Auditor’s Annual Report

Stockport NHS Foundation Trust – year ended 31 March 2025

June 2025

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Introduction

Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Stockport NHS Foundation Trust (‘the Trust’) for the year ended 31 March 2025. Although this report is addressed to the Trust, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the National Health Service Act 2006 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Opinion on the financial statements
We issued our audit report on 25 June 2025. Our opinion on the financial statements was unqualified.

Value for Money arrangements
In our audit report we reported that we were not satisfied arrangements were in place for the Trust to secure economy, efficiency and effectiveness in its use of resources, this is because we issued a recommendation in relation to a significant weakness in those arrangements. Section 3 provides our commentary on the Trust’s arrangements and a summary of our recommendations and the weaknesses identified.

Reporting to the group auditor
In line with group audit instructions issued by the NAO, on 25 June 2025 we reported that the Trust’s consolidation schedules were consistent with the audited financial statements.

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Trust and whether they give a true and fair view of the Trust's financial position as at 31 March 2025 and of its financial performance for the year then ended. Our audit report, issued on 25 June 2025 gave an unqualified opinion on the financial statements for the year ended 31 March 2025.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Trust's accounting practices

We have reviewed the Trust's accounting policies and disclosures and concluded they comply with the Department of Health and Social Care Group Accounting Manual 2024/25, appropriately tailored to the Trust's
Circumstances

Draft accounts were received from the Trust on 25 April 2025 in line with the DHSC timetable. The quality of the initial draft accounts was good, and our initial review did not identify any significant omissions or corrections that were required. The Trust prepared and shared good quality, timely, supporting working papers and evidence through the audit.

Significant difficulties during the audit

During the course of the audit we have had the full cooperation of management.

Other matters of significance

The Meadows

We held a number of discussions with management during the course of the year in respect of a Private Finance Initiative (PFI) scheme coming to an end. This resulted in the transfer of the land and buildings known as 'The Meadows' to the Trust in year. This is in collaboration with Pennine Care NHS Foundation Trust. The building has been purchased for a value of £6.05m, funded through PDC received specifically to purchase the asset. No cash was exchanged for the purchase of the land which has been treated as a donated asset within the 2023/24 financial statements. The Trust expects to transfer both the land and buildings to Pennine Care NHS Foundation Trust in the summer. The accounting treatment of this purchase has been discussed with management and we are satisfied this has been appropriately treated within the 2024/25 financial statements.

Fully Depreciated Assets

Through our work on the Trust's Property, Plant and Equipment we identified £32.2m of assets that were fully depreciated but still retained on the Trust's asset register. There is a risk that if these assets were not in use at the year end, they may be materially overstating the gross cost and accumulated depreciation figures included within the notes to the accounts. Management commenced an asset verification exercise during the course of the 2024/25 audit, this identified £12.8m of assets that had been disposed of prior to 2023/24. These assets should have been written out of the gross value and accumulated depreciation in previous years. Management also identified an additional £718k of assets which should have been disposed of in 2023/24. A prior period adjustment has therefore been included within the 2024/25 financial statements which includes a revised Property, Plant and Equipment note for 2023/24. This adjustment has no impact on the Trust's primary financial statements and is limited to the disclosure notes to the accounts.

However, there remains a balance of £2.2m of assets which have yet to be reviewed by the Trust. These may be assets no longer in use and therefore incorrectly held as Property, Plant and Equipment within the fixed asset register. Writing off these assets would have no net effect on the Trust's primary statements, but there could be a non-trivial error in the disclosure note. Management are aware of this and have confirmed the validation exercise will be completed within 2025/26, ensuring fully depreciated assets no longer in use, will not be recognised within Property, Plant and Equipment. We have included the total value of these assets as an unadjusted misstatement. However, this is the maximum possible misstatement. Should any assets be found to still be in use, the actual error would be of a lower value.

We have reported this matter as a significant deficiency in internal control.

Audit of the financial statements

Other reporting responsibilities

Reporting responsibility	Outcome
Annual Report	We did not identify any material misstatements or significant inconsistencies between the content of the annual report, the financial statements and our knowledge of the Trust.
Annual Governance Statement	We did not identify any matters where, in our opinion, the Governance Statement did not comply with the NHS Foundation Trust Annual Reporting Manual 2024/25. We also did not identify any matters where, in our opinion, the Governance Statement is misleading or is not consistent with our knowledge of the Trust and other information of which we are aware from our audit of the financial statements.
Remuneration and Staff Report	We report that the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the National Health Service Act 2006.

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Our work on Value for Money arrangements

VFM arrangements

Overall Summary

VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

Financial sustainability - How the Trust plans and manages its resources to ensure it can continue to deliver its services.

Governance - How the Trust ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness - How the Trust uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Trust has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding or arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Trust. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements -** We make these recommendations for improvement where we have identified a significant weakness in the Trust arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations -** We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	12-14	No – previously reported significant weakness.	Yes – continuing significant weakness	No
Governance	15-17	No	No	No
Improving economy, efficiency and effectiveness	18-20	No	No	No

VFM arrangements

Financial Sustainability

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

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

Background to the NHS finance regime 2024/25

During the course of the year, and into 2025/26, the focus of the funding regime has continued to be directed towards the recovery of core services and productivity following the impact of the pandemic and industrial action, together with increased demand and pressures on budgets due to inflation. This has facilitated the need for collaborative working between commissioners and service providers, as local systems were expected to work together to deliver a balanced position in 2024/25 with an expectation of improving productivity, and reductions in temporary staffing spend and off-framework agency expenditure. The planning guidance for 2024/25 continued to support the transition back to local agreement of contracts and required systems to achieve a break even position each year. This necessitated further collaboration through the planning process, as individual organisations work together to achieve system-level outcomes

Funding for elective recovery has continued operating on a new basis during 2024/25. Commissioners have been set individual elective activity targets based on activity delivered in 2023/24, to assist in agreeing contracts with their providers. For Trust's, almost all contracts were based on aligned payment and incentive contracts with a fixed and variable element. The fixed element covered funding for the expected level of activity for all services apart from those identified in the variable element. The variable element funded elective activity paid at 100% of the NHS Payment Scheme unit price.

The ICB allocations for primary medical care services and running cost allocations remained broadly consistent with previous years, reflecting demographics of the serviced populations and broader economic factors.

Financial Performance

We have undertaken a high level analysis of the Trust's financial statements, including the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Changes in Equity.
The deficit for the year from continuing operations is £19m, compared with a deficit of £33.9m in the 2023/24 year. Income has increased by £75.9m to £515m in 2024/25, primarily reflecting the additional funding for the national pay award and Greater Manchester (GM) deficit support funding. Expenditure has increased by £60.5m to £529.2m in 2024/25 driven primarily by the increase in employee costs. The adjusted financial position for the year is reported as a £2.1m deficit. However, this includes £41.3m of non-recurrent deficit funding, bringing the actual adjusted financial deficit to £43.4m.

The Statement of Financial Position shows total assets have increased to £305.7m as at 31 March 2025 (£293m as at 31 March 2024). This increase is driven by an increase in cash of £20.9m, receivables of £1.4m and non-current assets held for sale of £7.1m. This is offset by a decrease in property, plant & equipment of £14m.

Total liabilities have increased to £93.5m as at 31 March 2025 (£90m as at 31 March 2024). This is a result of an increase in trade and other payables of £4.8m. The total taxpayer's equity stood at £212m as at 31 March 2025 (£202m as at 31 March 2024). The increase is due the receipt of £37m of public dividend capital (PDC), £15.6m of which was cash support. However, the cumulative income and expenditure reserve deficit had increased to £112.4m as at 31 March 2025 (from £93.9m as at 31 March 2024).

The Trust's financial planning and monitoring arrangements

The Trust approved and submitted a 2024/25 plan in line with the NHS England requirements. Following the planning round, the Trust's submitted deficit plan of £43.8m which was reliant on the delivery of savings of £24.6m through a financial recovery plan referred to in the Trust as the "Cost Improvement Programme" (CIP). We reviewed the assumptions underpinning the plan, the reports prepared for the Board and the minutes of relevant meetings where the revised financial plan was considered. We confirmed the assumptions made by management appeared reasonable, the reports were clear and concise and adequate scrutiny by the Board was evident from their meetings. The risks in the plan, including in respect of the CIP to be delivered, have been articulated.

The year 24/25 outturn financial position was a deficit of £2.1m which is £0.4m better than plan. This was met by non-recurrent deficit funding of £41.3m meaning the total adjusted financial performance was a £43.4m deficit. The Trust delivered it's CIP target for 2024/25 although a higher than planned proportion of this was through non-recurrent methods. The delivery of the plan was impacted by industrial action which increased staff costs although this was offset by additional funding.

The Trust applied for PDC revenue support in the first quarter of 2024/25 to support its cash position. NHS England has put specific requirements in place to obtain this revenue support, including monthly monitoring submissions and evidencing to NHS England that the Trust has controls over expenditure in place. The Trust identified its cash position as a significant risk, and it is given due attention with monitoring reports taken to each monthly Finance and Performance committee meeting. The Trust has established a dedicated cash monitoring group.

During the year, the Trust reported its financial position to the Finance & Performance Committee and then subsequently to the Board. We reviewed a sample of reports, which contained evidence of a clear summary of

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

the Trust's performance, variances were identified at an appropriately detailed level and adequate explanation of the causes are included. The reports provided an updated forecast to the end of the financial year.

In 2023/24, GM ICB engaged external advisors to help address the risk of organisations in the GM ICS not delivering their plans, this support has continued in 2024/25. A 'Drivers of the Deficit Review' report was produced for the Trust commenting on the key drivers resulting in the Trust's significant deficit position. The main causes being increases to expenditure, primarily pay, which are not matched by corresponding increases to income. We have reviewed the report from the external advisors as part of our risk assessment work.

The Trust's arrangements and approach to 2025/26 financial planning

In 2025/26 the Integrated Care Board (ICB) has been provided with a £200m deficit control total, backed by an additional £200m of ICB allocation. This reflects the difficult financial circumstances faced by the ICS. Organisations within GM submitted draft 2024/25 financial plans to the system on 7 March 2025. The overall aggregated system position was submitted as part of the national draft submission exercise on the 24 March 2025. At system level, GM ICB submitted a plan with a total deficit of £200m. The cost improvement programme (CIP) to support delivery of this plan was £631m in total with the ICB programme set at £175m and the aggregate provider CIPs set at £456m. There is a clear recognition of the collective responsibility of all organisations in the system to manage and mitigate this risk.

To deliver savings at this level, all organisations and all parts of the system will be impacted. At Stockport NHS Foundation Trust, the 2025/26 financial plan was initially submitted showing a £58m deficit position. This plan was revised to an adjusted breakeven position in the 24 May 2025 submission, this however includes £43.2m of non-recurrent deficit funding. The Trust have an updated CIP target of £29m, 70% of which is planned to come from recurrent schemes.

The Trust co-ordinates the annual planning process drawing on input from clinical, operational and support functions across the organisation. The Trust has actively engaged with ICS partners on the key aspects of local & ICS system financial and operational planning. The annual planning and budget setting exercise includes the identification and quantification of financial and operational risks. Financial plans are considered by the Finance & Performance Committee and receive Board approval.

The ICB engaged external advisors to undertake a productivity and benchmarking assessment to identify opportunities for system-wide savings. These savings are more complex to deliver and require the organisations to work together to reconfigure services across GM. Although work is now underway, the timing of the delivery of these savings remains a challenge, largely because of the scale of what is required.
The Trust has identified significant risks to achieving the plan not least because it has yet to identify all of its agreed CIP. The Trust continues to devote significant resources to delivering both its financial plan and its contribution to the ICS savings.

The Trust's arrangements for the identification, management and monitoring of funding gaps and savings

The Trust has a Cost Improvement Programme (CIP) which aims to deliver efficiencies and savings whilst driving service improvements across the Trust. The CIP targets have been established with reference to national planning guidance, benchmarking data, and internal intelligence as part of the operational planning process – with executive oversight. CIP targets are articulated as part of the annual operational plan and are considered by Finance & Performance Committee and subsequently approved by the Trust Board.

For 2024/25 the Trust had a CIP target of £24.6m. All departments and divisions were responsible for contributing to the savings schemes identified, which was monitored by the Finance & Performance Committee. The Trust reported at the year-end that it had met its target, with £6m of savings being achieved recurrently and £18.6m delivered on a non-recurrent basis, which was £6.2m higher than planned. Whilst the Trust was successful in achieving the CIP target, the non-recurrent nature of much of it means the Trust has not permanently and sustainably reduced its underlying financial deficit for future years.

For 2025/26, the Trust's latest financial plan includes a CIP target of £29.6m. This represents 6% of the Trust's operating expenditure. The Trust is working to maximise savings that are recurrent in nature, with a planned re-current CIP target of £20.6m. As at May 2025 £1.4m of the Trust's CIP target remains unidentified and £8.4m are categories as high risk. This significantly increases the pressure to identify the specific schemes and to deliver them in the remainder of the financial year.

Based on the work completed, we consider that there is a continuing significant weakness in the Trust's arrangements in relation to financial sustainability.

VFM arrangements

Governance

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

VFM arrangements – Governance

Overall commentary on Governance

The Trust's risk management and monitoring arrangements

The Trust has a comprehensive risk management system in place which is embedded into the governance structure of the organisation. The processes are supported by the Trust-wide Risk Management Strategy and the Trust's leadership plays a key role in implementing and monitoring the risk management process.

The Trust has a well-established risk management framework and Board Assurance Framework. The BAF is reported to each month's Board meeting and Finance and Performance committee.

The Trust's Risk Management Committee is chaired by the Chief Executive with representation from Executive Directors and management. The Committee reviews the corporate risk register and can undertake detailed reviews of business group and corporate service risk registers.

The Committee provides a regular report to the Board, and this articulates the risks to the delivery of the Trust objectives. The Trust Board is responsible for the overall management of the Trust's risks, and the Board sub-committees monitor the risks in their relevant areas. The roles and responsibilities of the Board, sub-committees, key directors and senior managers are set out in the Trust's Risk Management Policy.
The Corporate Risk Register links to the Trust's strategic aims and risks are cross-referred to the Board Assurance Framework, providing a thread from operational to strategic risk management. The minutes of discussions detail the challenge and discussion around the risks.

Our financial statement audit work has not identified any significant weaknesses in internal control. The Trust engages Mersey Internal Audit Agency to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. Work plans are agreed with management at the start of the financial year and reviewed by Audit Committee prior to final approval.

Internal audit prepares an annual plans that takes into account identified areas of potential risk and focus following discussion with management. Separate progress reports are presented to Audit Committee on a regular basis, alongside copies of finalised reports. The draft Head of Internal Audit Opinion for 2024/25 was presented to the May 2025 audit committee meeting, which specified the following opinion;

'*Substantial Assurance, can be given that there is a good system of internal controls designed to meet the organisation's objectives, and that controls are generally being applied consistently.'*

Internal audit present reports are presented to each Audit Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold management to account on behalf of the Board. Our attendance at Audit Committees throughout the period confirms the significance placed on internal audit findings.

The Trust's arrangements for budget setting and budgetary control

The Trust's budget process is informed by the annual planning process. The annual planning process is led by the Trust finance team and is designed to be delivered in compliance with the NHS national requirements and timetable.

The Trust develops its detailed budget using agreed its own developed and agreed budget setting principles. Known pressures and increases are incorporated alongside the impact of any business cases, inflation and adjustments for non-recurrent items. Regular review meetings take place prior to final approval in order to agree the final financial plan. These meetings include operational, finance and workforce staff to triangulate finance, activity and workforce plans.

Budget information is held within the Trust's general ledger system and reconciled to the approved annual plan and control totals. Budget holders are responsible for monitoring and reporting the delivery of their budgets. The Trust's finance team operates to a prompt monthly closedown timetable which ensure budget reports are received by budget holders to allow for timely review and scrutiny. Part of this monthly cycle includes finance reports to Finance & Performance Committee and the Board receiving an integrated performance report incorporating financial performance measures.

At the Finance & Performance Committee the monthly financial position is discussed, alongside any risks, material movements, the forecast outturn and the GM system position. This is discussed alongside activity performance, improvement work, savings plan updates and workforce information to ensure a rounded position is provided.

Overall commentary on the Governance reporting criteria - continued

The Trust's decision making arrangements and control framework

The established governance structure is set out within its Annual Governance Statement. This is supported by the Trust's Constitution and scheme of delegation. Executive Directors have clear responsibilities linked to their roles and the Board Sub-Committee structure in place at the Trust allows for effective oversight of the Trust's operations and activity.

The Trust has a full suite of governance arrangements in place. These are set out in the Trust's Annual Report and Annual Governance Statement. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Trust's arrangements in place. This includes arrangements such as registers of interests being maintained and published.

As in previous years, the Trust has a Board and a series of Committees incorporating executive and non-executive directors. These meet regularly and with appropriate frequency. Decisions are made through these meetings. All meetings are supported by detailed agendas and written reports from management. Agendas follow a set structure which enables the meeting to focus the available time on key matters requiring decisions to be made. The Board receives copies of all minutes from the Committees and the chairs of each committee are required to highlight to Board any matters for their attention.

We attended each Audit Committee meeting, and we reviewed the agendas and minutes of the Board and other Committee meetings through the year. The meetings are focused on the key elements of the relevant terms of reference, and Committee, and Board, members clearly understand their role and discharge it in a supportive and challenging manner.

Based on the above considerations we are satisfied there is not a significant weakness in the Trust's arrangements in relation to governance.

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VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

The Trust's arrangements for assessing performance and evaluating service delivery

The Trust has a well-established approach to performance management which includes identifying key indictors and monitoring and reporting these throughout the year. A range of other operational indicators are produced which measure performance and identify opportunities for improvement.

The Trust produces an Integrated Performance Report (IPR) which is reported to each Board meeting. This reports in a clear and transparent way the key operational and financial performance measures. This report is comprehensive and incorporates a 'Trust Highlight' and Summary Dashboard providing clear oversight of performance across the Trust. The IPR enables the Board and the Directors to easily identify performance that is below target or has deteriorated enabling prompt recovery action. The report also incorporates substantial detailed information on each indicator including performance trends over time and a narrative commentary providing both context and explanation.

The Board receives a range of performance related reports in addition to the monthly, Integrated Performance Report. We have reviewed the performance information provided to the Board. This demonstrates the Board as appropriate information to hold managers to account where performance improvements are required.

The Trust has established an internal Service Improvement Group (SIG) which is chaired by the Chief Executive. This group oversees the Trust's transformation schemes and the delivery of identified service improvement initiatives. SIG maintains a focus on quality whilst aiming to drive improvement across the Trust's performance metrics.

The last full CQC inspection of the Trust was undertaken and reported in 2020. This rated the Trust as 'requires improvement' overall. In November 2021, CQC completed an inspection of the Trust's Emergency Department (ED). Although not providing an overall rating for this focused inspection, the ratings of all individual elements were 'Good' with the exception of one area of 'Requires Improvement'. The inspection report identified one 'Must' action for the Trust. This outcome was a significant improvement on the previous inspections, demonstrating the Trust continued positive direction of travel to secure improvements in services. Following the inspection, the Trust produced an action plan to address the 'Must' action identified along with those rated as 'Should' by CQC. The action plan is monitored regularly through the Quality Committee and Board.

During 2023/24 the CQC carried out an inspection of the Trust's maternity services. The inspection focused on two areas being 'Are services safe' and 'Are services well-led'. The final report was published in May 2024, rating the Trust as 'requires improvement' in both areas. The Trust developed an action plan in response which was approved by the Quality committee in May 2024 before being submitted to the CQC. The action plan is comprehensive, clearly outlining actions against the CQC recommendations along with defined measures of success, deadlines, assurances and responsible individuals. During 2024/25 the Trust have continued to monitor progress made against the actions identified and update where necessary.

The Trust has continued to operate under modifications to its licence issued in 2017. Although the precise wording of the licence conditions refer to specific dates in the past, some of the underlying issues, for example, performance against A&E targets and delivery of a long term financial recovery plan to return to financial break even, are still relevant to the Trust. NHSE have informed the Trust of their intention to review and update the licence modifications although this has yet to be completed.

The Trust's arrangements for effective partnership working

There is a clear recognition across the Trust of the need to work effectively with partners to deliver the best outcomes for patients and the community. This is made explicit as one of the annual corporate objectives to 'Develop effective partnerships to address health and wellbeing inequalities; and is reflected in the five year strategy as one of the key strategic objectives to 'Work with others for our patients and communities.'

In 2024/25 the Trust continued to a play a role in the development of partnerships within the GM ICS. The Trust's Chief Executive, is chair of the Trust Provider Collaborative (TPC) which represents all GM providers. TPC has responsibility for the oversight of several programmes to help reduce variation and inequality in health outcomes by improving access to services and experience and improving resilience within the GM ICS.

The financial planning regime for 2025/26, as previously outlined, has evolved from previous years, and places greater emphasis on the ICS to work together to deliver financial sustainability and effective working across the GM area. As noted in the financial sustainability section of this report, the ICS is working to address financial pressures across Greater Manchester. While the solutions to this deficit are still being identified, and may involve additional national support, this demonstrates the importance of effective collaboration and working across the Greater Manchester ICS in order to deliver financial as well as operational success.

The Trust continues to work with Stockport Council, as demonstrated by the One Stockport Health & Care Plan 2024-2029. The plan sets out the aims to drive Borough-wide improvements in population health and tackle health inequalities, addressing social and economic factors that affect health outcomes, whilst

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

maximising the value of public resources. The Stockport Health and Care Board was established and owns the ONE Stockport plan for health and care. The Board brings together representatives from the Trust, the Council and the local community.

The Trust has an established partnership with Tameside & Glossop Integrated Care NHS Foundation Trust (TGICFT). The partnership involves the sharing of skills, knowledge and experience between the two trusts, including joint Executive Directors and other shared roles. Looking forwards, the partnership is exploring opportunities for joint systems and joint procurement to deliver efficiencies.

The Trust's arrangements for commissioning services

The Trust has clearly articulated procurement standards set out in a Procurement Policy. The Procurement Policy is comprehensive. It covers the procurement of all goods, works and/or services including secondary commissioning of health and social care services, temporary staffing and capital expenditure, irrespective of funding source, procurement route or personnel involved in the procurement. The policy sets out the duties of different grades of staff and the statutory requirements as well as more detailed practical requirements on procurement, including a detailed section outlining the procurement process to be followed.

The benefits arising from the Trust's procurement are integrated with its CIP process. Procurement is a key strand in delivering the savings required by the programme. Where there is under delivery, or non-delivery, of these savings, it is reported through the CIP programme and through to the Finance & Performance Committee and then Board. This helps in ensuring appropriate challenge and post-procurement review is carried out.

Based on the above considerations we are satisfied there is not a significant weakness in the Trust's arrangements in relation to improving economy, efficiency and effectiveness.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year

As part of our audit work in previous years, we identified the following significant weaknesses, and made recommendations for improvement in the Trust's arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Trust's progress against the recommendations made, including whether the significant weakness is still relevant in the 2024/25 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
Financial Plans The significant weakness reported in 2021/22, 2022/23 and 2023/24 has not been sufficiently addressed and continues for 2024/25. The Trust's latest submission for the 2025/26 financial plan reflects a planned breakeven position, this however includes £43.2m of non-recurrent deficit funding bringing the total adjusted financial performance to a deficit of £43.2m. This position assumes savings of £29.2m can be delivered in 2025/26. This represents 6% of the Trust's operating expenditure. This plan will still increase the Trust's cumulative Income and expenditure reserve deficit position which stood at £120.4m as at the 31/3/2025.	Financial sustainability	The Trust should continue to work collaboratively with GM ICS partners and NHS England to explore and agree sustainable, long-term plans to bridge its funding gaps and identify achievable savings.	We are aware the Trust has been actively working to address its underlying financial pressures for a number of years. This weakness and recommendation continues and there are no further actions taken to assess.	In our view, the Trust's deficit plan and its reliance on non-recurrent deficit funding and delivering further savings in the context of the large recovery programme is evidence of weaknesses in the arrangements to deliver financial sustainability.

04

Other reporting responsibilities

Other reporting responsibilities

Wider reporting responsibilities

Public interest reports

Auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not make a report in the public interest during 2024/25.

Schedule 10 referrals

Under Schedule 10 of the National Health Service Act 2006, auditors of a Foundation Trust have a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be reported to the relevant NHS regulatory body.

We have not reported any such matters.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The Trust is consolidated into Consolidated NHS Provider Account which is then consolidated into the Department of Health and Social Care (DHSC) group. The National Audit Office (NAO), as group auditor, requires us to report to them whether consolidation data that the Trust has submitted is consistent with the audited financial statements. The NAO did not include the Trust in its sample of component bodies for the purpose of its audit of the DHSC group.

We reported to the NAO that consolidation data was consistent with the audited financial statements. We also reported to the NAO in line with its group audit instructions.

Appendices

A - Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Management override of controls	**Description of the risk** In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk by performing audit work on: • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion We have completed our planned procedures. Our work has provided the assurance we sought in this area. We have identified a control recommendation, this has been reported on page 34.

Significant risks and audit findings - continued

Fraud in revenue recognition

Description of the risk

The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues. We have determined that this would be most likely to occur through the inappropriate recognition of revenue where in some instances there are conditions associated with recognising the revenue

How we addressed this risk

We have addressed this risk by:

- testing of material income and material year-end receivables;
- testing receipts in the pre and post year-end period to ensure they have been recognised in the right year; and
- reviewing intra-NHS reconciliations and data matches provided by the Department of Health and Social Care and where necessary seeking direct confirmation from third parties.

Audit conclusion

We have completed our planned procedures. Our work has provided the assurance we sought in this area.

Our work has identified a classification misstatement which management have adjusted for within the accounts, this has been reported on page 31.

We have identified a control recommendation, this has been reported on page 36.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings - continued

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Fraud in expenditure recognition	**Description of the risk** The Foundation Trust has the target of achieving £2m surplus by the end of 2024-25, this increased to £10.7m during the financial year. There is incentive for management to understate the level of non-pay expenditure. The greatest risk relates to recognition of expenditure around the year-end. We consider fraud in expenditure recognition a significant risk in 2024-25.
	How we addressed this risk We have addressed this risk by: • testing capital additions in the final quarter of the year. • testing expenditure in the post year-end period to ensure they have been recognised in the right year. • testing a sample of accruals. • reviewing intra-NHS reconciliations and data matches provided by the Department of Health and Social Care and where necessary seeking direct confirmation from third parties.
	Audit conclusion We have completed our planned procedures. Our work has provided the assurance we sought in this area. We have identified an unadjusted misstatement, this has been reported on page 30.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings - continued

Valuation of land and buildings

Description of the risk

Land and buildings are the Trust's highest value assets accounting for £145m of the Trust's £241m Property, Plant and Equipment balance at 31 March 2024. The level of estimation uncertainty arising from the extensive use of judgement in the valuation process along with the size of the asset base means that we consider valuation of land and buildings to be a significant risk.

Management engage a valuation expert, District Valuer, ('the valuer') to provide the Trust with valuations in accordance with Royal Institution of Chartered Surveyors (RICS) requirements. We consider there to be a significant risk of material misstatement in relation to the valuation of the Trust's land and buildings as a result of the:
• High degree of estimation uncertainty associated with the valuations;
• Level of judgement applied by management and the valuer in estimating current values; and
• Extent to which the valuations are reliant on complete and accurate source data on individual assets being provided to the valuer.

How we addressed this risk

We have addressed this risk by:

- obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the instructions to the valuer from the Trust;
- obtaining an understanding of the basis of valuation applied by the valuer in the year. This included understanding and evaluating the methodology applied to estimate the gross replacement cost of the Trust's operational land and buildings on a modern equivalent asset basis;
- considered and challenging the Trust's review of the continuing appropriateness of its application of the modern equivalent asset approach in 2024/25;
- reviewing and sample testing to gain assurance over the completeness and accuracy of underlying data provided by the Trust and used by the valuer as part of their valuations;
- testing the accuracy of how valuation movements were presented and disclosed in the financial statements;
- using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2025 and engaging our own valuation expert if considered necessary; and
- ensuring the Trust has considered and properly accounts for the impact of the identification of RAAC in its estate.

Audit conclusion

We have completed our planned procedures. Our work has provided the assurance we sought in this area.

We have identified a control recommendation, this has been reported on page 33.

Separately, our work on the valuation of equipment assets has identified a material error in the gross book value and gross accumulated depreciation. This is in respect of the disclosure note only and does not impact the net book value recorded in the Statement of Financial Position. The Trust has made a prior period adjustment which has been detailed on page 32.

Summary of uncorrected misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to the Audit Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Description	Entity	Nature	SOCNE/SOCI		SOFP	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Accruals Cr: Expenditure We noted two errors within our detailed accruals testing. The first relates to a classification misstatement, the actual error is £28k. The second relates to an over accrual, the actual error is £3k. The extrapolated misstatement across of these across our untested population is £355k.	Stockport NHS Foundation Trust	Error		355	355	
Dr: Accumulated depreciation of PPE Cr: Gross book value of PPE This misstatement relates to the gross cost of Property, Plant and Equipment assets that have not yet been reviewed as part of the asset verification exercise. We have included as an unadjusted error on the assumption all of these assets are no longer in use, being the maximum misstatement.	Stockport NHS Foundation Trust	Error			2,189	2,189
Aggregate effect of unadjusted misstatements				**355**	**2,544**	**2,189**

Summary of misstatements

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Audit Committee should be made aware of.

Description	Entity	Nature	SOCNE/SOCI		SOFP	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Trade and other payables Cr: Trade and other receivables This is a classification adjustment which relates to a year end payables and receivables position with GM ICB. This has been amended within the revised accounts.	Stockport NHS Foundation Trust	Error			5,946	5,946
Dr: Income from commissioners under API contracts – variable element Cr: Income from commissioners under API contracts – fixed element This is a classification adjustment between the fixed and variable element of contract income. Our detailed testing identified two misstatements in the split between fixed and variable elements, the net impact of these misstatements is £6,133k.	Stockport NHS Foundation Trust	Error	6,133	6,133		
Dr: Accumulated depreciation – Disposals Cr: Property Plant and Equipment – Disposals The asset verification exercise performed by management has identified a further £915k of disposals within 2024/25. This has no impact on the SOFP primary statement.	Stockport NHS Foundation Trust	Error			915	915
Aggregate effect of adjusted misstatements			**6,133**	**6,133**	**6,861**	**6,861**

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

- **Note 8/8.1 Employee Benefits** – An adjustment of £10,327k has been made to move the balance from 'salaries and wages' to 'temporary staff (including agency)'. Along with a small change to the Trust and Group figures for 'Social Security Costs'.
- **Note 14.2 Property, Plant and Equipment** - The Trust has included a prior period adjustment of £12.8m relating to fully depreciated assets and £718k relating to assets that were disposed of in the prior year. This impacts the 2023/24 Property, Plant and Equipment note.
- **Note 32 Financial Instruments** – Management have amended the financial assets disclosure by £321k and financial liabilities by £958k to ensure consistency with trade receivables/payables. Management have also updated the maturity analysis of financial liabilities.
- **Remuneration Report** – A number of disclosure misstatements have been noted and corrected within the remuneration report. This includes bandings, % change of pay and pension lumpsum figures.
- **Other –** A number of small grammatical and consistency amendments have been made to the financial statements following audit review.

We will obtain written representations confirming that, after considering the unadjusted disclosure misstatements, both individually and in aggregate, in the context of the annual report and financial statements taken as a whole, no adjustments are required.

Significant deficiencies in internal control

Fully depreciated assets

Description of deficiency

The Trust's Fixed Asset Register included a number of Property, Plant and Equipment assets with a nil net book value. The gross book value of these assets together with the accumulated depreciation (both of £32.23m) were reflected in the note to the Statement of Financial Position. Not all of these assets were in use at the balance sheet date and should have been written out of both the fixed asset register and financial statements at the time of disposal. Management have carried out a review of the assets included within the FAR at nil NBV and have made an amendment to the prior year note of £12.8m gross book value. There is a residual untested balance of £2.2m that whilst we are satisfied is not materially misstated the Trust have not reviewed these assets to ascertain whether they are still in use.

IAS16 governs accounting for PPE. The GAM requires the Trust to follow this in full and does not provide any adaptions or interpretations. As a result, the Trust is required to carry assets at their current value in use. The standard sets out that, typically, for low value and low life assets, it can be appropriate to deem the current value in use to be the historic cost less depreciation. However, the standard requires Management to assess, at least at the end of every financial year, the useful lives allocated to ensure these remain appropriate and to adjust the valuations accordingly. Management has not undertaken these reviews and a result, has not identified those assets where the allocated useful life was incorrect such that the current value in use is not being accounted for in line with IAS16.

Potential effects

The Trust's financial statements included a materially incorrect gross book value and accumulated depreciation balance in respect of assets no longer in existence.

If assets are not reviewed in line with the GAM and IAS 16 requirements, there is a risk the Trust's financial statements will not reflect the value in use of all of its PPE and in year depreciation charges could be incorrect. Furthermore, the Trust's accounting policy in respect of asset lives may be incorrect.

Recommendation

The Trust should ensure it complies with IAS16 and the GAM by undertaking an annual review of assets in use to ensure the allocated asset lives are appropriate, depreciation is being properly charged and assets are properly reflect the current value in use.

Management response

The Trust has already taken an action to discuss at the next Capital Management Programme Group the notification of disposals of assets, change of location and continued use of assets beyond their initial assigned useful economic life. Together with the EBME department, an updated SOP will be produced. The Trust will also review its asset lives accounting policy based on the evidence of continued use of fully depreciated assets.

Other deficiencies in internal control

Journals authorisation

Description of deficiency

Our testing of journals has identified that not all departments require journals to be approved and authorised

Potential effects

Journals posted could be incorrect.

There is an increased risk of management override of controls.

Recommendation

The Trust should ensure journals are subject to appropriate approval and authorisation.

Management response

The Trust believes that its monthly review of accruals and other balance sheet reconciliations is a compensating control and does not require prior approval of all journals; this being impractical to deliver a monthly reporting position within the required timeframe.

Floor areas

Description of deficiency

Our testing of valuation of land and buildings identified some inconsistencies between the floor areas used by the valuer and the those provided by the Trust. Whilst this has not resulted in a significant change in valuation for 2024/25, appropriate records should be maintained.

Potential effects

The valuation produced by the valuer may be based on inappropriate assumptions.

Recommendation

The Trust should ensure up to date records of floor areas are maintained and communicated to the valuer.

Management response

Floor area GIAs are provided by the Estates department and used by the District Valuer in the Trust valuation of land and buildings. The Estates department will be asked to re-confirm the existing GIAs and, where any changes are identified, these will be provided to the valuer prior to the 2025/26 valuation exercise.

Appendix A: Further information on our audit of the financial statements

Other deficiencies in internal control

Providing for intra-NHS debtors

Description of deficiency

Our review of the Trust's allowance for credit losses identified allowances allocated against NHS receivables. However, in line with the requirements of the GAM, NHS bodies are not expected to provide against income due from other NHS bodies.

Potential effects

There is a potential for NHS receivables to be understated if the correct process is not followed.

Recommendation

Management should review their policy for credit loss allowances and ensure the treatment for NHS receivables is consistent with the treatment set out in the DHSC GAM.

Management response

The Trust's credit loss allowance policy is to follow the GAM for intra-NHS debtors and only, as an exception, provide for debts in instance of a genuine dispute.

Appendix A: Further information on our audit of the financial statements

Follow up on previous internal control points

We set out below an update on internal control points raised in prior periods.

Patient Care Income

Description of deficiency

During our testing of income from patient care activities, we noted the income contract with the Greater Manchester Integrated Care Board had not been signed until after the year end.

Current year update: Control deficiency remains for 2024/25

Potential effects

The absence of a signed contract leads to uncertainty around income allocations and could lead to difficulties should any disputes arise.

Recommendation

Contracts should be agreed and signed at the start of the reporting period.

Management response

The Trust will work collaboratively with GM ICB for an earlier sign off on the 25/26 ICB Contract.

Contact

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