East Cambridgeshire District Council

Auditor's Annual Report

Year ended 31 March 2025

13 April 2026

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Agenda Item 7

Audit Committee
East Cambridgeshire District Council
The Grange
Nutholt Lane
Ely
CB7 4EE

13 April 2026

Dear Audit Committee Members

2024/25 Auditor's Annual Report

We are pleased to attach our final Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for East Cambridgeshire District 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 East Cambridgeshire District Council 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 Audit Committee meeting on 14 July 2026.

The EY UK 2025 Transparency Report | 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

David Riglar

Partner,

For and on behalf of Ernst & Young LLP

Enc

Contents

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.psaa.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 Audit Committee and management of East Cambridgeshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of East Cambridgeshire District 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 Audit Committee and management of East Cambridgeshire District 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 East Cambridgeshire District 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 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 a draft Auditor's Annual Report to the S151 and Audit Committee Chair on 24 November 2025 reflecting the audit position and value for money assessment at that time to meet this requirement. As our audit work is now complete, and the Audit Results Report has been issued, this is the final version for the Committee.

Responsibilities of the appointed auditor

We have undertaken 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 East Cambridgeshire District 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 East Cambridgeshire District 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

Financial statements	As reported in our 14/02/2025 Audit Results Report we issued a disclaimer of opinion on the Council's 2023/24, and 2022/23 financial statements under the arrangements to reset and recover local government audit. In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. We have not been able to complete all planned audit procedures, see pages 14 to 16 for more detail. We therefore have not obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over most of the brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. 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 are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement of the financial statements. We therefore issued a disclaimed 2024/25 audit opinion on 20th February 2026.
Going concern	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.
Consistency of the other information published with the financial statements	The financial information in the narrative statement and published with the financial statements is consistent with the accounts.
Value for money (VFM)	We have identified weaknesses in the Council's arrangements to effectively support an audit of its financial statements. These are set out on pages 14 to 16, detailed findings and recommendations have been included in our Audit Results Report.
Consistency of the annual governance statement	We are satisfied that the annual governance statement is consistent with our understanding of the Council.

Executive Summary (cont'd)

2024/25 conclusions (cont'd)

Additional powers and duties	We had no reason to use our auditor powers.
Whole of Government Accounts and Certificate	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. We cannot issue our Audit Certificate until these procedures are complete.

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.

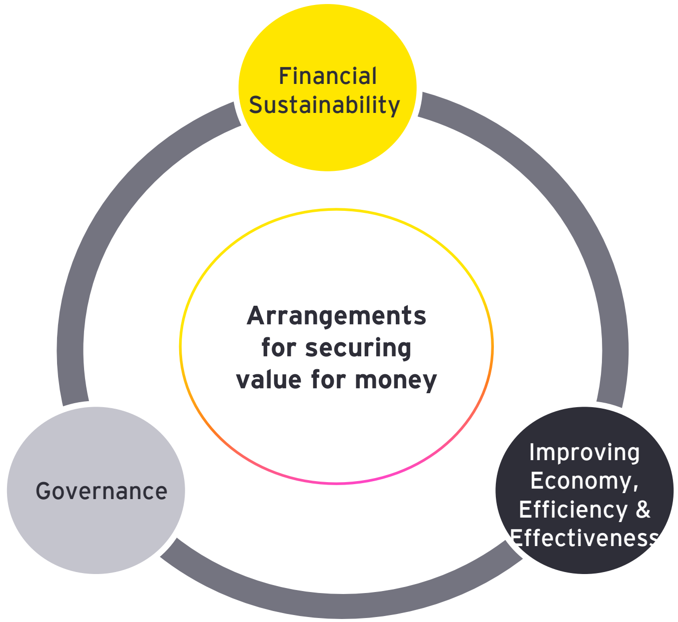
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

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 Director, Finance and s151 Officer;
- 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, which must be issued by 30 November. We have not identified any changes to this understanding from the date of the draft Auditor's Annual Report to the date of this final Auditor's Annual Report.

The recommendations we have agreed upon with the Council are included in Appendix A.

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	No significant risks identified	We have identified weaknesses in the Council's arrangements to effectively support an audit of its financial statements. These are set out on pages 14 to 16, detailed findings and recommendations have been included in our Audit Results Report.
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 2024:

EY UK 2025 Transparency Report | EY - UK

02 Audit of financial statements

Audit of financial statements

Key findings

The Statement of Accounts 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.

We identified weaknesses that have not enabled us to complete the audit as we initially planned. The commencement of the audit was delayed because of the quality of audit evidence for some significant account areas. We were therefore unable to complete all planned 2024/25 procedures for Balance Sheet – Grants Received in Advance; Balance Sheet –Short Term Debtors; Balance Sheet – Short Term Creditors; Balance Sheet – Reserves; Comprehensive Income & Expenditure Statement – Finance & Assets; Comprehensive Income & Expenditure Statement – Operational Services; Comprehensive Income & Expenditure Statement – Staff costs; Collection Fund; Cash Flow Statement; Leases; Other disclosures not separately identified.

Financial statement risks

Risk	Conclusion
Fraud Risk - Misstatements due to fraud or error – Management override of controls	We have not identified any material weaknesses in controls, evidence of management override, instances of inappropriate judgements being applied or significant unusual transactions.
Fraud Risk - Misstatements due to fraud or error – capitalisation of revenue expenditure	Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value. Our sample testing identified that £0.123 million of Contribution Income for Home Improvements was incorrectly recorded in REFCUS which has been amended by the Council, Our data analytics procedures did not identify any movements from expenditure to capital outside of the normal course of business.
Significant risk – Group Accounting	We have completed our work in this area and reported several audit differences in the Audit Results Report. The main issues reported and adjusted by management: ▪ Balance Sheet – Inventory and Retained losses: Incorrect elimination of Capitalised interest on inventory resulted in Inventory overstatement and understatement of Reserves for £0.115 million. ▪ Balance Sheet –Debtors and Creditors: Intercompany balances between components (ECTC and ECSS) were not eliminated resulted in overstatement of Debtors and understatement of Creditors for £0.09 million. ▪ Comprehensive Income and Expenditure Statement – Finance & Assets and Reserves: IFRS 16 Leases implementation impact overstated the CIES Finance & Assets for £0.054 million and understated Reserves due to the incorrect calculation. ▪ Comprehensive Income and Expenditure Statement – Finance & Assets (Gross Income) – Finance & Assets (Fross Expenditure): Intercompany sales and purchases between components (ECTC and ECSS) were not eliminated that resulted in overstatement of Income and understatement of Expenditure for £0.132 million. ▪ Balance Sheet – Reserves: The Council has initially classified retained losses in unusable reserve overstating it for £1.412 million, however, it should be presented in usable reserve. £1.294 million reclassification was required for the Group Statements in addition to the Inventory adjustment mentioned above £0.114 million.

Audit of financial statements (cont'd)

Financial statement risks (cont'd)	
Risk (cont'd)	**Conclusion**
Fraud Risk - Revenue recognition from contract with customers (ECTC)	We have completed our work in this area and have no matters to report.
Significant risk – Valuation of WIP (Group Component – ECTC	We have completed our work in this area and have no matters to report.

Audit of financial statements

Financial Statement reporting assessment

Management, and the 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 audit across a range of relevant measures.

Where we have been unable to undertake all planned procedures, this is likely to extend the timetable to recover assurance on the Council's financial statements.

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 page 16. 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

Financial Statement reporting assessment

<table>
<tr><th rowspan="2">Area</th><th colspan="3">Status</th><th rowspan="2">Explanation</th><th rowspan="2">Further detail</th></tr>
<tr><th>R</th><th>A</th><th>G</th></tr>
<tr><td>Timeliness of the draft financial statements</td><td colspan="3">Effective</td><td>The financial statements were published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations.</td><td>N/A</td></tr>
<tr><td>Quality and completeness of the draft financial statements</td><td colspan="3">Ineffective</td><td>The first version of the draft financial statements published by the Council had significant internal inconsistencies, typographical and arithmetic errors, that should have been identified through internal quality review prior to publication.</td><td>N/A</td></tr>
<tr><td>Delivery of working papers in accordance with agreed client assistance schedule</td><td colspan="3">Ineffective</td><td>Working papers and requested evidence were not provided in line with the agreed timetable.</td><td rowspan="2">Regular discussions were held with the finance team to agree the additional supporting information required. This led to additional delays to the audit progress whilst the finance team prepared the working papers. We were unable to complete all planned procedures.

We will work with the finance team to help improve the quality of working papers and supporting evidence for the 2025/26 audit.</td></tr>
<tr><td>Quality of working papers and supporting evidence</td><td colspan="3">Ineffective</td><td>Working papers and supporting evidence were generally not to the expected standard.</td></tr>
<tr><td>Timeliness and quality of evidence supporting key accounting estimates</td><td colspan="3">Effective</td><td>Working papers and supporting evidence for the key accounting estimates generally met the expected standard and were provided with the agreed timeline.</td><td>N/A</td></tr>
</table>

Audit of financial statements (cont'd)

Financial Statement reporting assessment (cont'd)

Area	Status (R / A / G)	Explanation	Further detail
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement	The main audit contact responsible for Statements of Accounts preparation left the council. The Council appointed a new Principal Accountant for the 2024/25 audit. The Council's section 151 Officer retired just before the year-end audit was due to start. The Council went through the recruitment process and appointed Principal Accountant mentioned above to Section 151 Officer role during the audit. Although the Council engaged temporary resources to meet the audit requirements, the loss of knowledge and finance team capacity contributed to delays during the audit.	We expect to raise a scale fee variation in respect of this.
Volume and value of identified misstatements and disclosure amendments	Ineffective	As of the date of this report, a large number of material misstatements and disclosure amendments were detected as a result of our work which have been corrected by management.	We expect to raise a Scale Fee variation in respect of the additional work required.

Audit of financial statements

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.

EXPECTED STATUS

2023/24

Disclaimer opinion

- Pervasive gaps over opening balances, comparators, and in-year movements.
- Lack of assurance over PPE valued on a cyclical basis, from the 22/23 audit.
- Lack of assurance over Reserves (cumulative nature)

CURRENT AUDIT STATUS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL

- The Council's progress is behind the expected timescales set out in LARRIG 01.
- This is because we were unable to complete all planned procedures in 2023/24 due to weaknesses in Council arrangements.

Current audit year 2024/25

Disclaimer or qualified opinion

Continuing impact from 2023/24:

- Lack of assurance over all the comparator I&E transactions, PPE and reserves.
- Due to gaps in PPE assurance, there is a likely lack of assurance over related in-year transactions.
- Potential for qualified except for, but more likely to be disclaimed

CURRENT AUDIT STATUS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL

- The Council's progress is behind the expected timescales set out in LARRIG 01 and the opinion for 2024/25 was disclaimed.
- We have not been able to complete all planned procedures (see details on previous page)
- The Audit Results Report set out in more detail the assurance we have gained by accounts area.

2025/26

Qualified (except for) opinion

- Assurance in place over opening and closing balances, and assurance gained over each in-year movement.
- Likely gap over specific comparator balances may remain on PPE due to the extent items have not been valued since 2022/23. The impact on the CIES & reserves would require to be assessed.
- However, with the anticipation of incorporating build-back guidance focusing on reserves, there is increasing probability that gaps in assurance can be specifically identified, leading to higher likelihood of a qualified report (not disclaimed).

LIKELY AUDIT STATUS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL

- The Council is currently behind the illustrative timescale for the process of re-building assurance, because not all audit procedures were completed during either 2023/24 or 2024/25.
- The audit report on the Council's 2025/26 financial statements will therefore likely also need to be disclaimed due to the pervasive gaps in assurance over opening balances, comparators and in-year movements (akin to the 2023/24 year in the above indicative timetable).

2026/27

Unqualified opinion

- Expectation that all items resolved.
- Auditor will need to reassess the PPE cyclical valuation impact - but may be able to work with the authority to ensure that items previously valued in 2022/23 were revalued by this time or would be immaterial.

CURRENT AUDIT STATUS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL

- The ability to issue a qualified opinion on the Council's 2026/27 financial statements will depend on the ability to complete audit procedures during the 2025/26 and 2026/27 audits, as well as the Council taking steps to support the rebuilding of assurance over PPE.

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 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
Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.	▪ No significant risk identified to date.	▪ No significant weakness identified to date.
Governance How the Council ensures that it makes informed decisions and properly manages its risks.	▪ No significant risk identified.	▪ We have identified weaknesses in the Council's arrangements to effectively support an audit of its financial statements. These are set out on pages 15 to 16, detailed findings and recommendations have been included in our Audit Results Report.
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 risk identified to date.	▪ No significant weakness identified to date.

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

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for financial sustainability. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2024/25.

Overview of our conclusions

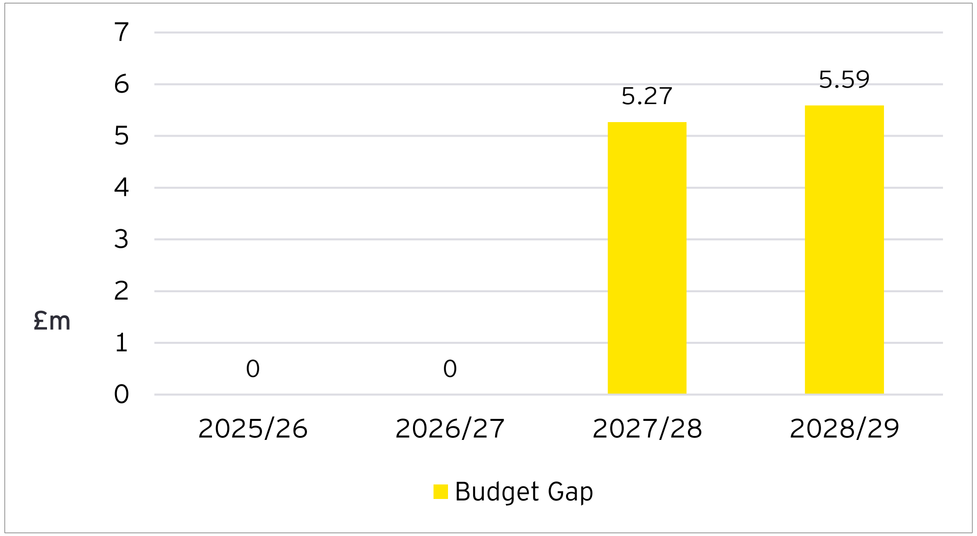
Based on the work performed, the Council had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services.

Financial Sustainability considerations

Medium Term Financial Strategy MTFS)

In February 2025, East Cambridgeshire District Council approved its updated Medium Term Financial Strategy (MTFS) for 2025/26 to 2028/29. The Strategy highlights significant uncertainties, including the reduction of Government Grants, whether there will be additional funding for the new waste collection requirements, and stability of interest rates. Rising staff costs, reduced interest income following ECTC loan repayment, and falling rates add further pressure. While the Council has achieved a balanced budget for 2025/26 and 2026/27 through the Surplus Savings Reserve, future years show substantial shortfalls. The Strategy stresses proactive planning to maintain financial resilience, recommending early action to identify savings and prioritize income-generating opportunities, which offer high returns with minimal service impact. It also advises that all options—efficiency improvements, cost reductions, and new revenue streams—be thoroughly assessed and implemented where appropriate throughout the MTFS period.

Exhibit A: The Council's MTFS outlines a cumulative gap of £10.855 million by 2028/29



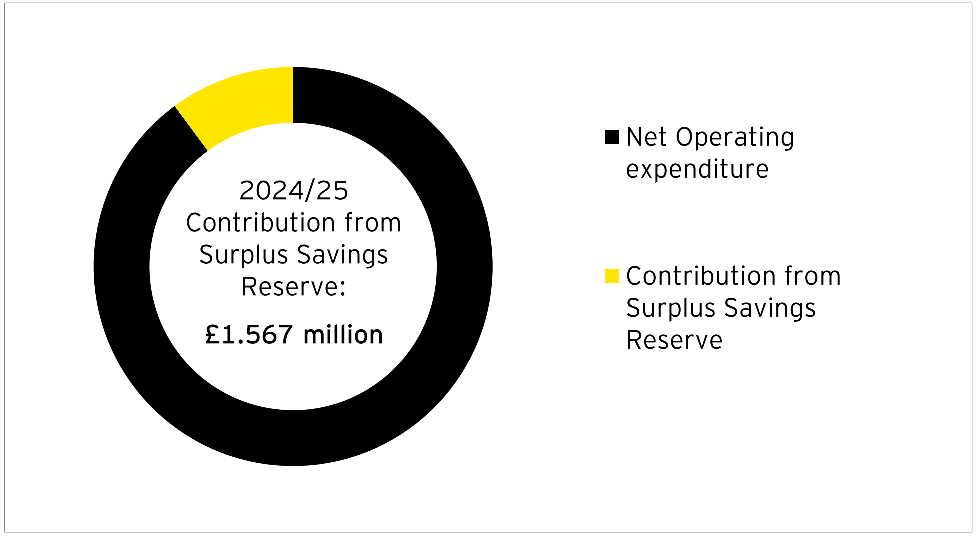
Financial Sustainability considerations

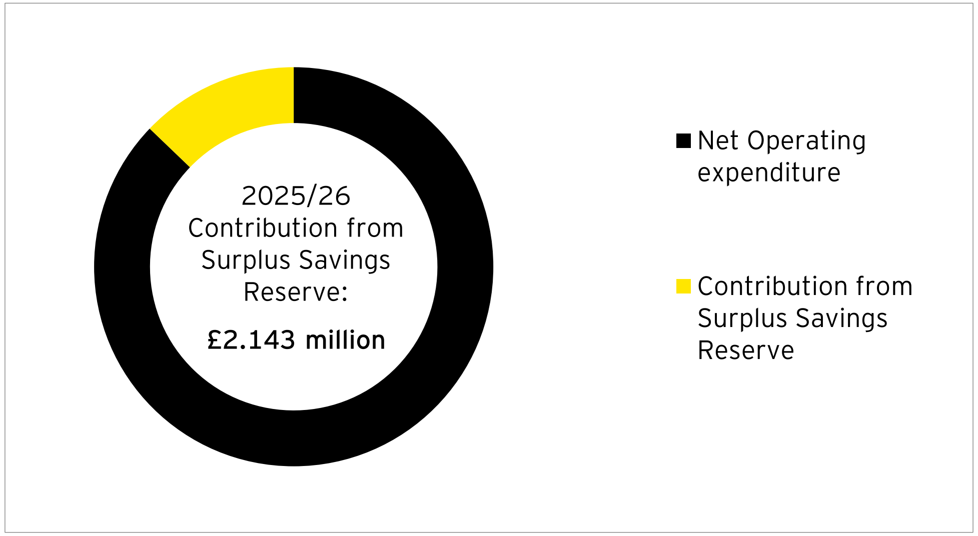
Savings plans

The Council's 2025/26 budget is balanced through the use of the Surplus Savings Reserve, with no immediate savings target set for this year. However, the Medium Term Financial Strategy identifies significant budget shortfalls from 2027/28 onward, requiring proactive measures. While the Council has a strong track record of delivering efficiencies, the Strategy emphasizes the need to accelerate income-generating opportunities and review all options—efficiency improvements, cost reductions, and new revenue streams—during the MTFS period. Progress on these measures will need to be monitored and reported regularly to the Council and its Committees to ensure timely implementation and financial resilience.

The Council established a Surplus Savings Reserve, the balance was £9.2 million at 1 April 2024. In 2024/25, a transfer of £0.7 million was made to the reserve, and a contribution from the reserve of £1.567 million was made. Further contributions from the reserve are forecast in 2025/26, 2026/27 and 2027/28, that result in the reserve being fully used by 31 March 2028. The Council's financial strategy acknowledges this will reduce the overall level of reserves significantly and outlines plans to mitigate the risks in the MTFS, including targeted savings, income generation, and careful monitoring of reserves. However, if underlying pressures persist or intensify, the depletion of reserves could compromise financial resilience in the latter years of the medium-term strategy. Whilst, the Council has managed to balance its budget in the short term, the medium-term outlook is characterised by a structural gap that will require ongoing vigilance, proactive savings measures, and potentially difficult decisions on service priorities to ensure long-term sustainability.

Exhibit B: The Council's contribution from Surplus Savings Reserve to deliver a balanced budget in 2024/25 was £1.567 million, 11% of net operating expenditure. 2025/26 estimated contribution from Surplus Savings Reserve to deliver a balanced budget is £2.143 million, 14% of net operating expenditure.



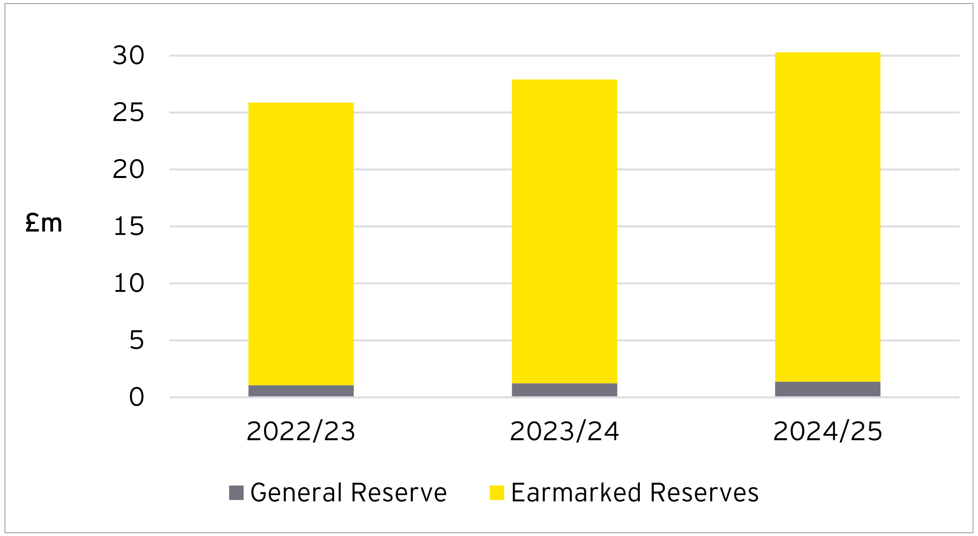


Financial Sustainability considerations

Reserves position

At the 31 March 2025, the Council held a General Fund balance of £1.386 million, which is the minimum level set by the Section 151 Officer in the 2024/25 budget. In addition, the Council has a Surplus Savings Reserve of £10.229 million, which is in addition the General Fund balance. Together with further Earmarked General Fund Reserves of £18.674 million, this provides a strong level of resources if future savings requirements are not identified or achieved in each of the 4 financial years of the Medium Term Financial Strategy, allowing the Council to continue to deliver the current level of services.

Exhibit C: The Council's unallocated General Reserve continued to increase in 2024/25 to meet the is the minimum level of 10% of the net operating budget set by the Section 151 Officer



Financial Sustainability considerations

Budget Monitoring

The Council monitors budgets through quarterly reports to the Council's two Policy Committees (Operational Services and Finance and Assets), assessing service delivery against priorities and the Corporate Plan. Service leads track performance, supported by a financial management system for real-time updates. Budgets are based on income and expenditure forecasts within the Medium Term Financial Strategy, reviewed annually to address risks. Reserves, including a 10% General Fund, provide contingency for overspends. Internal Audit ensures compliance with CIPFA standards and effective controls. Variances and savings are addressed promptly, with updates reflected in financial reports and committee reviews.

The Council's spending for the financial year 2024/25 was £12.742 million, which was £1.409 million lower than budgeted. The main reason for the improved performance was due to interest received on investments was significantly higher than the budget. The underspend has been moved to the Surplus Savings Reserve.

Exhibit D Summary of the Council's 2024/25 Outturn

	Original Budget £m	Outturn 2024/25 £m	(Underspend) /Overspend £m
Service Net Revenue Expenditure	14.151	12.742	(1.409)
Total Net Revenue Expenditure	18.840	17.397	(1.443)
Total Financing	(18.840)	(20.274)	(1.443)
Transfer to Surplus Savings Reserve			(2.622)
Net (Increase)/Decrease in Earmarked Reserves			(2.391)
Total Reported General Fund Movements			0.229
Reported (Surplus) upon Services in Income & Expenditure Account			(2.391)

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

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's governance arrangements. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to governance are not significantly different in 2024/25.

Overview of our conclusions

We have identified weaknesses in the Council's arrangements to effectively support an audit of its financial statements. These are set out on pages 14 to 16, detailed findings and recommendations have been included in our Audit Results Report.

Based on the work performed, we have not identified any significant weaknesses in the Council's 2024/25 arrangements to make informed decisions and properly manage its risks.

Governance considerations

Annual Governance Statement

We reviewed the framework for the preparation of the Annual Governance Statement (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.

The Council's Annual Governance Statement sets out the core governance arrangements for the year, including an Action Plan to address previously identified matters, which demonstrates how the Council's Code of Governance reflects the seven principles of good governance.

The Chief Internal Auditor, in line with the CIPFA Code of Practice, has provided an annual opinion based on a risk-based audit plan, concluding that the Council's governance, risk management, and control framework for 2024/25 offers "Good Assurance." While this assurance is not absolute, it serves as a key source for the Council's Annual Governance Statement. The opinion reflects work performed during the year and considers the internal audit team's performance against its objectives, providing a reasonable level of assurance on the overall adequacy and effectiveness of the system of internal control.

Risk Management

East Cambridgeshire District Council maintains a comprehensive risk management framework as a core element of its governance arrangements. The system is designed to identify, assess, and manage risks that could impact the achievement of strategic objectives. It operates through a structured process of risk identification, scoring, mitigation, and monitoring, supported by a Corporate Risk Register that is reviewed twice yearly by the Audit Committee. High-priority risks, such as service delivery challenges, are addressed through targeted actions and performance monitoring. The Council's Risk Management Policy, aligned with the Accounts and Audit Regulations 2015, ensures accountability at all levels, while the framework incorporates assurance sources and heat maps to highlight risk significance. This proactive approach reflects the Council's commitment to continuous improvement and resilience in service delivery.

Reporting Arrangements

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

We have identified weaknesses in the Council's arrangements to effectively support an audit of its financial statements. These are set out on pages 12 to 17, detailed findings and recommendations have been included in our Audit Results Report.

We will work with the finance team to help improve the quality of working papers and supporting evidence for the 2025/26 audit.

Governance considerations

Internal audit arrangements, including arrangements to prevent and detect fraud

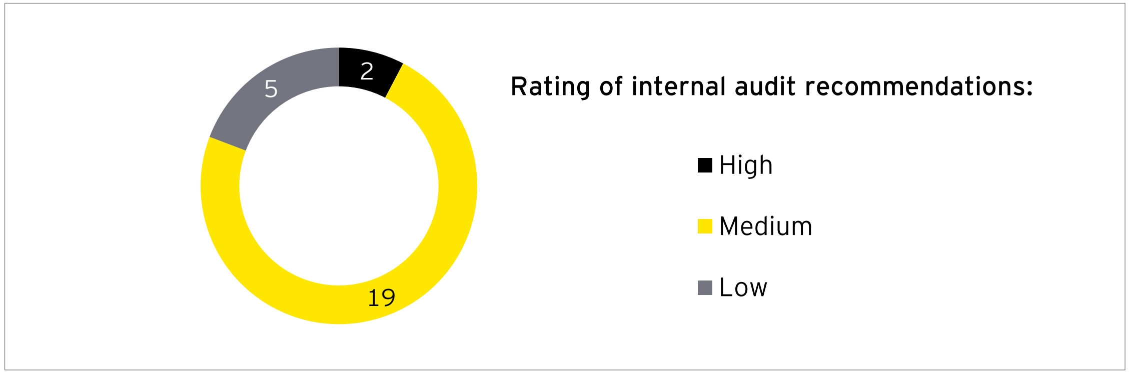
East Cambridgeshire District Council's internal audit function operates under the CIPFA Code of Practice for Internal Audit in UK Local Government, ensuring independence, objectivity, and compliance with professional standards. The service is delivered through a risk-based annual audit plan, approved by the Audit Committee, which prioritizes areas of greatest strategic and operational risk. This approach enables the internal audit team to provide assurance on governance, risk management, and internal control systems across the Council.

The Chief Internal Auditor provides an annual opinion based on completed work, and for 2024/25 this was "Good Assurance," indicating that controls are generally sound and risks are well managed, though absolute assurance cannot be given. The audit plan includes core financial audits, governance reviews, and targeted audits of high-risk areas, supplemented by advisory work to support continuous improvement. Performance monitoring is integral to the arrangements. Progress against the audit plan and quality standards is reported regularly to the Audit Committee, ensuring transparency and accountability.

Out of the twenty six Internal Audit recommendations raised during the year, four are outstanding, with one currently overdue. The internal audit team benchmarks its performance against objectives and maintains compliance with Global Internal Audit Standards. These arrangements collectively provide a robust assurance mechanism, supporting the Council's Annual Governance Statement and reinforcing its commitment to effective risk management and sound financial stewardship. The Council and Internal Audit should continue to ensure that all outstanding actions are being monitored with the action owners on a regular basis, and that all overdue actions are reported to the Governance and Audit Committee.

The offence of failing to prevent fraud, as introduced by the Economic Crime and Corporate Transparency Act 2023, became effective on 1 September 2025. The Home Office has published statutory guidance (most recently updated in October 2025) which organisations must consider. This guidance outlines the core principles for establishing, reviewing, or enhancing anti-fraud procedures. The Council has reviewed its existing fraud policy and procedures against the latest Home Office guidance. The review strengthened prevention, detection, and response measures, reaffirmed a zero-tolerance stance, clarified staff responsibilities, and ensured clear reporting and whistleblowing channels. The updated strategy prioritizes risk assessment, staff awareness, and proportionate controls. Governance oversight was reinforced through the Audit Committee, which approved the policy and recommended adoption by Full Council, demonstrating compliance and readiness to meet statutory duties.

Exhibit E Internal audit's follow up of recommendations noted that 1 recommendation is agreed and overdue as of July 2025



Governance considerations

Informed decision making and member challenge

The Council operates under a governance framework set out in its Constitution, which defines decision-making responsibilities and committee structures. Full Council is the principal decision-making body, comprising all elected members, and decisions require a majority vote.

Decision-making processes and delegations are set out within the Constitution for all Committees, as well as decision making that is delegated to Council Officers. Where formal decisions are required they are scrutinised by the appropriate committee in advance of presentation to Full Council where required. This ensures that the necessary information is provided and that recommendations can be challenged before decisions are made. Few days before the meeting, the agenda is made available to all the members. During the meetings, the members are given sufficient opportunity to challenge the decisions and have a proper debate. This is evident from the minutes of the meetings.

The Audit Committee provides independent assurance on governance, risk management, and financial reporting arrangements, meeting regularly in accordance with its terms of reference. It reviews internal and external audit reports and monitors compliance with statutory and regulatory requirements.

The Council has implemented Members' code of conduct which is intended to promote high standards of behaviour amongst the elected and co-opted Members of the council. The Code is underpinned by the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership. It defines the rules to be adhered to as part of meeting the relevant requirements and setting appropriate standards. Every member much comply with this code. Any issues, for example from whistle-blowing processes or complaints, are investigated in accordance with agreed processes and/or referred to Internal Audit or the Monitoring Officer, as appropriate. Further, every member is required to disclose the existence and nature of the disclosable pecuniary interest in any matter which is discussed at the meeting and such member cannot attend the meeting as well. This is maintained by the Monitoring officer.

Local Government Reorganisation

Local Government Reorganisation is expected to pose challenges for local authorities. 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.

Central Government also ran an eight-week public consultation from 17 February to 13 April 2025 on its proposals for local government reorganisation in Cambridgeshire and Peterborough, which included the potential abolition of East Cambridgeshire District Council and the transfer of its functions to a new unitary authority. The Council's preferred option for local government reorganisation was submitted to Government in November 2025.

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

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. 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

Regular reporting of performance and finances is undertaken. As part of this, the Council consider the delivery of services and the Council priorities and previous performance. Service leads are responsible for monitoring the performance of teams, in line with key Council objectives as set out in the Corporate Plan. This is reflected on within the Narrative Report. Quarterly budget monitoring reporting is done to the Finance and Assets Committee and Operational Committee, in which the financial outturn of all the services are considered. If any services are performing not-in-line with the budget, corrective measures are produced and approved in the meeting.

The Corporate Plan sets out future promises and commitments for the Council. The Council monitors the provision of services against these commitments. The nature of monitoring therefore is dependent on the nature of the service provided and the commitments monitored. The Narrative Report sets out a review of achievements against the corporate plan. The Council's two Policy Committees (Operational Services and Finance and Assets) approve and monitor performance against Service Delivery Plans. The Council presents a service delivery report bi-annually where under each service area, performance measures are evaluated.

Monitoring of the Corporate Plan and the progress of actions to address the requirements of the plan is through discussion at Corporate Management Team, with subject papers taken to relevant Committees on an ad-hoc basis. The nature of monitoring is therefore dependent on the nature of the service provided and the commitments made. Three priority areas identified by the Council within the Corporate Plan: Sound Financial Management; Cleaner, greener East Cambridgeshire; Sustainable communities. Review of achievements against the corporate plan can be seen within the Council's Narrative Report as part of the Statement of Accounts.

Procurement and contract management

The Council has, as part of its Constitution, Contract Procedure Rules which officers are expected to adhere to when procuring on behalf of the Council. Training on Contract Procurement Rules has become mandatory for all service leads at least once every three years. The Council also maintains a contract register. Internal Audit review procurements as part of their Internal Audit plan, and procurement compliance received satisfactory assurance for the year. This informs the annual assurance opinion of internal control and value for money. The Monitoring Officer has overall responsibility for ensuring the Council complies with relevant laws and regulations.

Improving economy, efficiency and effectiveness considerations

Partnership working

The council ensures its representation on partnership bodies by appointing relevant officers or members as needed. A key partnership is with the Anglia Revenues Partnership (ARP), where the council participates in relevant meetings. The management of ARP is conducted through a joint committee, which consists of five councillors, including one representative from each respective council. Additionally, the Operational Improvement Board, which also comprises five senior officers from the respective councils, includes the director of finance of East Cambridge District Council as a member. This structure allows the council to effectively influence ARP's operations, ensuring they align with the council's objectives. ARP's primary responsibilities include managing council tax, business rates, and housing benefits.

Other significant partnerships involve working arrangements with two subsidiary companies, East Cambs Street Scene Limited (ECSS) and East Cambs Trading Company Limited (ECTC) which operate as wholly owned subsidiaries of East Cambridgeshire District Council, structured to deliver services at arm's length while maintaining governance and accountability. Both companies are governed by their Articles of Association and Shareholder Agreements, which set out decision-making powers and require Council consent for significant changes. The Council exercises its shareholder responsibilities through the Finance and Assets Committee, which approves annual business plans, monitors performance, and ensures compliance with strategic objectives. Each company has an independent Board of Directors, including senior Council officers and external members, responsible for operational decisions and risk management. Boards should meet regularly and report to the Operational Services Committee on financial and operational performance. Financial governance is reinforced through annual audits by external auditors and submission of audited accounts to the Council. Both companies are required to adhere to statutory and financial regulations, to ensure transparency and accountability. These arrangements are designed to collectively provide a robust framework for governance, balancing commercial flexibility with public sector standards and safeguarding the Council's interests.

04 Appendices

Appendix A – Recommendations from current year

Recommendations from 2024/25

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
Governance We have identified weaknesses in the Council's arrangements to effectively support an audit of its financial statements. These are set out on pages 14 to 16, detailed findings and recommendations have been included in our Audit Results Report.	The Council should review its approach to preparing financial statements and supporting the audit process in the following areas: **Strengthen Financial Statement Preparation and Audit Support** ▪ The Finance Team must develop a strong understanding of: ▪ Local Government accounting requirements. ▪ The CIPFA Code of Practice and relevant Accounting Standards. **Build Capacity and Expertise** ▪ Ensure sufficient capacity of skilled finance professionals with the necessary technical knowledge and experience. ▪ Provide specific training to enhance understanding of complex areas such as judgments, estimates, and compliance with CIPFA standards. Improve Quality of Audit Working Papers ▪ Implement robust processes to produce high-quality financial statements supported by complete, accurate, and well-referenced working papers. ▪ Ensure all responses to audit queries are timely, address the questions raised and include appropriate supporting evidence. **Enhance Responsiveness and Communication** ▪ Adhere to agreed turnaround times for audit queries (3 days) and sample evidence (5 days). ▪ Establish clear escalation protocols for delays or unresolved issues. ▪ Continue regular communication between audit leads and the Finance Team to monitor progress and resolve issues promptly.	The Council accepts the recommendation and recognises the need to strengthen financial statement preparation and audit support. Capacity and capability issues identified during the 2024/25 audit have been acknowledged and are being addressed through the appointment of an Interim Technical Accountant and the recruitment of a Principal Accountant with The Council will continue to strengthen working paper quality, improve responsiveness to audit queries, and maintain regular communication and escalation arrangements to support a more efficient audit process going forward.

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