority]'s assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note [X] to the financial statements. All assets to which the [the Group and Council/Authority] has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Note [X] to the financial statements, we have no other line of credit arrangements.

F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the *[describe assertion]* and have adequately considered the qualifications of the

specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

G. Estimates

1. We confirm that the significant judgments made in making the *[insert name of the accounting estimate]* have taken into account all relevant of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the *[insert name of the accounting estimate]*.
3. We confirm that the significant assumptions used in making the *[insert name of the accounting estimate]* appropriately reflect our intent and ability to carry out *[describe the specific courses of action]* on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty, are complete and are reasonable in the context of *[the applicable financial reporting framework]*.
5. We confirm that appropriate specialized skills or expertise has been applied in making the *[insert name of the accounting estimate]*.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements.
7. *[When estimates have been identified that do not meet the recognition or disclosure criteria of the applicable financial reporting framework]*. We confirm that the recognition and/or disclosure criteria within *[applicable financial reporting framework]* have not been met with respect to the accounting estimate for *[describe accounting estimate]* and accordingly we have *[not recognized the estimate in the financial statements / disclosed the existence in the notes to the financial statements but not recorded the estimate in the accounting records]*.

H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as

the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

1. Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities, [continue listing as appropriate]) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
2. Matters referred to in the letters dated [date] issued to you by the [the Group and Council/Authority]'s Monitoring Officer and the [the Group and Council/Authority]'s legal advisor.
3. Matters referred to in the letter of comments received from the [name of regulator] regarding
4.

K. Going Concern

1. Note [X] to the financial statements discloses all the matters of which we are aware that are relevant to the [the Group and Council/Authority]'s ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

L. Subsequent Events

1. Other than..... described in Note [X] to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

M. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.
3. We confirm that entities excluded from the Group financial statements are immaterial on a quantitative and qualitative basis.

M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises [describe the other information applicable to the entity].

2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 20xx/xx is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 20xx/xx and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

N. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered [*include the following language when climate-related commitments have been made:*, including the impact resulting from the commitments made by the [the Group and Council/Authority],] and reflected in the financial statements.

Yours faithfully,

(Chief Financial Officer)

(Chairman of the Civic Affairs Committee)

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