

Cambridgeshire County Council Statement of Accounts 2024/25 and Audit Results Report

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| To: | Audit and Accounts Committee |
| Meeting Date: | 19 February 2026 |
| From: | Executive Director of Finance and Resources |
| Electoral division(s): | All |
| Key decision: | No |
| Forward Plan ref: | N/A |
| Executive summary: | This report presents the final statement of accounts for the council and group for 2024-25. It should be read alongside the external auditor's year-end report, which is attached as Annex A to this report. |
| Recommendation: | The Committee is recommended to: <ul style="list-style-type: none">a) endorse the treatment of audit differences set out in Appendix 1.b) note and comment on the final statement of accounts for 2024-25 set out in Appendix 2, and authorise the Chair of the committee to sign the final accounts.c) note and comment on KPMG's Year End Report to the Audit and Accounts Committee (Annex A).d) note and comment on KPMG's Auditor's Annual Report (Annex B).e) authorise the Chair of the committee to sign a letter of representation to the external auditor (Annex C). |

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1. Background

- 1.1 The annual statement of accounts is the financial representation of all activities that the council has been directly or indirectly involved with, over the course of the 2024-25 financial year. The publication of the statement of accounts is an essential feature of public accountability and stewardship, as it provides an annual report on how the Council has used the public funds for which it is responsible. Accounts are prepared under the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting 2024-25, which is based on International Financial Reporting Standards (IFRS) adapted for public sector use.
- 1.2 At its last meeting, the committee received an update on the ongoing audit of 2024-25's draft accounts, including a provisional list of audit adjustments and differences, and a draft audit results report from the external auditor KPMG. At that stage, much of the audit had been completed but several key areas remained to be finalised, including the accounting treatment of transactions with the council's wholly-owned housing company This Land Ltd, leases (following the implementation of the new IFRS 16 accounting standard) and Private Finance Initiatives (PFIs, which were not audited in the previous year).
- 1.3 The audit has now concluded, and a final set of accounts, adjustments log and the auditor's year-end report and annual report are provided to committee. The final accounts ultimately need to be signed by the Chair of this committee.
- 1.4 Following several years of disruption through national issues with external audit of local government accounts, including no audit here of 2022-23's accounts and a curtailed 2023-24 audit, the external audit opinion on the accounts continues to be disclaimed. The audit of 2024-25's accounts, however, was much more complete and so we expect the disclaimed opinion to be on an improving basis, and we are working back towards building full assurance.

2. Main Issues

2.1 **2024-25 External Audit**

- 2.1.1 Following this committee receiving the audit plan for 2024-25's audit from KPMG at its June 2025 meeting, extensive preparatory work was undertaken by the council and KPMG. This included responses to risk assessment questionnaires, walkthroughs of key systems (including those managed by partner organisations), and meetings with senior officers. This work broadly took place ahead of the main audit fieldwork, with information used to risk assess the council and work out the degree of sample checking of key controls that is needed.
- 2.1.2 The original audit plan envisaged the audit fieldwork taking place through to the end of October, but detailed work continued into December with one substantial new sample issued in late November. Review of PFI models continued through January to complete, as did several responses from the council to queries on lease accounting. Detailed consideration and discussion of the council's accounting for transactions related to This Land Ltd was also concluded in January.

- 2.1.3 Detailed work on the audit has now concluded, and through this report and the year end from KPMG we report on identified audit differences and present the final statement of accounts alongside the auditor's reports.
- 2.1.4 Audit differences identified are set out in appendix 1 alongside the recommended approach to resolving. The council has an approach of adjusting for all identified differences unless they fall into specific categories, and consequently our differences reporting show all items not just material ones. The scenarios in which we would generally not adjust are:
- Immaterial: changes that are small, within the materiality threshold and that we consider would require disproportionate officer time in view of competing priorities for accountancy input.
 - Correctable in future year: for some items relating to capital, we can correct a multi-year scheme in a later year, if immaterial to the year in question
 - Impacting previous outturn: we look to avoid, where possible, adjusting the outturn that was included in the management accounts as this is helpful to provide certainty to the financial planning processes by which decisions are taken on future budget allocations
 - Professional disagreement: if we disagree with the basis for the auditor's finding after fully considering the auditor's reasoning
 - Over-prudence: we would generally not actively adjust if our estimates were more prudent than that required by the auditor
- 2.1.5 KPMG have provided a year end report setting out the final position of the audit. This is attached as Annex A. The progress report sets out the auditor's findings in respect of the key risk areas identified in the audit plan:
- 2.1.6 **Valuation of land and buildings** – No material issues have been flagged by the auditor in this area. The approach to valuing land and buildings, on a rolling five-year cycle, is one of the reasons that KPMG have not got enough assurance to issue a full opinion, as valuations for the year with no audit have still not been superseded.
- 2.1.7 **Valuation of investment property** – following an audit difference identified in the previous audit, KPMG have focussed on these valuations. An audit misstatement of £3.75m has been identified relating to the valuation of one of these properties, with KPMG's specialist valuers having valued the property lower than the level used in our accounts. This is below materiality and is an improvement on the previous year. Given it is subjective, not material, and because properties are valued annually and thus any potential misstatement is correctable in a future year, it is not proposed to adjust.
- 2.1.8 **Management override of controls** – the design and implementation of key controls have been reviewed. KPMG flag a risk around the access provided to finance staff to post journals without a system requirement for approval. The council believes that mitigating controls are sufficient to reduce the risk in this area.
- 2.1.9 **Valuation of post-retirement benefit obligations** – the processes used in the valuation of pension liabilities have been reviewed, working with the pension fund. Actuarial assumptions used have been independently checked, and no issues identified.
- 2.1.10 **Recoverability of the long-term debtor with This Land Group** – as with other significant accounting judgements, KPMG reviewed the council's assessment of any Expected Credit

Loss (ECL) on the loans provided to This Land Ltd, as well as the accounting entries linked to the company's refinancing at the end of 2024–25. For 2024–25, based on the refinancing and updated business plan, KPMG accepted the council's assessment that no ECL adjustment was required. They also reviewed the position for the previous year (2023–24), when no ECL was recognised because the council's appraisal of the company's business plan took place after the draft accounts had been prepared. This was highlighted by KPMG in their final audit report for that year. As part of preparing the 2024–25 accounts, officers reassessed the 2023–24 ECL position (as at 31 March 2024) and again concluded that no adjustment was necessary. This is an inherently judgement-based assessment, reflecting information available at a particular point in time. In reviewing the council's updated assessment, KPMG have not reached a definitive conclusion, but note that, given the closeness of the judgement to the materiality threshold, a material misstatement *could* have arisen. They also note that this relates to a prior period and is superseded by the refinancing and the updated 2024–25 ECL assessment, because of which further work was not prioritised by either side. KPMG therefore report that a material misstatement *may* exist in the prior year, but cannot conclude, and they are not requiring the council to make a prior-year adjustment.

2.1.11 As previously reported, the refinancing converted approximately £59.8 million of interest-bearing loans into capital grants. These grants are not interest-bearing but may be repayable if certain performance triggers are met. In the draft accounts, the council treated this conversion as service expenditure in the Comprehensive Income and Expenditure Statement, recorded as "Revenue Expenditure Funded from Capital Under Statute" (REFCUS). REFCUS is the statutory mechanism for expenditure that would have been capital expenditure if the authority had incurred it directly, which aligns with how the original financing related to land and construction costs would have been treated had the council provided capital grants from the outset. REFCUS results in an expenditure charge in the CIES to the 'cost of services' line, in this case specifically within the Finance and Resources line. This approach is supported by professional judgement, external advice, and the relevant regulations, particularly:

- Regulation 25 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which states that "*The giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the authority, be capital expenditure, shall be treated as being capital expenditure.*"
- CIPFA Code of Practice 2024/25 – Section 4.6 (REFCUS) – states that REFCUS includes expenditure that is capital by statute but does not result in the acquisition of an asset by the authority. Grants or financial assistance for capital purposes fall within this definition.
- CIPFA Code Guidance Notes – Module 4 (REFCUS) - confirms that capital grants to third parties for capital projects are treated as REFCUS and charged to the Comprehensive Income and Expenditure Statement before statutory adjustment.

2.1.12 KPMG have reported a difference of accounting judgement on the detailed treatment of this refinancing, although they note that the matter is not material because it affects classification within the Comprehensive Income and Expenditure Statement rather than its overall bottom line. They have therefore recorded an audit difference due to differing interpretations of the correct accounting treatment. Given the presentational impact on the statements, and the reasoning supporting the council's treatment, Officers do not propose to amend the accounting entries, and therefore this is presented as an unadjusted

difference. However, the narrative disclosures in the Statement of Accounts have been enhanced to provide greater clarity on the substance of the refinancing, more clarity has been given to where the cost hits in the Expenditure and Funding Analysis note, and the presentation within the Capital Expenditure and Financing note has been corrected.

2.1.13 Finally on the This Land debtor, KPMG report an audit difference that was identified by officers in relation to the requirement of the CIPFA Code to hold these at amortised cost (as opposed to the historic cost basis used in the draft accounts and in previous years' final accounts). The estimated impact of this would be an adjustment of £5.3m, including an increase in the balance sheet line and showing a modification gain in the CIES. Officers are not proposing to adjust for this difference. The detailed rationale for retaining the historic cost basis was set out in the July 2025 report to Committee that accompanied the draft accounts, which considered the implications for continuity, understandability of the accounts, public interest considerations, the non-material impact on the 2024–25 outturn position, and the potential for counter-intuitive balance sheet increases and CIES gains arising under an amortised cost approach. That justification remains valid and forms the basis for the recommended approach.

2.1.11 **Adoption of IFRS 16** – this newly required adoption of an accounting standard relating to lease accounting required significant time, effort and work to implement accurately. KPMG have reviewed the approach in detail and several adjustments have been made. Adjustments identified were not material.

2.1.12 **Accuracy and valuation of PFI liabilities** – this is the first year that KPMG have reviewed the underlying PFI working papers in detail. Review of the underlying PFI model for the Thomas Clarkson Secondary School PFI arrangement has not identified any required adjustments; feedback from KPMG on the Streetlighting and Waste PFI models has only recently been received, and so has not yet been reviewed by officers. If any required adjustments have been identified by KPMG, these will be made in the council's 2025-26 accounts given the complexity of this area and the limited time remaining until the backstop date for the 2024-25 accounts – this approach has been endorsed by KPMG.

2.1.13 **Non-capital expenditure is inaccurately recognised as capital expenditure** – no issues have been identified.

2.1.14 Alongside this work, KPMG have undertaken their work on the value for money opinion. The value for money findings are within the annual report attached as annex B. One recommendation is given relating to oversight of a recovery plan for the dedicated schools grant, which has been in place since early 2025/26. The report otherwise substantially builds on recommendations given in last year's report, as relatively little time has elapsed since they were made. The council has already made progress in the areas of risk management, financial pressure projection and company governance.

2.1.15 The council produces a detailed financial sustainability assessment considered as part of the section 25 statement alongside the draft budget each year at the January Strategy, Resources and Performance Committee. This includes extensive analysis of downside scenarios and the principal risks facing the council. In particular, the report that accompanied the draft 2026-31 business plan addresses the approach in a scenario where multiple risks materialise at once, and also reflects extensively on the risks around the

Dedicated Schools Grant overspend and deficit position alongside progress to address the issue nationally.

2.1.16 The council is required by current regulations to have final audited accounts for 2024-25 by 27 February 2026 (the 'backstop date') otherwise the auditor is required to give a disclaimed opinion. At this stage, subject to any comments from Committee, we expect an opinion by the backstop date, based on these final accounts. Alongside the final accounts, as part of closing procedures for the audit, a 'letter of representation' to the auditor is required from the council confirming that all relevant information has been provided and that the financial statements are complete and prepared in accordance with applicable standard. We expect KPMG to request this is signed by the Section 151 officer and the Chair of the committee jointly, or by the Section 151 officer following acknowledgement of the draft wording of the representations (at Annex C) by this committee.

2.1.17 The issue of 2022-23 not being audited and the subsequent disclaimed opinion for 2023-24's accounts mean that KPMG do not start with assurances over opening balances in the 2024-25 accounts. This is an issue for any authority who has a year of accounts not audited, and means that the auditor is giving a disclaimed opinion for 2024-25 as well, though with more assurance than over 2023-24 due to more detailed work being undertaken. In particular, progress has been made through review of IFRS 16, PFIs and journals. We hope to work back to full assurance and an unmodified audit opinion over the coming years, in line with most other councils.

2.1.18 For future years, the relevant backstop dates for the council are:

- Financial year 2025-26: 31 January 2027
- Financial year 2026-27: 30 November 2027
- Financial year 2027-28: 30 November 2028

2.1.19 We will work with KPMG as part of initial audit work for 2025-26 to risk assess and review progress with working towards building back assurance on the balances in the accounts affected by the lack of complete audits in 2022-24.

2.2 Objections to accounts

2.2.1 One objection was submitted to the auditor by a local elector for 2023-24's accounts. Within that, the auditor decided to look further into two heads of objection. We understand that KPMG have determined to take no further action in respect of this objection and have issued that final determination to the objector.

2.2.2 One objection was also submitted by a local elector to the 2024-25 accounts. We understand that the auditor has agreed to conduct detailed work on parts of that objection, as with 2023-24, and the council is in the process of providing information relating to this.

3. Significant implications

3.1 Finance implications

This report details progress with financial reporting matters.

3.2 Legal implications

The principal governing legislation are The Accounts and Audit Regulations 2015, The Accounts and Audit (Amendment) Regulations 2024 and the Local Audit and Accountability Act 2014. The Council has published appropriate notices on its website to explain how it is complying with statutory provisions notwithstanding that, in common with many local authorities, stipulated deadlines for final accounts have not been achieved

3.3 Risk implications

There are no new significant risk implications arising from this report. The auditor's work contributes to the Committee's awareness of the risk environment and assurances around stewardship of public funds.

3.4 Equality and Diversity Implications

None identified

4. Source documents

[Statement of accounts - Cambridgeshire County Council](#)

[Accounts and Audit \(Amendment\) Regulations 2024](#)