

**REPORT TITLE: Statement of Accounts 20203/24**

**To:**

Civic Affairs Committee (12/05/2025)

**Report by:**

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**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](mailto:Francesca.griffiths@cambridge.gov.uk)