


REPORT TITLE: Statement of Accounts 2024/25

To: Civic Affairs and Audit Committee (23/02/2026)

Report by:

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Wards affected:

All

Director Approval: Jody Etherington confirms that the report author has sought the advice of all appropriate colleagues and given due regard to that advice; that the equalities impacts and other implications of the recommended decisions have been assessed and accurately presented in the report; and that they are content for the report to be put to the Committee for decision.

1.	Recommendations
1.1	<p>It is recommended that the Civic Affairs and Audit Committee:</p> <ol style="list-style-type: none"> 1. Notes the contents of the EY Audit Results Report 2024/25. 2. Approves the Statement of Accounts for the year ended 31 March 2025, 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 2025 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 and Audit 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 2024/25. 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.	Alternative options considered
3.1	The Committee could choose not to approve the accounts, but this would mean missing the backstop date for publication of audited accounts.
4.	Background and key issues
4.1	As the Committee has previously been advised, following several years of delays to the publication and audit of Statements of Accounts across the local government sector in England, the government 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.
4.2	Draft unaudited accounts for 2024/25 were published on 30 June 2025. The backstop date for audited 2024/25 accounts is 27 February 2026. If the Statement of Accounts are approved at this meeting, then the Council will be able to meet this deadline.
4.3	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 7.3 of this report and are highlighted in yellow in the accounts.
4.4	The audit process is almost complete and the Audit Results Report is attached at Appendix 2. As the assurance rebuilding process will inevitably take a number of years, EY are providing a disclaimed opinion with details of progress made since the audit of the 2023/24 accounts.
4.5	The 2024/25 accounts were prepared by the Chief Accountant who was then on long-term leave during the audit period. A member of staff has been acting up in this role and has been learning through this process. Moreover, a team leader left in the summer and the team was not back to full strength until January 2026. The staffing changes did result in delays in responding to audit requests, but valuable experience has been gained so

	that the audit will be smoother next year.
5.	Council Financial Results for 2024/25
5.1	The Council's financial performance is summarised in the main financial statements.
5.2	The Movement in Reserves Statement on Page 21 of the accounts shows an overall decrease in the Council's usable reserves of £1.5 million to £116 million. The movement in usable reserves includes net decreases of £2.6 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 an increase of £1.1 million.
5.3	General Fund unallocated reserves decreased by £22 million to £18.9 million, mainly as a result of the transfer of £23.8 million to the Civic Quarter reserve. This meant that General Fund earmarked reserves increased by £23.2 million to £52.3 million. The General Fund earmarked reserves include £11.3 million set aside for future capital development.
5.4	HRA unallocated reserves remained stable at a total of £7.6 million. HRA earmarked reserves decreased by £0.1 million to £2.7 million.
5.5	A more detailed analysis of the movement of both General Fund and HRA earmarked reserves is shown in Note 13 to the Statement of Accounts.
5.6	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.
5.7	The Comprehensive Income and Expenditure Statement on Page 20 of the accounts shows a net surplus on provision of services (measured according to proper accounting practice) of £4.1 million, compared to a net deficit of £13.8 million in 2023/24. The most significant changes year-on-year were: <ul style="list-style-type: none"> • Revaluation losses of £21.9 million were charged to HRA expenditure in respect of council dwellings, compared with losses of £41 million in 2023/24. 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. Under accounting standards, these figures relate only to the element of

	<p>revaluation gain / loss which is not a reversal of revaluation gains in previous years, therefore they will not agree with the figures at paragraph 5.8 which show the total revaluation movement on all council dwellings since 31.3.24).</p> <ul style="list-style-type: none"> • Revaluation gains of £4.9 million were credited to income in respect of investment properties, compared with gains of £6.0 million in 2023/24. 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 2024/25 was £5.9 million compared with £7.8 million in 2023/24. This is due to the reduction in interest rates during 2024/25 and the use of surplus cash to finance the capital programme through internal borrowing, which avoids the cost of interest on external borrowing. • The Council received interest of £1.1 million on the net defined benefit pension asset in 2024/25, compared with £0.5 million in 2023/24 • Financing and investment expenditure includes £0.6 million gains on the fair value of financial instruments (relating to an increase in the valuation of the Council's investment in a Pooled Property Fund), compared with losses of £0.3 million in 2024/25.
5.8	<p>The Balance Sheet details the value of the Council's assets and liabilities. The Council's total net assets have decreased by £46.6 million, to £1,060.6 million. Key movements to note include:</p> <ul style="list-style-type: none"> • A decrease in short term investments of £33.5 million. The Council has used available cash to fund capital expenditure in 2024/25. • There were additions of £100.8 million to property, plant and equipment; of which £38.9 million related to council dwellings, £58.3 million to assets under construction and £3.5 million to other property, plant and equipment. • Net revaluation losses of £23.4 million on property, plant and equipment, consisting of a net loss of £22 million on council dwellings and a net loss of £1.5 million on other land and buildings. • Net revaluation gains of £4.9 million on investment properties, consisting of a gain of £0.4 million on the central Cambridge shopping centre portfolio, and a net gain of £4.5 million on other investment properties.

6.	Group Financial Statements for 2024/25
6.1	The Group Financial Statements consolidate the performance of the Council with its subsidiary (Cambridge City Housing Company), and the Cambridge Investment Partnership (CIP) entities.
6.2	The accounts of the Cambridge City Housing Company (CCHC) show a profit for the year of £94k. 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 £205k.
6.3	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 £156k (£6k profit in 2023/24) and Mill Road posted a profit of £427k (£14k in 2023/24). Cromwell Road posted a loss of £6k (£2.7 million profit in 2023/24), reflecting the fact that the development is complete. Orchard Park L2 reported a profit of £0.2 million (£0.3 million in 2023/24).
6.4	The Council's share of the net assets of the joint venture entities totals £0.4 million, compared with £0.7 million in 2023/24.
7.	Audit Results for 2024/25
7.1	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 Results Report is attached at Appendix 2. A representative from EY will be present at the committee meeting to discuss their report.
7.2	EY propose to issue a disclaimed audit opinion on the Council's financial statements for 2024/25. This was anticipated in advance of the audit due to the disclaimed opinion in 2023/24 and the assurance build-back process which is necessary to return the accounts to a clean opinion position over a period of several years.
7.3	A small number of adjustments have been made to the published draft Statement of Accounts following the audit process. <ul style="list-style-type: none"> • Land values for property, plant and equipment (PPE) which were not updated in the

	<p>fixed asset register have been added to the total PPE balance, increasing it by £10.61 million</p> <ul style="list-style-type: none"> • Land values for property, plant and equipment (PPE) for two assets where the land was not owned by the Council were removed from the total PPE balance, decreasing it by £6.78 million. • The fair value for one investment property which was revalued in 2024/25 but not updated in the fixed asset register was added to the total investment property balance, increasing it by £0.395 million. • The fair value for one investment property which was revalued in 2024/25 but where the valuer's valuation was not accurate was corrected, decreasing the total investment property balance by £0.19 million.
7.4	<p>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.</p>
7.5	<p>EY's (VFM) work is now complete and the following two significant weaknesses that were identified in 2023/24 have now been removed:</p> <ul style="list-style-type: none"> • 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. <p>The Council has therefore made progress since the 2023/24 financial statements, where EY were unable to carry out a full audit and could provide no assurance on the accounts. The summary of assurances on page 44 of EY's report shows that they have been able to gain substantial or partial assurance on a number of key areas of accounts for 2024/25. However, one new significant weakness was identified as a result of the audit in relation to the capacity and capability of the finance team to support the delivery of the 2024/25 audit. This was a result of the staffing issues mentioned in paragraph 4.5. With the exception of the ongoing long-term leave, the team is now up to full strength. Further training of key staff has already been undertaken to improve capability and more training is planned before year end.</p>
7.6	<p>EY will be modifying their opinion on the Council's financial statements for 2024/25 to reflect the significant weakness identified as part of their VFM work.</p>

7.7 In Section 6 of their report (Pages 33 to 36), EY give their assessment of the control environment, set out their control observations and make some recommendations for improvement. The proposed management response to these recommendations are set out below:

EY Control Observation	Management Response
Delays in receiving key working papers	<p>Management acknowledges that delays occurred in responding to certain audit requests. In several cases, the format of the request contributed to response times, particularly where proof of payment was sought for individual items embedded within very large BACS files. Clarification was required to determine the appropriate method of evidencing these transactions, including whether to provide disaggregated extracts, controlled read-only access to the finance system, or guided system walkthroughs. Despite this, the majority of evidence was supplied, with only a small proportion delayed due to staff turnover and operational pressures. We will work with EY in advance of next year's audit to ensure early understanding of their working paper requirements and put in place an action plan to ensure delivery of these.</p>
Property, Plant & Equipment (PPE) valuation agreement to Fixed Asset Register (FAR)	<p>Management acknowledges the audit finding that several land asset values were not updated in the Fixed Asset Register (FAR), resulting in incorrect valuations and associated revaluation movements at 31 March 2025. This issue arose from system limitations and historic manual update processes. The affected assets have now been reviewed and corrected. Processes have been strengthened to ensure valuation updates are captured promptly and consistently, supported by additional review checks to confirm accuracy before year-end. Management is committed to ensuring the FAR reliably reflects all valuation movements and to preventing recurrence in future years. A second review checkpoint has been introduced to ensure valuation movements—particularly for land—are verified and reflected in both systems before final accounts preparation.</p>

	<p>Debtors and Creditors Listing</p>	<p>Management acknowledges the audit finding regarding the inclusion of opening balances within the debtors (£17.22m) and creditors (£43.28m) listings as at 31 March 2025. These balances reflected historic items that could not be fully cleansed within the audit timeframe due to the scale of the listings, the age of certain entries, and the level of manual review required. While efforts were made to validate and clear older balances, some items required further investigation or historic supporting information that was not readily accessible, particularly where staff turnover had impacted knowledge of legacy transactions. Management did, however, provide explanations and supporting detail for current-year balances and for the majority of material items. Finance team will undertake a comprehensive review and cleansing of all historic debtors and creditors entries, prioritising aged balances and legacy items and improving system reporting to meet the audit requirements and standards.</p>
	<p>Agreement of Fixed Asset Register (FAR) to Property, Plant and Equipment (PPE) Note within the financial statements</p>	<p>Management acknowledges the audit finding. This issue arose from system limitations and historic manual update processes. Processes have been strengthened to ensure valuation updates are captured promptly and consistently, supported by additional review checks to confirm accuracy before year-end. Management is committed to ensuring the FAR reliably reflects all valuation movements and to preventing recurrence in future years. A second review checkpoint has been introduced to ensure valuation movements—particularly for land—are verified and reflected in both systems before final accounts preparation.</p>
	<p>Bank reconciliation</p>	<p>Management acknowledges the audit findings and the concerns raised in relation to the lack of supporting documentation for the £2.8m reconciling item. Upon notification, the Finance Team commenced a detailed internal review to reconstruct the reconciliation and identify the underlying transactions associated with this balance. This work included a review of all available bank statements, general ledger postings, and associated schedules for the relevant period, alongside</p>

		<p>engagement with service areas to investigate potential matches. However, the findings in the investigations were not conclusive to evidence the appropriateness of the original accounting treatment. Monthly reconciliation procedures have been strengthened, with improvements to quality checks, supervision, and escalation arrangements, meaning that all reconciling items in the monthly bank reconciliations during 2025/26 have supporting documentation. We note on Page 47 of the report that audit completed all planned procedures on the cash flow statement to confirm that the cash position was correct as reported.</p>
	<p>Valuation of Investment Properties and Right of Use Assets</p>	<p>Management acknowledges the audit finding concerning the lack of clear explanation and corroborating evidence for certain assumptions used by the Valuer, as well as the discrepancies noted between the rent schedules provided by the Council and the rental information used within the Valuer's calculations. Certain valuation assumptions (including yield assumptions, discount rates, lease terms, and market rent estimates) were not fully documented or supported in a manner sufficient for audit evidence. A more robust review process is being introduced, requiring Finance and Property Services to jointly verify the inputs and outputs of the valuation models and to challenge assumptions where necessary.</p>
7.8		<p>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.'</p>
7.9		<p>A draft Letter of Representation has been provided at the end of the Audit Results Report in Appendix 2. EY will be present at the meeting to answer any questions.</p>

8.	Corporate plan
8.1	<p>Approval of the annual accounts forms part of delivering Priority 4 of the Corporate Plan “Modernising the council to lead a greener city that is fair for all.” The plan can be found at:</p> <p><u>Corporate plan 2022-27: our priorities for Cambridge - Cambridge City Council</u></p>
9.	Consultation, engagement and communication
9.1	<p>As required by statute, the public were given the opportunity to inspect the draft accounts and supporting documents and to ask the auditor questions about the accounts, during the period 1 July to 11 August 2025. There is nothing to report arising from this exercise.</p>
10.	Anticipated outcomes, benefits or impact
10.1	<p>Approving the 2024/25 accounts would enable the Council to meet the backstop date set by government and to move ahead in preparing the 2025/26 accounts.</p>
11.	Implications
11.1	Relevant risks
	<p>There are financial and legal implications arising from the accounts and audit process as set out below.</p>
	Financial Implications
11.2	<p>An update on the audit fee for 2024/25 is set out on Page 41 of the Audit Results Report. The scale fee for 2024/25 is £200,163. The 2024/25 work is substantially complete, the auditors will consider the additional resource to complete the audit and this assessment will be discussed with management prior to making a final fee proposal. It should be noted that a final fee proposal will not be provided until any outstanding audit work is complete.</p>

	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
11.3	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
11.4	None identified
	Net Zero Carbon, Climate Change and Environmental implications
11.5	None identified
	Procurement Implications
11.6	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
11.7	None identified
12.	Appendices
12.1	<ol style="list-style-type: none"> 1. Statement of Accounts 2024/25 2. EY Audit Results Report and Draft Letter of Representation
	If you have a query on the report please contact Matthew Fernandez-Graham, Head of Finance, tel: 01223 458134, email: matthew.fernandezgraham@cambridge.gov.uk