



Auditor's Annual Report for South Cambridgeshire District Council

Year-ended 31 March 2025

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February 2026

Contents



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	Page
01 Executive Summary	3
02 Audit of the Financial Statements	6
03 Value for Money	11
a) Financial Sustainability	
b) Governance	
c) Improving economy, efficiency and effectiveness	

Our audit report is made solely to the members of South Cambridgeshire District Council (the 'Council'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's 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 Council and the members of the Council, as a body, for our audit work, for our auditor's report, for this Auditor's Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01

Executive Summary



Executive Summary



Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of South Cambridgeshire District Council (the ‘Council’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the ‘Code of Audit Practice’) and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) (‘ISAs (UK)’) include the following:

 **Financial Statements** - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Group and the Council and of their income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 (‘the CIPFA Code’).

 **Other information (such as the narrative report)** - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.

 **Value for money** - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.

 **Other powers** - We may exercise other powers we have under the Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to any valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Financial statements and other information	<p>We issued a disclaimer of opinion on the Council’s financial statements on 26 February 2026. This is because we have been unable to obtain sufficient appropriate audit evidence over the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the accounts ahead of the statutory backstop date of 27 February 2026. Further details are set out on page 7.</p> <p>We have provided further details of the key risks we identified and our response on pages 8-10.</p>
Value for money	<p>We identified two significant weaknesses in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 11.</p>
Whole of Government Accounts	<p>We are required to perform procedures and report to the National Audit Office in respect of the Council’s consolidation return to HM Treasury in order to prepare the Whole of Government Accounts.</p> <p>As the National Audit Office has not yet informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.</p>
Other powers	<p>See overleaf. Note that, as we are still performing our procedures in relation to the financial statements, we may choose to exercise our other powers in relation to the 2024-25 audit in the future.</p>

Executive Summary



There are several actions we can take as part of our wider powers under the Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

As at the date of this report, we have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

As at the date of this report, we have not applied to the courts.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

As at the date of this report, we made no recommendations under Schedule 7 of the Act.

As at the date of this report, we have raised 2 other recommendations relating to the preparation of accounts and recoverability of investments. For further details see page 21 onwards.

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

As at the date of this report, we have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit and Corporate Governance Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

02

Audit of the financial statements



Audit of the financial statements



Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor's report.

However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Council financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the council in accordance with, UK ethical requirements including the FRC Ethical Standard.

Our disclaimer of opinion on the Council's financial statements

We have issued a disclaimer of opinion on the Council's financial statements on 26 February 2026. We therefore do not express an opinion on the financial statements. The reason for our disclaimer of opinion is as follows:

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2025 by 27 February 2026 (the "Backstop Date").

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to: property, plant and equipment; investment properties; investments; debtors and prepayments; short term creditors; the following income captions: gain on the disposal of assets and net income in relation to investment property and changes in fair value (which are included in the CIES within multiple line items); the following expenditure captions: depreciation, amortisation and impairment (which are included in the CIES within multiple line items); and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2025 in relation to both the Group and the Authority.

In addition, we have been unable to obtain sufficient appropriate audit evidence over any of the disclosed comparative figures for the year ended 31 March 2024 due to the Backstop Date for the Group and the Authority. As a result, we were unable to determine whether there were any consequential effects on the Group's and the Authority's income and expenditure for the year ended 31 March 2025.

Any adjustments from the above matters would have a consequential effect on the Group's and the Authority's net assets and the split between usable reserves, including the Housing Revenue Account, and unusable reserves as at 31 March 2024 and 31 March 2025, the Collection Fund and on their income and expenditure and cash flows for the years then ended.

We disclaimed our audit opinion on the financial statements for the year ended 31 March 2024 regarding this same limitation.

In addition, included within the Authority's investment properties are properties with a recorded fair value of £51.5m at 31 March 2025 (£51.5m at 31 March 2024). In our view this is overstated due to the valuation methodology not reflecting the current leaseholds, key inputs not supported by sufficient evidence and assumptions not reflecting market conditions. We have estimated that the carrying amount of these assets as at 31 March 2025, should be reduced by at least approximately £17.0m in order to fall within our determined range of acceptable fair values for these investment properties.

The Authority recorded these properties at the same value at 31 March 2024, using the same valuation methodology and assumptions. Because of the time constraints created by the Backstop Date, we have been unable to determine the impact of these matters on the fair value of these properties as at 31 March 2024 and therefore it is not practicable for us to quantify the effect of this matter or whether any adjustment required would be material to the financial statements.

Further information on our audit of the Council financial statements is set out overleaf.

Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value

Our procedures

We have performed the following procedures in order to respond to the significant risk identified:

- We critically assessed the independence, objectivity and expertise of Wilks Head & Eve, the valuers used in developing the valuation of the Council's properties at 31 March 2025;
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement; and
- We utilised our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised.

Our findings

We were unable to complete the procedures we considered necessary to obtain sufficient appropriate audit evidence in relation to this area.

Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value

Our procedures

We have performed the following procedures in order to respond to the significant risk identified:

- We critically assessed the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's investment properties at 31 March 2025;
- We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We challenge key assumptions within the valuation as part of our judgement; and
- We utilised our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised.

Our findings

We identified material misstatements relating to the fair value of investment properties.

We were unable to complete the procedures we considered necessary to obtain sufficient appropriate audit evidence in relation to this area.

Audit of the financial statements



Management override of controls

Fraud risk related to unpredictable way management override of controls may occur

Our procedures

We have performed the following procedures in order to respond to the significant risk identified:

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- Evaluated the selection and application of accounting policies;
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments;
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the component's normal course of business, or are otherwise unusual; and
- We analysed all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals impacting expenditure recognition posted during the final close down.

Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area.

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

Our procedures

We have performed the following procedures in order to respond to the significant risk identified:

- Understood the processes the Council have in place to set the assumptions used in the valuation;
- Evaluated the competency & objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Considered the adequacy of the Council's disclosures in respect of the sensitivity to the actuarial assumptions; and
- Where applicable, assessed the level of surplus or minimum funding that should be recognised by the entity.

Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area.

Audit of the financial statements



Fraud risk from expenditure recognition

Liabilities and related expenses for purchases of goods or services are not recorded in the correct accounting period

Our procedures

We have performed the following procedures in order to respond to the significant risk identified:

- We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded;
- We inspected a sample of invoices of expenditure, in the period around 31 March 2025, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete; and
- We inspected journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence.

Our findings

We were unable to complete the procedures we considered necessary to obtain sufficient appropriate audit evidence in relation to this area.

Recoverability of investments

There is a risk of error in the recognition, value and potential impairment of investments in subsidiaries and partnerships within the financial statements

Our procedures

We performed the following procedures in order to respond to the other audit risk identified:

- Understood the processes the Council has in place to assess investments held for impairment;
- Obtained and reviewed the signed investment agreements and related amendments, if applicable, to determine the expected maturity date of the considerations;
- Obtained the audited financial statements of the subsidiaries and partnerships in order to assess whether they have positive net asset values to cover the debt owed;
- Reconciled management accounts to the latest audited financial statements of the subsidiaries and partnership entities, in order to confirm all investments are appropriately disclosed; and
- We reviewed the Council's consideration of the valuation and recoverability of the loan, and any associated expected credit loss provision, to ensure this is reasonable and performed in line with the Code of Practice and the relevant accounting standard (IFRS 9 –Financial Instruments).

Our findings

We were unable to complete the procedures we considered necessary to obtain sufficient appropriate audit evidence in relation to this area.

03

Value for Money



Value for Money



Introduction

We are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the Code of Audit Practice:



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

We do not act as a substitute for the Council’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Council’s arrangements are operating effectively, or whether the Council has achieved value for money during the year.

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council.

Summary of findings

Our work in relation to value for money is complete.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	14-15	16-17	18-19
Identified risks of significant weakness?	✗ No	✓ Yes	✓ Yes
Actual significant weakness identified?	✗ No	✓ Yes	✓ Yes
2023-24 (PY) Findings	No significant risks identified	Significant weakness identified	Significant weakness identified
Direction of travel	↔	↔	↔

Value for Money



National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the Councils they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

Local context

Financial performance of the authority and level of reserves

The Council have achieved a surplus on provision of services of c.£31.6m for the 2024/25 financial period. For the General Fund, the Council reported an adverse variance against the revised budget of c£3.0m. For the Housing Revenue Account, the Council reported a favourable variance of c£1.3m against the revised budget.

The Council's reserves remain in a stable position with c.£98.9m of usable and c.£516.5m of unusable reserves recorded at 31 March 2025.

Local government reorganisation

On 21 March 2025, the authorities within Cambridgeshire and Peterborough submitted their interim Local Government Reorganisation ('LGR') proposals – with three potential options to split the area into two unitary councils.

Four-day working week

The Council was reissued with a Best Value Notice by DLUHC in May 2024, in relation to ongoing concerns surrounding the 'four-day working week' trial and its impact at the Council. This was following an initial Best Value Notice issued on 3 November 2023.

The Council received a letter dated 8 November 2024, confirming that the Best Value Notice would not be reissued.

In October 2025, the Council received a letter from the Secretary of State for Housing, Communities & Local Government, raising concerns over the four-day working week.

On 24 November a meeting was held between MHCLG and the impacted Councils (South Cambridgeshire and Cambridge City). Following this meeting, an email was received on 29 December, from MHCLG's Director, Local Government Oversight and Accountability, confirming that there would be no further follow up from MHCLG.

A letter was sent to all English councils by the Local Government Secretary on 23 December 2025 warning them to not introduce a four-day working week.

Financial Sustainability



How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

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

Budget setting for the financial period starts in September of the previous year and culminates in the budget setting report being issued in the following February. For 2024/25, the budget was approved by Council on 27 February 2024.

The Council has developed a Medium Term Financial Strategy (MTFS) that outlines financially sustainable and affordable plans for the next five years, addressing the Council's priorities. This MTFS ensures realistic spending levels, independent from one-off reserves, while maintaining prudent reserve levels for contingencies. The MTFS includes specified savings and monthly outturn positions versus forecasted year-end positions and is reported to both the Scrutiny & Overview Committee and Cabinet. The Council reviews its MTFS and financial forecasts twice a year in accordance with best practice. Cabinet reviews quarterly Revenue and Capital Monitoring reports.

The MTFS presented in February 2024 identified a gap of around £4.5m. To address the gap, budget meetings are held regularly and there is a Transformation Programme in place, to help identify savings. The MTFS is currently being updated, and the gap is not expected to change significantly however both the planned efficiencies from the Transformation Programme and committee exercise are expected to close this gap significantly.

The financial plans are considered by the Scrutiny & Overview Committee at various stages of the process for each service division, with recommendations made and considered in detail before onward submission to Cabinet for inclusion in the final budget.

The Council's financial structure is primarily governed by the annually approved Treasury Management Strategy (TMS), which sets borrowing and investment strategies and limits, complying with the CIPFA Prudential Code for Capital and Capital Finance in Local Authorities.

The Council has a Business Action Plan which is updated annually and taken to Council for approval. The 2024/25 Business Action Plan focuses on 4 key areas: Growing Local Business and Economies; Truly Affordable Housing; Being Green To Our Core; and A Modern and Caring Council. Each area has clear outcomes for all objectives raised. The Business Action Plan also includes a progress summary on the previous years' objectives against delivery.

The Council have separate General Fund and Housing Revenue Account (HRA) budgets. These were approved by Council in February 2024.

A 5-year General Fund Capital Programme from 2024/25 to 2028/29 was approved by Council in February 2024. This considers variances from the previous 5-year capital programme from 2023/24 to 2027/28 and has a total budget of c£33.0m for 2024/25.

Financial Sustainability

The Council maintains a strategic risk register. The Leadership Team oversee a review of the organisational approach to risk management. Strategic risks are reported to the Audit & Corporate Governance Committee with bi-annual updates/reviews. The impact of each risk is scored according to potential impact & likelihood, then, these scores are multiplied together to give an overall risk score. Both an 'Inherent Risk' score (prior to control measures) & a 'Residual Risk' score (anticipated once control measures are completed) are obtained. The risks are also discussed and reviewed at a Corporate Management Level too. Timely review & appropriately planned mitigations aim to ensure that risks are identified & managed as early as possible to prevent financial implications.

These risks are business risks relevant to financial reporting objectives, including risks related to accounting estimates. The Council has several Key Performance Indicators (KPI'S) that are reported to Cabinet and Scrutiny Committee for performance management purposes. The Council's risk framework includes the management of the council's strategic risk register. Officers review this on a regular basis updating risks as and when appropriate. The register is provided to Audit and Corporate Governance Committee twice a year for scrutiny. The committee also receives quarterly reports on Treasury management activity, and this includes an evaluation of risk in relation to this activity.

Key financial and performance metrics:	2024-25 (£'000)	2023-24 (£'000)
Planned surplus/(deficit), excluding HRA	3,070	1,897
Actual surplus/(deficit), excluding HRA	48	1,935
Planned HRA surplus/(deficit)	(196)	(339)
Actual HRA surplus/(deficit)	1,141	176
Usable reserves	98,756	89,122
Gross debt compared to the capital financing requirement	1 : 1.46	1 : 1.45
Year-end borrowings	279,733	264,723
Year-end cash position	17,371	6,098

HRA: Housing Revenue Account, a ring-fenced fund relating to social housing

Gross debt compared to the capital financing requirement: Authorities are expected to have less debt than the capital financing requirement (i.e. a ratio of under 1 : 1) except in the short term, else borrowing levels may not be considered prudent.



Governance



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

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council 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 Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Risks are identified in line with the Council's Risk Management Strategy. The Council 's strategy has a four-step process to manage its risks: Identify Risks and Controls, Analyse & Score Risks, Identify Actions and Monitoring, Reporting & Review. They segregate all risks into appropriate categories such as growth, financial, legislation, commercial activities etc. The monitoring and implementation of the planned actions is reviewed regularly by service head. The monitoring process is also actioned by the policy and performance team who support the Council to mitigate the risks identified in the register.

The Council's Corporate Management Team regularly review and monitor the Risk Register, a half yearly report is written to audit committee with an update on the 6-month period. Before submission this is presented to Leadership Team, at each stage of the process any members from CMT to Audit and Corporate Governance Committee can review and challenge.

The Cabinet review and approve the Strategic Risk Register quarterly.

A Capital Programme report is reported annually to Cabinet and Council, which is submitted as part of the budget process.

The Internal Audit team supports Management and the Audit and Corporate Governance Committee to help demonstrate the highest standards of corporate governance, public accountability and transparency in the Council's business.

In addition to the annual budget and MTFs, quarterly Revenue and Capital Monitoring report is submitted to outline the position of the Council and any emerging budget issues. The report provides monitoring information including reasons for variances and action being undertaken to address any underlying issues.

Monthly reports are provided to budget holders with transaction listings and Finance Business Partners have regular meetings throughout the year for the areas which fall in their remit. These are not documented in the form of minutes. Although, these are then submitted to Scrutiny & Overview Committee and Cabinet, which is formally documented.

Each service area within the Council will regularly monitor and review the Council's compliance with legislation and regulatory standards for their specific areas. Any new legislation which requires a policy will be derived by the service and will go to leadership first where the policies are scrutinised, discussed and changes recommended before they can be submitted to the relevant committees for onwards approval.

The Legal Team, internal audit, members and the Audit and Governance committee will also be involved in the process of monitoring and providing assurance that the Council is adhering to the legislation and regulatory standards which local authorities are obliged to meet

Governance



The Council has the code of conduct and ethical handbook which outlines guidance on conflicts of interests, it also includes processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, and gifts and hospitality.

The Council has not used general reserves to meet the budget gaps. Annually as part of the budget cycle the Council's earmarked reserves are reviewed and a report on this subject is submitted to Cabinet and Council.

Roles and responsibilities for decision making are well defined and documented at the Council. Report templates are also well drafted.

During the review of the control environment at the Council, we observed certain deficiencies in various controls relating to the preparation of accounts, which can lead to misrepresentations due to error and fraud. These control deficiencies were identified as part of the previous audit. Due to the timing of the 2023/24 audit, these deficiencies remained within 2024/25. however, KPMG note that improvements have been made within the current financial period.

The Council extracts data for the annual national fraud initiative in order to tackle fraud, which had provided the assurance that the Council's data was reliable. This data had been used in the recent successful council tax anti- fraud initiative. Amendments have been made to the report to remove reference to savings regarding money retrieved in relation to fraud, as the Council had a moral responsibility to recover this money and it should not be considered as a budgetary exercise.

KPMG have identified a **significant weakness** in the Council's arrangements associated with governance. . KPMG have issued one recommendation to the Council, refer details at page 23.

	2024-25	2023-24
Control deficiencies reported in the Annual Governance Statement	One	N/A
Head of Internal Audit Opinion	Reasonable Assurance	Reasonable Assurance
Local Government Ombudsman findings	None	None
Housing Ombudsman findings	None	None

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

We have considered the following in our work:

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

Council have appropriate arrangements and processes in place to support the Council in using information about costs and performance to improve the way services are managed and delivered, with a focus on the level of value for money being achieved. This is reported quarterly through Scrutiny and Overview Committee. Financial plans are reviewed by Scrutiny and Overview Committee before they are submitted to the Cabinet. The savings and income generation items identified during the budget cycle and approved by Council are regularly submitted to Cabinet on progress as part of the quarterly monitoring report.

The Policy and Performance team supports the Council and its partners to plan, deliver and review services and improvement projects, as set out within the Council's Performance Management Framework. It does this by playing a supporting role within business planning processes and by coordinating and submitting performance updates to senior management and Councillors. This takes place using Performance Indicators (PIs) and Business Plan updates submitted to CMT and Cabinet quarterly.

In addition to the annual budget and MTFs, quarterly revenue and capital Monitoring report is submitted to outline the position of the Council and any emerging budget issues. The report provides monitoring information including reasons for variances and action being undertaken to address any underlying issues.

Capital decisions are made annually as part of the budget programme via the capital strategy and capital programme submissions to Cabinet and Council between December and February.

A framework for budget monitoring has been established and this enables budgetary performance and agreed efficiency actions to be monitored using performance flags (Red, Amber and Green – RAG Status) and Direction of Travel indicators. This provides a statement of financial health and an overview of how the Council is utilising its resources.

An integral part of the monitoring process is the regular meetings with Budget Holders to proactively monitor compliance with the approved budget. This enables the identification of potential risks and emerging budget pressures so that appropriate action can be taken at an early stage.

The Council was reissued with a Best Value Notice by the Department for Levelling Up, Housing and Communities (DLUHC) on 8 May 2024, which challenged the introduction of a four-day working week at the Council. This was following an initial Best Value Notice issued on 3 November 2023. We reviewed an independent report undertaken by two universities which reviewed the Council's performance during the four-day week trial (published in July 2024). Of 24 key performance indicators (KPIs) monitored by the Council, analysis by the universities found 22 improved or remained the same; as such we noted no significant deviations in the KPIs achieved by the Council. The Council received a letter dated 8 November 2024, confirming that the Best Value Notice would not be reissued.

Improving economy, efficiency and effectiveness



The Council's non-financial performance is monitored by senior management and members on a quarterly basis through quarterly performance reports produced by the Policy and Performance Team. These reports consist of two key elements (Key Performance Indicator and Business Plan progress), allowing the review of different aspects of Council performance to be undertaken. These reports are submitted to cabinet on quarterly basis.

All leadership team members hold monthly or 6 weekly catchups with their service managers and finance business partners to develop a partnering relationship and to discuss any financial matters such as problematic areas, coding, upcoming projects, change of personnel, key tasks and processes, etc.

The Council is involved in several benchmarking groups such as Treasury performance with LINK (treasury advisors).

Cost improvement schemes have their own risk assessment process, and this is populated at the outset. If risk increases it is escalated to the transformation board initially then, if necessary, would go on to the Corporate risk register which is reported to Leadership team and ultimately members at audit committee.

The Council like many other organisations will be affected by the significant increase in inflation and cost of living in one way or another. These factors are considered and reflected during the revised budget setting where a thorough review is conducted.

There is significant consultation with spending officers and members to ensure that resources are allocated to appropriate areas at appropriate levels. Consultation also takes place with Partner authorities on Shared Budgets where SCDC are the host authority. During the year budgets are refined as part of the monitoring process and this information is used to assess whether budget should be retained or reprofiled.

The Council have improved their controls over the recording and monitoring of investments in subsidiaries and partnerships, including the implementation of a formal agreement for the investment in Ermine Street Housing (ESH) and updated forecasts for the current position of the investment in South Cambridgeshire Investment Partnership (SCIP), with work starting within the 2025/26 financial period. However, we note that there is still no formal expectation for the repayments of these investments and for both investments, there is insufficient monitoring over the expected recoverability of the principal values, resulting in a **significant weakness** in arrangements.

KPMG have identified a **significant weakness** in the Council's arrangements associated with improving economy, efficiency and effectiveness. KPMG have issued one recommendation to the Council, refer details at page 24.

Significant Value for Money Risk



1

Preparation of Accounts

Risk that value for money arrangements may contain a significant weakness linked to Governance

Significant Value for Money Risk

There is a risk that the Council does not have in place adequate arrangements to prepare and publish its annual financial statements to the right quality and by the deadlines as required by The Accounts and Audit (Amendment) Regulations 2024.

Our response

We verified and evaluated the structure in place which assist the council in preparing the complete set of financial statements and following up the financial reporting framework.

We followed up on the recommendations raised in our 2023/24 audit findings memo to support the implementation of agreed recommendations and monitor the progress made during the period of our 2024/25 external audit.

Our findings

Findings

The Council published their draft accounts on their website with the deadline of 30 June 2025, as in line with the Accounts and Audit Regulations 2015.

However, review of these accounts identified the following:

- The mandatory implementation of IFRS 16, as in line with CIPFA and the Local Authority Accounting Code, had not been performed;
- The values used in the consolidation exercise of the draft Group accounts do not reflect the values per the financial statements of the subsidiaries; and
- The mapping between the ledger and accounts was performed three times which resulted in amendments in the income and expenditure, compared to the current published version of accounts.

It is also noted that the amendments have been made to the values of income and expenditure recorded in the draft financial statements, due to account mapping corrections – see page 23 for recommendation. We have previously raised a number of other medium and low rated recommendations which have been reported to management in our Audit Findings report.

Conclusion

Based on the findings above we have determined that **there is a significant weakness in arrangements relating to the preparation of accounts.**

Significant Value for Money Risk



2 Recoverability of Investments

Risk that value for money arrangements may contain a significant weakness linked to Improving economy, efficiency and effectiveness

Significant Value for Money Risk

The lack of monitoring over investments could impact any potential impairment and recoverability risks over the repayment of the principals as well as impact the cashflow of the Council, for additional funding shared.

Our response

We have considered a higher level of risk in the statutory audit regarding the recoverability of investments.

We have held inquiries to understand the current monitoring arrangements for investments and the expected repayment timelines, in relation to the recoverability of the principal amounts and additional funding approval, including the impact on cashflows.

Our findings

Findings

We note that the Council have made improvements in the control environment over the recording and monitoring of investments, including the implementation of a formal agreement for the investment in Ermine Street Housing (ESH) and updated forecasts for the current position of the investment in South Cambridgeshire Investment Partnership (SCIP), with work starting within the 2025/26 financial period.

However, we note that there is still no formal expectation for the repayments of these investments and for both investments, there is insufficient monitoring over the expected recoverability of the principal values – see page 24 for recommendation.

Conclusion

Based on the findings above we have determined that **there is a significant weakness in arrangements relating to recoverability of investments.**

Value for Money: Recommendations



Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of November 2025
1	<p>Accounts Preparation</p> <p><i>2024/25 Update:</i> 2024/25 was the first year in the last 10 years, where the Council were able to publish draft accounts on time per the Accounts & Audit Regulations 2015.</p> <p>However, review of these accounts identified the following:</p> <ul style="list-style-type: none"> The mandatory implementation of IFRS 16, as in line with CIPFA and the Local Authority Accounting Code, had not been performed; The values used in the consolidation exercise of the draft Group accounts do not reflect the values per the financial statements of the subsidiaries; and The mapping between the ledger and accounts was performed three times which resulted in amendments in the income and expenditure, compared to the current published version of accounts. <p>The above issues in the accounts preparation can result in delays in financial reporting, significant transactions that may not be completely identified & reported on, and group accounts which may not reflect the actual underlying group position and structure.</p> <p>This could result in further modified audit opinions for future periods.</p> <p><i>We recommend that clear roles and responsibilities are assigned by the Council within the finance team with regards to account preparation, with deadlines and expectations clearly articulated and monitored by senior management/TCWG.</i></p> <p><i>Full accountability should be taken by all team members.</i></p>	<p>Agreed by Management.</p> <p>Responsible Officer – Farzana Ahmed (s151 Officer)</p> <p>Implementation Date – March 2025 + Review Summer 2025</p> <p>Management Response</p> <p>The 2023/24 draft accounts were produced at the end of June 2024 and submitted to audit committee on 16 July 2024.</p> <p>The Finance Business Team has undergone an internal service review, and the structure has been constructed with a view to maintaining sufficient capacity to deliver the services core responsibilities including the production of final accounts. The internal service review consists of two elements:</p> <p>Stage 1 – Recruitment & Stabilisation of the team is now completed.</p> <p>Stage 2 – In progress:</p> <ul style="list-style-type: none"> Change toward a 'Business Partner' model of working based on being proactive and having strong business skills. Distribution of the work within the team and sharing of knowledge (training) to define clear responsibilities. Process mapping work to build efficiency <p>The structure has also included a move to generic roles enabling the service to maintain maximum flexibility in its structure, allowing it to respond quickly to changes to meet the objectives.</p>	<p>The Finance Business Partner responsible for coordinating the preparation of the accounts has derived a comprehensive year end timetable outlining the specific tasks, a responsible officer for the task and the deadline to be met. In addition, the Head of Finance has produced a detailed list of the roles and responsibilities of each finance partner specifically relating to the statutory statement of accounts.</p> <p>Extensive work has been undertaken in relation to IFRS16 to enable the Council to comply with the accounting standard but due to the constraints and deadline of producing the accounts this work was not concluded in time for the published draft statement of accounts.</p> <p>A mapping error within the expenditure and funding analysis was identified post the publication of the draft statement of accounts which resulted in another iteration of the accounts for the external auditors for completeness.</p> <p>It should be noted that 2024/25 was the first year whereby the Finance Business Team undertook responsibility of producing the statement of accounts in house with limited reliance on interim resources.</p>

Value for Money: Recommendations



#.	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of November 2025
2	<p>Monitoring of Investments</p> <p><i>2024/25 Update:</i> KPMG note that the Council have made improvements in the control environment over the recording and monitoring of investments.</p> <p>However, there is still no formal expectation for the repayments of the investments and there is insufficient monitoring over the expected recoverability of the principal values</p> <p><i>We recommend that a formal plan be agreed with all investees to capture repayment of principal values with clear due dates. These reports should be taken to committee for appropriate oversight.</i></p>	<p>Not Agreed by Management.</p> <p>Responsible Officer – Farzana Ahmed / Martin Lee</p> <p>Implementation Date – N/A</p> <p>Management Response</p> <p>Management believes this was a group consolidation oversight and therefore does not believe an introduction of a formal assets and liabilities register will be of any benefit though will be happy to discuss this in further detail.</p>	<p>Management is evaluating the investments which do not currently have formal plans for repayments and intend on taking a report to committee. Management will be seeking further advice from the auditors on best practice guidance in this area.</p>



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