

Cambridge City Council

Auditor's Annual Report
Year ended 31 March 2025

9 March 2026



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

9 March 2026

Dear Civic Affairs and Audit Committee

2024/25 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Cambridge City Council. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2024/25.

This report is intended to draw to the attention of the Cambridge City Council to any relevant issues arising from our work up to the date of issuing the report. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the Civic Affairs and Audit Committee meeting on 22 June 2026.

The [EY UK 2025 Transparency Report | EY – UK](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 30 June 2025.

Yours faithfully

Mark Hodgson

Partner, For and on behalf of Ernst & Young LLP

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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.psa.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 and Audit 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 and Audit 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 and Audit 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

Purpose

The Auditor's Annual Report summarises the year's audit work, including Value for Money commentary and confirmation of the financial statement opinion. It also references any use by the auditor of their additional powers and duties under the Local Audit and Accountability Act 2014. In line with the NAO Code of Audit Practice 2024 ("the 2024 Code") and Auditor Guidance Note 03 (AGN 03), this report provides an overview to Cambridge City Council and the public, detailing current recommendations and a review of prior years' actions, including our assessment of whether they have been satisfactorily implemented.

Auditors must issue their draft Auditor's Annual Report to those charged with governance by 30 November each year, reflecting the audit position and Value for Money assessment at that time, even if the 2024/25 audit is ongoing. We issued our draft Auditor's Annual Report as required on the 17 November 2025.

Responsibilities of the appointed auditor

We completed our 2024/25 audit work in accordance with the Audit Plan that we issued on 28 April 2025. We have complied with the 2024 Code, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the year; and
- have been prepared properly in accordance with the relevant accounting and reporting framework.

Reporting by exception:

- if the Annual Governance Statement does not comply with relevant guidance or is not consistent with our understanding of the Cambridge City Council;
- the use of additional powers and duties, for example making written recommendations under Section 24 and Schedule 7 of the Act or making a report in the public interest; and
- if we identify a significant weakness in the Cambridge City Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for the preparation of the financial statement, including the narrative statement and governance statement, in accordance with the CIPFA Code and for having internal controls in place to ensure these financial statements are free from material error. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (cont'd)

2024/25 conclusions

<p>Financial statements</p>	<p>As reported in our 2023/24 Audit Completion Report, issued on 01 May 2025, we issued a disclaimer of opinion on the Council's 2023/24 financial statements under the arrangements to reset and recover local government audit.</p> <p>In 2024/25, we continued to audit the closing Balance Sheet and in-year transactions. Although the level of assurance gained has increased from 2023/24, we were not able to obtain sufficient evidence to have reasonable assurance over all in-year movements and closing balances.</p> <p>As a result of the disclaimer of opinion on the 2023/24 financial statements, we did not have assurance over brought forward balances from 2023/24 (the opening balances). This means we did not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also did not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements.</p> <p>Taken together with the requirement to conclude our work by the 2024/25 back stop date, the lack of evidence over these movements and balances mean we were unable to conclude that the 2024/25 financial statements were free from material and pervasive misstatement of the financial statements.</p> <p>We therefore issued a disclaimer of opinion on the 2024/25 financial statements on the 24 February 2026.</p>
<p>Going concern</p>	<p>Where a disclaimer of opinion is issued on the financial statements, we do not conclude on whether the use of the going concern basis of accounting is appropriate.</p>
<p>Consistency of the other information published with the financial statements</p>	<p>Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.</p>

Executive Summary (cont'd)

2024/25 conclusions (cont'd)

Value For Money (VFM)	We identified a significant weakness that impacted on one VFM criteria and therefore reported by exception on the Council's VFM arrangements. We reported this as an 'Other matters' within our Audit Report issued on the 24 February 2026. We have included our VFM commentary in Section 03.
Consistency of the Annual Governance Statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We confirm that we have not used our auditor powers in respect of the 2024/25 financial year.
Whole of Government Accounts	<p>We submitted the Auditor Assurance statement to the NAO at the time we issued our Audit Opinion.</p> <p>We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO have not yet confirmed the final reporting position and whether any questions will be raised on individual returns.</p> <p>We cannot issue our Audit Certificate until these procedures are complete.</p>
Certificate	We will issue our Audit Certificate either as part of our audit report or, if later, upon receipt of confirmation from the NAO that no further procedures will be requested in relation to the Council's Whole of Government Accounts submission.

Executive Summary (cont'd)

Value For Money scope

Under the 2024 Code, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

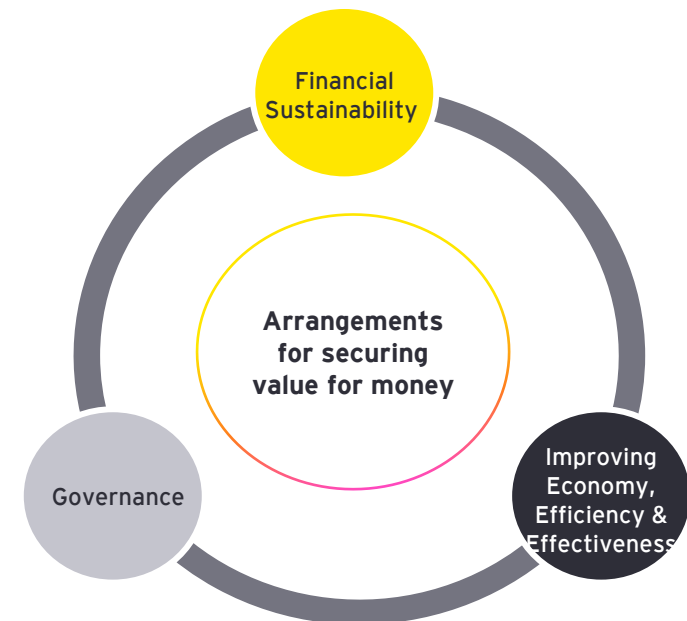
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- 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.

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 the key finance officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.



Executive Summary (cont'd)

Reporting

Our commentary for 2024/25 is presented in Section 03. This section provides a summary of our understanding of the arrangements at the Council, as determined from our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2024/25 and up to the date of issuing this Auditor's Annual Report. The recommendations we have agreed upon with the Council in the previous year, together with progress to date, are included in Appendices B.

In compliance with the 2024 Code, we are required to provide commentary against the three specified reporting criteria. The table below outlines these criteria, indicates whether a significant risk of weakness was identified during our planning procedures, and details our current conclusions regarding any significant weaknesses within your 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 risks identified.	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Three significant risks of weaknesses identified: 1. Council's arrangements to publish its 2024/25 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 Welfare Reform and Work Act 2016 (the Act) 3. Capacity and capability within the Finance Team to support the audit process	1. No significant weakness identified 2. No significant weakness identified 3. Significant weakness 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 risks identified	No significant weakness identified

Executive Summary (cont'd)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2025

Ernst & Young (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 year end 30 June 2025:

[EY UK 2025 Transparency Report | EY – UK](#)



02

Audit of financial statements

Audit of financial statements

Key findings

The financial statements is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 11 February 2026 we issued our Audit Results Report. We reported our findings in our Audit Results Report to Civic Affairs & Audit Committee on the 23 February 2026.

We reported 06 internal control recommendations and areas for improvement in the control environment in our Audit Results Report.

We issued our Audit Opinion on the 24 February 2026.

We outline below the key issues identified as part of our audit.

Financial statement risks

Significant risk	Conclusion
Misstatements due to fraud or error - Management override of controls	We were unable to complete our planned procedures in relation to testing of journal entries as Management was unable to provide evidence to support any of the selected sampled journal transactions. We have raised recommendations on this matter in Appendix A. As a result, we were unable to conclude our work.
Misstatements due to fraud or error - Inappropriate capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS)	We have completed our testing of REFCUS transactions and had no matters to report. We were unable to complete our testing of Property, Plant, and Equipment (PPE) additions as the Council was unable to provide corroborating evidence to support 20% of the sampled transactions. As a result, we were unable to conclude our work. We have raised recommendations on this matter in Appendix A.
Pension Valuation	We have completed our work on this area and had no matters to report.

Audit of financial statements (cont'd)

Financial statement risks

Significant risk

Investment Property Valuations

Conclusion

Our work identified discrepancies between the rent data provided by the Council and the information used by the valuer in their valuation calculations. For three samples, the Council was unable to provide lease agreements to corroborate the rent data used. We have raised recommendations on this matter in Appendix A.

In addition, our review identified that the fair value of one asset revalued in 2024/25 was not updated in the Fixed Asset Register. This resulted to an understatement of Investment Property balance by £0.395 million.

EY Real Estate's review of the valuation of one Investment Property identified that the Valuer used an incorrect combined income figure in their calculation, resulting in an overstatement of the asset's value by £0.190 million.

We were unable to complete our planned procedures for testing of Investment Property valuations as the Council could not provide corroborating evidence and responded to our queries to support the sampled assets within the agreed timeframe. As a result, we were unable to conclude our work.

Financial Statement reporting assessment

Management, and the Civic Affairs and Audit Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and Management's responsiveness to issues identified during the audit. The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

In addition, the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance is set out on the next page. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.

Audit of financial statements (cont'd)

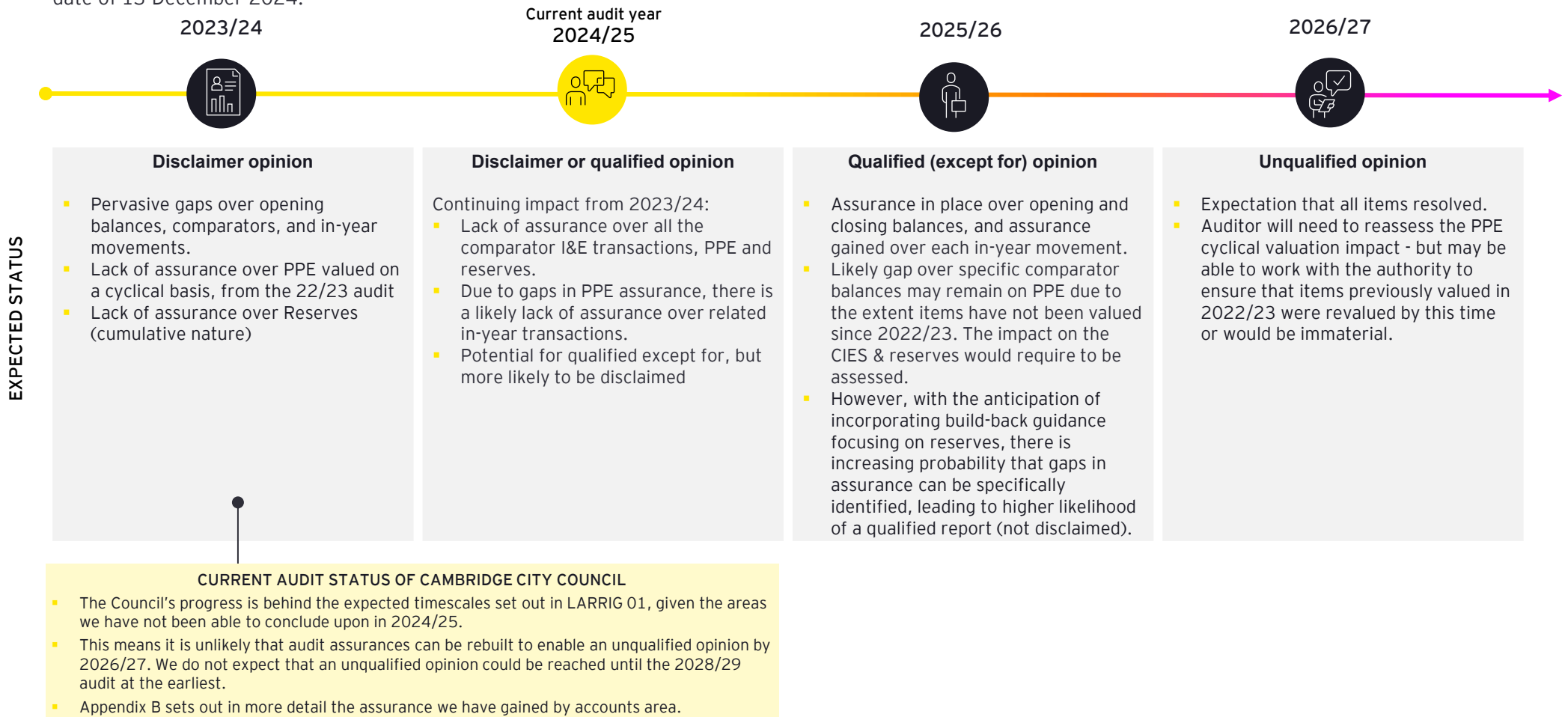
Financial Statement reporting assessment

Area	Status			Explanation
	R	A	G	
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 June 2025 deadline set out in the Accounts and Audit Regulations.
Quality and completeness of the draft financial statements	Effective			There were few non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements that should have been detected through internal quality review prior to publication.
Delivery of working papers in accordance with agreed client assistance schedule	Ineffective			Working papers and supporting evidence were not provided in line with the agreed timetable.
Quality of working papers and supporting evidence	Ineffective			Working papers and supporting evidence were generally not to the required standard to support the audit.
Timeliness and quality of evidence supporting key accounting estimates	Ineffective			There have been significant delays in receiving the required supporting working papers for the audit from the Council. The documentation was not provided within the agreed timetable. The absence of timely, supporting working papers, has impacted our ability to perform all of our planned audit procedures. As reported in Appendix B of our Audit Results Report, key audit procedures in a number of areas are incomplete because essential evidence was not made available for review. The timely provision of working papers is a critical component of an effective audit process, ensuring that planned work can be completed efficiently and that any emerging issues can be addressed promptly.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement			The primary finance team member responsible for the financial statements has not been available to support the audit process due to long term leave. In addition, we have experienced delays in obtaining responses and evidence from other members of the finance team. As a result, certain areas have been significantly delayed.
Volume and value of identified misstatements	Requires improvement			We have identified a number of material misstatements as a result of our work which have been corrected by Management. We also consider this further in our VFM reporting.
Volume of misstatements in disclosure	Effective			A limited number of misstatements in disclosure were detected in our work.

Audit of financial statements (cont'd)

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.





03

Value for Money commentary

Value for Money




The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the Annual Governance Statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Our responsibilities

Under the revised NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. Our summary is below:

	Significant risk identified	Significant weakness identified
 <p>Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.</p>	<ul style="list-style-type: none"> No significant risk identified 	<ul style="list-style-type: none"> No significant weakness identified
 <p>Governance How the Council ensures that it makes informed decisions and properly manages its risks.</p>	<p>Three significant risks of weaknesses identified:</p> <ol style="list-style-type: none"> Council's arrangements to publish its 2024/25 Statement of Accounts by the target dates required by the Accounts and Audit Regulations 2015 Council's failure to deliver outcomes of Rent Standards and breach of the Welfare Reform and Work Act 2016 (the Act) Capacity and capability within the finance team to support the audit process 	<ol style="list-style-type: none"> No significant weakness identified No significant weakness identified Significant weakness identified
 <p>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.</p>	<ul style="list-style-type: none"> No significant risk identified 	<ul style="list-style-type: none"> No significant weakness identified



VFM commentary: Financial Sustainability

Financial sustainability: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Financial Sustainability sub-criteria set out in AGN03:

- 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;
- How the body plans to bridge its funding gaps and identifies achievable savings;
- How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- 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; and
- How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Significant risks identified during planning procedures

We did not identify any risks of a significant weakness in the Council's arrangements for financial sustainability. In the prior year, no significant weaknesses were identified and there are no outstanding recommendations from that period. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services.



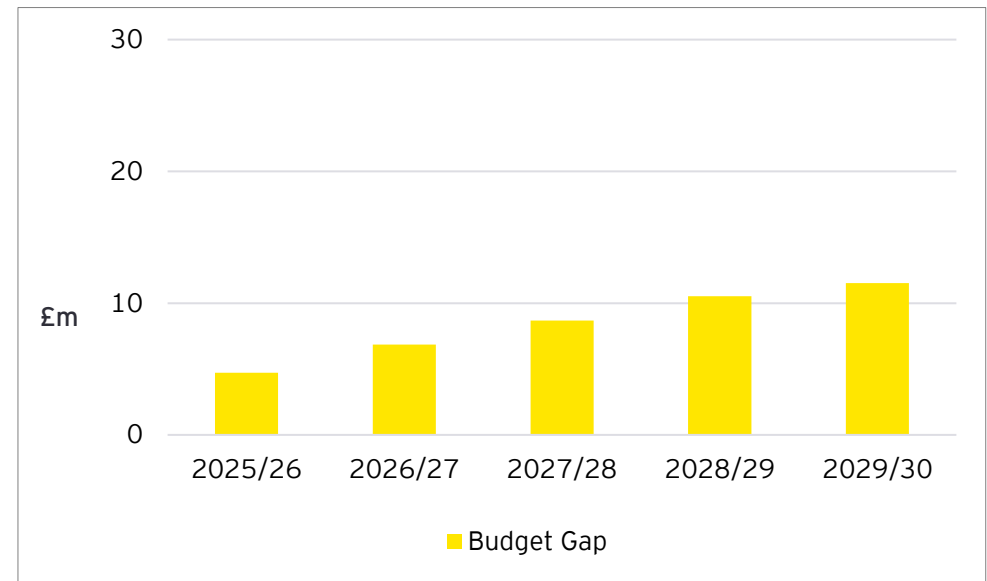
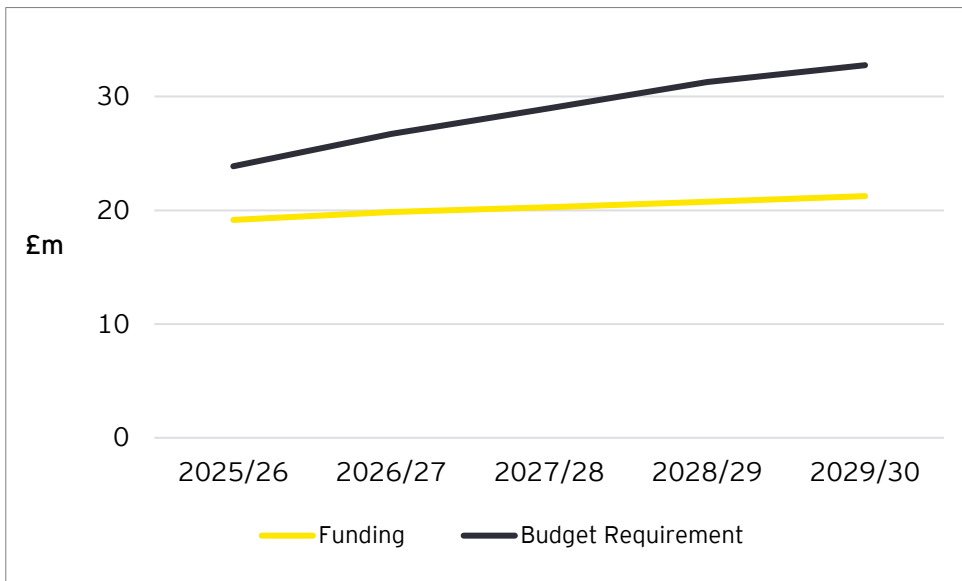
Financial Sustainability considerations

Medium Term Financial Strategy (MTFS)

The Council's MTFS sets out the overarching strategy through which the Council will ensure its medium-term financial sustainability. This includes the Council's approaches to addressing forecast budget gaps and using its reserves to mitigate financial risk. The MTFS is updated annually and is presented to the Strategy and Resources Scrutiny Committee before final approval by Full Council.

The 2025/26 to 2029/30 MTFS forecasted a total budget gap of £11.51 million driven primarily by changes to local government funding arrangements, inflationary pressures increasing net service expenditure, and expected decline in income from treasury investments as excess cash is invested in capital projects. 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 and recovery programme, Group Redesign Programme, and other initiatives.

Exhibit 01: The Council's MTFS outlines a cumulative gap of £11.51 million by 2029/30





Financial Sustainability considerations

Budget Monitoring

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.

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.

Savings plans

The MTFS identified a five-year savings requirement of £11.51 million. The Council's savings strategy, designed to address the budget gap and establish a sustainable savings target, includes the following:

- Delivery of recurring savings through the 'Our Cambridge' transformation and recovery programme, which involves redesigning services for greater efficiency and effectiveness. The programme achieved a number of key successes, since its launch in January 2022, including delivery of over £4 million of savings and additional income to the Council.
- Launch of Group Redesign Programme in July 2024, focusing on organizational structure with key principles to challenge the status quo and redesign service delivery. Changes will be implemented from 1 April 2025. The programme is estimated to deliver savings of £6 million.

The 2025/26 Budget Setting Report (BSR) includes measures which will reduce this requirement by around half (£5.8 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 BSR sets out the council's significant progress in meeting the ambitious savings targets it has set. In particular, the £6.0 million net savings target for 2026/27 has been closed to £1.1 million, meaning that the council achieved 81% of its two-year target in the first year.

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.

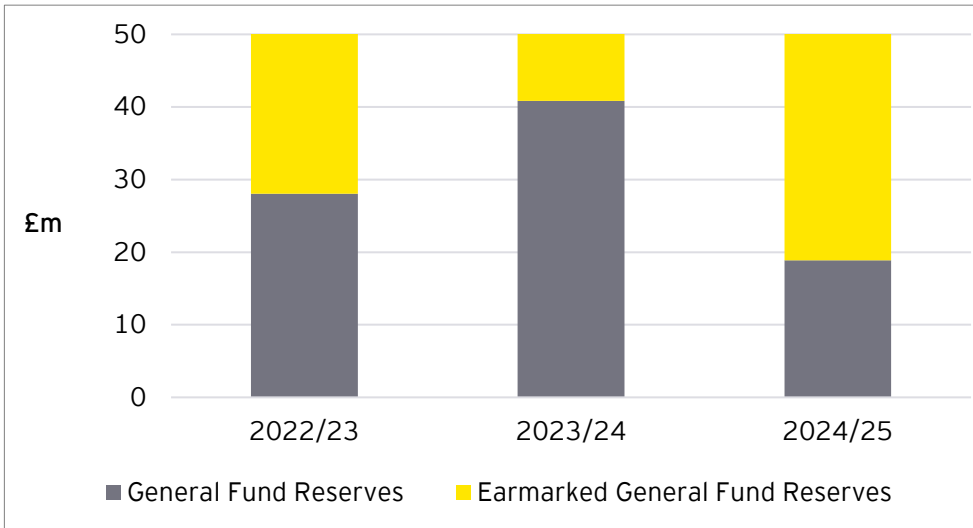


Financial Sustainability considerations

Reserves position

The Council's Reserves Strategy outlines that the minimum reserves to be held as uncommitted general funds as £6.54 million. As at 31 March 2025, the Council held a General Fund Reserve balance of £18.86 million and had further Earmarked General Fund Reserves of £52.29 million. This provides the Council with strong level of resources, in the short to medium term, if future saving requirements are not identified or achieved as planned 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 would begin to weaken.

Exhibit 02: The Council's General Fund Reserves position from 2022/23 to 2024/25



Outturn position

The final outturn on General Fund services for the 2024/25 year was an underspend of £2.42 million. 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, increased revenue on parking services directly linked to usage, and effective IT procurement.



VFM commentary: Governance

Governance: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Governance sub-criteria set out in AGN03:

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- 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, including in relation to significant partnerships;
- 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; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Significant risks identified during planning procedures

We identified two risks of a significant weaknesses in the Council's governance arrangements. In the prior year, we made two recommendations in relation to the governance arrangements. We summarise our consideration of the Council's progress against the recommendation in Appendix B.

Having completed our VFM work, we identified an additional risk of significant weakness in relation to the capacity and capabilities within the finance team to support the delivery of the 2024/25 audit.

The Council's underlying arrangements in relation to governance are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, we have identified a significant weakness in the arrangements that we will be reporting by exception in relation to the capacity and capability within the Finance Team to support the audit process.

We recommend that the Council should strengthen its approach to preparing financial statements and supporting the audit process. The Finance Team must:

- ensure a thorough understanding of the Local Government accounting framework and the CIPFA Code of Practice;
- deepen its knowledge and understanding of the Council's financial operations to support accurate reporting;
- maintain sufficient capacity of skilled professionals with appropriate training to produce high-quality audit-ready working papers; and
- provide timely and effective support throughout the external audit cycle.



Governance considerations

Annual Governance Statement

The Annual Governance Statement (AGS) sets out the core governance arrangements for the year, including an Action Plan to address significant identified matters, where relevant. It also demonstrates how the Council's Code of Governance reflects the seven principles of good governance. We reviewed the framework for the preparation of the AGS. The process, as designed, is adequate to enable the Council to report on the design and operation of arrangements that ensure sound governance, effective resource and risk management, and robust internal controls.

Risk Management

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 and Audit Committee. The Civic Affairs and Audit Committee also receives an Annual Report on the anti-fraud work of Internal Audit and the fraud team within the Revenues and Benefits Service.

Internal Audit arrangements

The Council have appropriate Internal Audit arrangements in place through Greater Cambridge Shared Audit, which operates under a shared service provision model with South Cambridgeshire District Council. Internal Audit present regularly to the Civic Affairs and Audit Committee throughout the year regarding their progress against the plan and the outcome of their audits, culminating in the Head of Internal Audit (HoIA) Opinion for the financial year, which is clearly set out in the AGS and was one of 'Reasonable' assurance. The Internal Audit Opinion was presented at the Civic Affairs and Audit Committee on 30 June 2025.

The HoIA issued three 'limited assurance' opinions as part of the delivery of the Audit Plan. Whilst actions for follow up were raised on areas such as Housing Revenue Accounts - Electrical Safety, Housing Revenue Accounts - Fire Safety, and Homes for Ukraine, no significant improvements were deemed necessary.



Governance considerations

Informed decision making and Member challenge

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. 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.

Local Government Reorganisation

Local Government Reorganisation is expected to pose challenges for local authorities over the next year. During this period of change, the Council must maintain essential services and fulfil statutory duties. According to the Ministry of Housing, Communities, and Local Government (MHCLG) guidance issued in July 2025, decisions made by the Council prior to reorganisation regarding ongoing service delivery and the medium-term financial strategy should focus on providing value for money for taxpayers and avoid limiting future decisions or sustainability of new councils.

The Government has stated that it will issue directions under section 24 of the 2007 Act after Structural Changes Orders are made, specifying a person authorised to give consent on relevant matters and outlining how this authority should be exercised. MHCLG has noted these directions will follow previous precedents, requiring written consent from the successor council for land disposals and contracts exceeding a specified value.

To comply with MHCLG guidance and forthcoming directions, councillors and statutory officers need to be aware of their responsibilities and ensure that appropriate accounting and governance systems are maintained.

Preparations for local government reorganisation will also result in additional work for the Council's finance team. In previous year, we have reported concerns regarding the capacity of the finance team to prepare good quality accounts on a timely basis and support an effective audit. With the increasing demands linked to local government reorganisation, it is critical that the Council ensures that it has sufficient skills and capacity to support both of these business-critical activities.



Governance considerations

Compliance to statutory financial reporting and regulatory requirements

In our commentary on Council's arrangements for 2023/24, we reported significant weaknesses in relation to the Council's ability to prepare and publish draft financial statements in line with their statutory reporting obligations, and the Council's non-compliance to Rent Standards. These were identified as risks of significant weaknesses for 2024/25 within our Audit Plan. We consider these risks below:

Financial reporting

The Council published their draft 2024/25 financial statements for audit on 30 June 2025, in line with the 2015 Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations.

Having updated and completed the planned procedures for VFM, we concluded that neither of the above risks of weakness are a significant weakness in the Council's arrangements.

Compliance to Rent Standards

Following increased oversight by the Regulator of Social Housing (RSH), the Council reviewed its housing regulated activities and identified two historic breaches of rent regulations:

- 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; and
- Social Rents - the Council incorrectly de-pooled service charges for Gas Maintenance and Electrical and Mechanical Maintenance from the housing rent element.

The Council sought legal advice (including a second opinion from Counsel) to assess the implications of the non-compliance to the identified areas. The Council self-referred 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).

To address the issue on error in rent charges, the Council set up a project team to ensure that:

- all rents charged in error to Tenants are corrected, and
- to calculate historical rent overcharged to Tenants as a result of the breach of Rent Standards.

All Council Tenants received a rent notification letter in February 2024 confirming their new, corrected rents, which have been in place since April 2024. The Council included a provision of £4.37 million in the 2024/25 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, along with production of a 'Rent Regulation Error Refund and Remediation Policy' detailing Council's approach to refunding rents which met the criteria for the non-compliance.



Governance considerations

Compliance to statutory financial reporting and regulatory requirements

Progress updates on the Council's action plan to return to compliance were presented to Housing Scrutiny Committee. The Council continued proactive engagement with RSH, which included having bi-monthly meeting with RSH to ensure the Council's delivery of its plan. Internal Audit reviewed the rent refund process, including rent refund data used in calculation of the rent refunds, and provided a 'full assurance' opinion with no recommendations in this area.

In October 2025, the RSH removed the regulatory judgement on the Council's compliance with Rent Standards. RSH acknowledged the responsive engagement of the Council and commented that the Council have strengthened its approach to rent setting, actively acted on the legal advice it had obtained, as well as undertaking an Internal Audit review of the rent refund process.

Throughout 2024/25 the Council demonstrated significant progress in establishing arrangements which have led to the removal of the regulatory judgement. Our review of the progress reports and calculation of rent refunds and the appropriateness of the provision within the financial statements is in progress.

Therefore, we are satisfied with the underlying arrangements in place which led to the removal of the regulatory judgement on the Council's compliance with Rent Standards.

Having updated and completed the planned procedures for VFM, we concluded that neither of the above risks of weakness are a significant weakness in the Council's arrangements.

Capacity and capability within the Finance Team

For the course of the audit, the key members of the Finance Team involved in the preparation of the 2024/25 accounts were not available. The Deputy S151 Officer left the Council in June 2025, and the Chief Accountant was on long term leave from October 2025. As a result, newly appointed officers have assumed responsibility for supporting the latter part of the audit process.

These staffing changes have contributed to delays in the Council's ability to provide timely and complete responses to audit queries. In several instances, the newly appointed officers required additional time to familiarise themselves with the underlying transactions and processes. This led to extended back-and-forth discussions as they sought to understand and address the audit requests and queries on issues identified.

Furthermore, they informed us that, for a number of queries, they were required to consult other members of the Finance Team to obtain supporting evidence or explanations. However, those individuals also had limited capacity to provide assistance promptly, which further contributed to delays in resolving audit enquiries. Overall, the combination of staff turnover, temporary absences, and the limited capacity of members of the Finance Team has had a significant impact on our ability to obtain audit evidence on a timely basis and complete the audit as scheduled. This resulted in areas of the audit that we were unable to conclude and therefore we are unable to provide assurance over which have contributed to our consideration of disclaiming the audit opinion.



Governance considerations

Capacity and capability within the Finance team (cont'd)

The Council lacked the necessary expertise and capacity within its Finance Team to appropriately support the external audit process, specifically in its ability to produce supporting working papers and evidence required for the audit.

We concluded that the issue above is evidence of weaknesses in proper arrangements for governance, specifically ensuring the Council has effective processes and systems in place to support its statutory financial reporting requirements. We reported the issue by exception as an 'Other Matter' within our Audit Opinion issued on the 24 February 2026.

We recommend that the Council should strengthen its approach to preparing financial statements and supporting the audit process. The Finance Team must:

- ensure a thorough understanding of the Local Government accounting framework and the CIPFA Code of Practice;
- deepen its knowledge and understanding of the Council's financial operations to support accurate reporting;
- maintain sufficient capacity of skilled professionals with appropriate training to produce high-quality audit-ready working papers; and
- provide timely and effective support throughout the external audit cycle.



VFM commentary: Improving economy, efficiency and effectiveness

Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the body evaluates the service it provides to assess performance and identify areas for improvement;
- How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess where it is meeting its objectives; and
- Where the body commissions or procures services, how it assesses whether it is realising the expected benefits.

Significant risks identified during planning procedures

We did not identify any risks of a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness.

In the prior year, no significant weaknesses were identified and there are no outstanding recommendations from that period. The Council's underlying arrangements in relation to improving economy, efficiency and effectiveness are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 in how it uses information about its costs and performance to improve the way it manages and delivers its services.



Improving economy, efficiency and effectiveness considerations

Financial and performance information

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.

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.

Procurement and Contract Management

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 procurement 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.

Each Director and Head of Service is responsible for ensuring that their 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.

Partnership working

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.

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.



04 Appendices

Appendix A – Recommendations from current year

Recommendations from 2024/25 - Value For Money

The table below sets out the recommendations arising from the Value For Money work for the year 2024/25.

All recommendations have been agreed by Management.

Issue	Recommendation	Management response
<p>Governance - 'How the body ensures effective processes and systems are in place to support its statutory financial reporting requirements; and ensures corrective action is taken where needed.</p>	<p>We recommend that the Council should strengthen its approach to preparing financial statements and supporting the audit process. The Finance Team must:</p> <ul style="list-style-type: none"> • ensure a thorough understanding of the Local Government accounting framework and the CIPFA Code of Practice; • deepen its knowledge and understanding of the Council's financial operations to support accurate reporting; • maintain sufficient capacity of skilled professionals with appropriate training to produce high-quality audit-ready working papers; and • provide timely and effective support throughout the external audit cycle. 	<p>Draft financial statements were published on time, and we note that EY have rated the timeliness, quality and completeness of these statements as 'effective'. We believe this demonstrates that we have a sufficient understanding of the accounting framework and the council's financial operations to support accurate reporting.</p> <p>We acknowledge that there were delays and difficulties in providing high quality audit-ready working papers as a result of key staff absences which were unavoidable.</p> <p>Going forwards, additional resource has been brought in for 2025/26 to avoid a repeat of these issues.</p>

Appendix A – Recommendations from current year

Recommendations from 2024/25 - Financial statements audit

The table below sets out the recommendations arising from the financial statements audit for the year 2024/25. All recommendations have been agreed by Management.

Issue	Recommendation	Management response
<p>Delays in receiving key working papers</p> <p>There were delays in receiving key working papers and responses to queries throughout the audit, many of which were not provided in line with the agreed timescales. In several cases, the working papers provided were incomplete, required further clarification, or did not meet the format and evidential standards necessary to enable us to perform our planned procedures efficiently. These delays created substantial disruption to the audit timetable, increased the amount of rework required, and limited our ability to progress audit testing in accordance with the project plan. The cumulative impact of these issues has materially affected our ability to obtain audit evidence on a timely basis and complete the audit as scheduled.</p>	<p>We recommend that the Council strengthens its year-end closedown and audit preparation processes to ensure that all required working papers are prepared to the expected standard and provided in line with the agreed timescales. Management should implement clear internal ownership for each working paper, introduce quality checks prior to submission, and embed realistic internal deadlines to ensure that documentation is complete, accurate, and ready for audit review. Improving the timeliness and quality of working papers will support a more efficient audit, reduce the need for repeated requests and rework, and help ensure the audit can progress in accordance with the planned timetable.</p>	<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>

Appendix A – Recommendations from current year

Recommendations from 2024/25 - Financial statements audit (cont'd)

Issue	Recommendation	Management response
<p>Property, Plant & Equipment (PPE) valuation agreement to Fixed Asset Register (FAR)</p> <p>Agreement of the PPE valuation schedules to the FAR identified several instances where assets land values had not been updated in FAR which resulted to asset valuation of £nil as at 31 March 2025. The carrying values of these assets was recorded as downward revaluation movement.</p>	<p>A comprehensive review of the Council's fixed-asset accounting routines should be undertaken to ensure that appropriate rigour is consistently applied and that the accounting treatment for all asset transactions is accurate and compliant.</p>	<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>Agreement of Fixed Asset Register (FAR) to Property, Plant and Equipment (PPE) Note within the financial statements</p> <p>We obtained the FAR for PPE and reconciled the closing balances to the financial statements. However, we have not been able to agree the in-year movements in any of the asset categories to the figures reported in the PPE note within the financial statements. The Council have not responded to our queries in relation to the variances identified and therefore we have not been unable to conclude our work on this area.</p>	<p>We recommend that the Council have robust review process in place to ensure that all in-year movements are fully reconciled to the figures reported in 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.</p> <p>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>

Appendix A – Recommendations from current year

Recommendations from 2024/25 - Financial statements audit (cont'd)

Issue	Recommendation	Management response
<p>Debtors and Creditors listing</p> <p>The Council's 31 March 2025 debtors listing (amounting to £17.22 million) and creditors listing (amounting to £43.28 million) contained opening balances, which Management were unable to cleanse for audit purposes. As a result, we were unable to complete our planned procedures for these areas.</p>	<p>We recommend that the Council performs a review of all creditor and debtor balances to ensure that opening balances are understood and cleansed so that the balance only contains year-end amounts.</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>Valuation of Investment Properties and Right of Use Assets</p> <p>We have been unable to obtain a clear explanation or corroborating evidence from either the Council or the Valuer regarding certain assumptions used in the valuation of Investment Properties and Right of Use Assets. In addition, we identified discrepancies between the rent data provided by the Council and the information used by the Valuer in their valuation calculations.</p>	<p>We recommend that the Council and the property valuer work together to address the findings from our audit. The Council should ensure that valuation assumptions are supported by accurate and verifiable data. A clear process should be in place to review and validate information provided and used by the Valuer.</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>

Appendix A – Recommendations from current year

Recommendations from 2024/25 - Financial statements audit (cont'd)

Issue	Recommendation	Management response
<p>Bank reconciliation</p> <p>Our review of the Council’s bank reconciliation identified a reconciling item, amounting to £2.8 million, which the Council was unable to provide any evidence and explanation to support it. We cannot therefore conclude on its appropriateness as a reconciling item in the bank reconciliation.</p> <p>The issue has arisen due to the individual responsible for preparing bank reconciliation as part of the year-end closing process has since left the Council, resulting in difficulties in obtaining the necessary documentation and clarification.</p>	<p>We recommend that the Council ensure that all key reconciliations have proper documentation and corroborating evidence to support the process. This should be kept centrally and remain accessible regardless of staff turnover.</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 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.</p>

Appendix B – Recommendations from previous years

Recommendations brought forward from previous years

The table below sets out the recommendations arising from the value for money work in the prior year, 2023/24, and progress made in the current year. All recommendations have been agreed by Management.

Issue	Recommendation	Progress made in 2024/25
<p>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.'</p>	<p>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.</p>	<p>The Council published its draft 2024/25 financial statements on 30 June 2025 in line with statutory requirements and held the required public inspection period.</p>
<p>Governance - 'How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards are met.'</p>	<p>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.</p>	<p>Progress on the Council's compliance action plan was reported to the Housing Scrutiny Committee, and bi-monthly meetings with the Regulator of Social Housing (RSH) were held.</p> <p>Internal Audit reviewed the rent refund process and gave 'full assurance' with no recommendations.</p> <p>In October 2025, RSH removed its regulatory judgement, acknowledging the Council's strengthened rent-setting approach, legal compliance, and the Internal Audit review.</p> <p>Throughout 2024/25, the Council made significant progress leading to the removal of the regulatory judgement.</p>

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