Auditor's Annual Report

Stockport NHS Foundation Trust

Year ending 31 March 2026

June 2026

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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 2026. 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 2026. 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 2026 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 2026 and of its financial performance for the year then ended. Our audit report, issued on 25 June 2026 gave an unqualified opinion on the financial statements for the year ended 31 March 2026.

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.

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 2025/26. 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.

We outline the risks that we have identified and the work we have done to address those risks on page 23.

VFM arrangements – Overall summary

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.

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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	12-15	No – previously reported significant weakness	Yes – continuing significant weakness	No
Governance	16-18	No	No	Yes – see commentary on page 18
Improving economy, efficiency and effectiveness	19-21	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 2025/26

The financing regime in 2025/26 has remained challenging for the Trust, requiring a continued drive for improved operational performance and increased productivity. The 2025/26 operational planning guidance was more focused, setting out a small number of priorities with an emphasis on autonomy and flexibility. As part of this, ring-fenced funding has been set aside so that systems like Greater Manchester are able to allocate resources in accordance with local population health needs.

During the course of the year and into 2026/27, the focus of the funding regime has continued to be recovering core services and productivity following industrial action, increased demand and pressures on budgets due to inflation. This has driven the need for stronger collaborative working between commissioners and service providers, as local systems were expected to work together to deliver a balanced position in 2025/26, whilst improving productivity, reducing temporary staffing spend and off-framework agency expenditure. The planning guidance for 2025/26 and 2026/27 continues to support the transition back to local agreement of contracts and requires systems to achieve a break even position each year. This will necessitate further collaboration through the planning process, as individual organisations work together to achieve system-level outcomes.

Funding for elective recovery has continued with commissioners being set individual elective targets based on activity delivered in 2024/25, used 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.

Whilst there has been an increase in the settlement and commitment for further investment in the NHS estate, there are continuing pressures on the cost of delivering capital projects and increasing the challenge of staying within Capital expenditure limits. We have tested a sample of capital additions as part of our financial statement audit with no issues arising and confirmed the Trust maintained its capital expenditure within its Capital Resource Limit (CRL).

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 £22.4m, compared with a deficit of £19m in the 2024/25 year. Income has increased by £25.1m to £540.2m in 2025/26, primarily reflecting the additional funding from ICB's for patient care activities. Expenditure has increased by £22.4m to £551.6m in 2025/26 driven primarily by the increase in employee costs. The adjusted financial position for the year is reported as breakeven. However, this includes £43.2m of non-recurrent deficit funding, bringing the actual adjusted financial deficit excluding non-current deficit funding to £43.2m.

The Statement of Financial Position shows total assets have increased to £308.7m as at 31 March 2026 (£305.7m as at 31 March 2025). This increase is driven by an increase in cash of £5.9m and non-current receivables of £3.9m. This is offset by the disposal of the Meadows land and buildings which was included on the March 2025 balance sheet as an asset held for sale.

Total liabilities have increased to £99.9m as at 31 March 2026 (£93.5m as at 31 March 2025). This is a result of an increase in trade and other payables of £7m. The total taxpayer's equity stood at £208.8m as at 31 March 2026 (£212.2m as at 31 March 2025).

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

The Trust's financial planning and monitoring arrangements

This decrease is primarily caused by the deficit for the year of £22.4m. The cumulative income and expenditure reserve deficit has increased to £134.2m as at 31 March 2026 (from £112.4m as at 31 March 2025).

The Trust approved and submitted a 2025/26 plan in line with the NHS England requirements. Following the planning round, the Trust's submitted deficit plan of £43.2m which was reliant on the delivery of savings of £29.2m 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 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 2025/26 outturn financial position was a deficit of £22.4m which is £21.8m worse than plan. This was primarily caused by both impairments recognised from the outpatients building which came into use in 2025/26 and the loss on disposal of the Meadows site. The Trust received £43.2m of non-recurrent deficit funding which resulted in the Trust reporting a breakeven adjusted financial position. The Trust prioritised the annual savings plan and delivered it's CIP target for 2025/26, a higher than planned proportion of this was through recurrent schemes. Success in delivering savings classed as recurrent means an on-going reduction in the cost base.

The Trust's arrangements and approach to 2026/27 financial planning

The Trust continues to work collaboratively with the Integrated Care System through the development of the financial plan for 2026/27, amending plans as necessary in responses to changes in system wide plans and savings requirements. Planning negotiations with NHS England for 2026/27 are continuing on a national basis.

The Trust submitted its Financial Plan by the agreed timescale per NHSE guidance. The final submission shows a planned breakeven position for 2026/27, however this includes £39.4m of non-recurrent deficit funding. The Trust has a £26.8m CIP target, all of which should be met through recurrent measures. However, the April submissions showed £24.7m of these savings were considered high risk. The 2026/27 planning yet again places significant reliance on non-recurrent deficit funding and continues to increase the cumulative income and expenditure reserve deficit.

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 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 2025/26 the Trust had a CIP target of £29.2m. 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 £23m of savings being achieved recurrently and £6.2m delivered on a non-recurrent basis, which was £2.4m lower than planned.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

Additional support was procured across the North West from NHSE in 2025/26 to improve the CIP delivery on a recurrent basis, this included supplementary guidance on classification and weekly monitoring meetings.

For 2026/27, the Trust's latest financial plan includes a CIP target of £26.8m. This represents 5% of the Trust's operating expenditure. The Trust is continuing to adopt the good practices they have established in 2025/26 for the 2026/27 financial year and are plans to achieve all savings through recurrent measures.

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 governance arrangements have changed in 2026/27 to reflect the continued collaboration with Tameside and Glossop Integrated Care NHS Foundation Trust. The two Trust's now meet as "committees in common" for all except for the Audit Committee. The Trust undertook a programme of work, including consultation and legal advice, to support the change to the new arrangements. We are satisfied the approach taken by the Trust in determining the new structures was appropriate but it is too early to comment on the effectiveness.

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 reports to the Board, articulating 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 2025/26 was presented to the May 2026 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 Committee throughout the period confirms the significance placed on internal audit findings and, following changes to the Committee's membership, the renewed focus on the timely implementation of agreed actions.

Our 2025/26 audit work identified there was no signed contract in place between the Trust and NHS Cheshire and Merseyside ICB during the year. The Trust recognised £20.7m of income from the ICB in their financial statements. Our testing did not identify any issues with the income accounted for. During 2025/26 Greater Manchester ICB has acted as the lead commissioner for the Trust, on behalf of the other ICB's. This operational change has contributed to the Trust not obtaining a final signed contract with Cheshire and Merseyside ICB. We have raised an 'other recommendation' in respect of this on the following page.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Other recommendation – Cheshire and Merseyside ICB signed contract	
The Trust were unable to provide us with a signed contract between themselves and NHS Cheshire and Merseyside ICB for 2025/26. The Trust have recognised £20.7m of income from the 2025/26 financial statements. The lack of a signed contract leaves the Trust exposed to unnecessary risk and opportunities for disputes regarding income they are owed.	The Trust should ensure it has signed contracts in place with all commissioners prior to the start of the financial year. The Trust should ensure it has appropriate arrangements in place, to monitor any difficulties in obtaining signed contracts so issues can be escalated on a timely basis. We have confirmed the Trust has a signed contract in place for Cheshire and Merseyside ICB in 2026/27.

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's Strategy and Planning 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.

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.

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 indicators 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 2025/26 the Trust has continued to monitor progress made against the actions identified and to update where necessary.

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 2025/26 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.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

The financial planning regime for 2026/27, 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 Metropolitan Borough 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 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 a well 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 and Non-Executive Directors and other shared roles. Looking forwards, the partnership is exploring opportunities for joint systems and joint procurement to deliver efficiencies. The move to formalising the working relationship between the two Trust's in 2025/26 and into 2026/27 ensures that both entities benefit from shared expertise, reduced duplication and investment in resources with the aim of improving patient services and creating a better working environment for staff.

The Trust's arrangements for commissioning services

The Trust has clearly articulated procurement standards set out in a Procurement Policy and has been accredited as 'Best' for the Cabinet Office Commercial Procurement Standards. 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 2025/26 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, 2023/24 and 2024/25 has not been sufficiently addressed and continues for 2025/26. The Trust's latest submission for the 2026/27 financial plan reflects a planned breakeven position, this however includes £39.4m of nonrecurrent deficit funding bringing the total adjusted financial performance to a deficit of £39.4m. This position assumes savings of £26.8m can be delivered in 2025/26. This represents 5% of the Trust's operating expenditure. This plan will still increase the Trust's cumulative income and expenditure reserve deficit position which stood at £134.2m as at the 31/3/2026.	Financial Sustainability	The Trust needs to address the underlying deficit by tackling its cost base and identifying recurrent savings. It should produce and deliver a breakeven plan that delivers the efficiencies set out in transformation programmes that require digital, workforce and operational redesign.	We are aware the Trust has been actively working to address its underlying financial pressures for a number of years. The Trust delivered their CIP target in 2025/26 and exceeded the planned savings that were met through recurrent measures. This weakness and recommendation continues, with increased focus on the Trust operating within their own financial means.	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.

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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 2025/26.

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. In addition, the NAO may also review our audit files in detail. For the 2025/26 year, The NAO did not include the Trust in its sample of component bodies for review 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.

Materiality for the Trust under WGA is distinct from the materiality thresholds set by us for reporting to the Audit Committee. Component materiality is determined by the NAO and is used by us for the purposes of reporting to the group auditor. For 2025/26, the component reporting threshold was £1m for financial statements and £300k threshold for parliamentary accountability disclosures and regularity requirements. These are also used as the maximum thresholds we can apply for our reporting to the Audit Committee.

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.

Fraud in revenue recognition (Trust)	**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. For the Trust we deem the risk to relate specifically to the recognition of income around the year end.
	How we addressed this risk We have evaluated the design and implementation of controls the Trust has in place which mitigate the risk of income being recognised in the wrong year. In addition we have undertaken a range of substantive procedures including: • Testing of material income and material year-end receivables; • Testing income in the pre and post year-end period to ensure the transactions 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 if necessary seek direct confirmation from third parties.
	Audit conclusion We have completed our planned procedures. We identified a significant control recommendation in relation to there being no formal contract in place between the Trust and Cheshire and Merseyside ICB for 2025/26. We have reported this on page 18.

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

Significant risks and audit findings continued

Management Override (Trust and Group)	**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 have addressed the management override of controls risk by performing audit work over: • Accounting estimates; • Areas of management judgement; • Journal entries; and • Significant transactions outside the normal course of business or otherwise unusual.
	Audit conclusion We have completed our planned procedures. We identified a continuing control recommendation in relation to some of the journals in our sample not being authorised. We have reported this on page 27. We identified the Trust's disposal of the Meadows as an unusual transaction in the year. We gained sufficient assurance this has been appropriately accounted for in the year.

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

Significant risks and audit findings continued

Risk of fraud in expenditure (Trust)	**Description of the risk** In the public sector, auditors must consider the risk that material misstatements may arise from incorrect expenditure recognition, which may materialise due to the audited body manipulating expenditure to meet externally set targets. We consider the risk to be in relation to the recognition of expenditure around the year end, the accuracy and existence of capital expenditure in quarter four of 2025/26 and completeness and valuation of accruals.
	How we addressed this risk We have addressed this risk by performing audit work including: • Testing capital additions in the final quarter of the year; • Testing expenditure one month pre and one month post year-end to ensure the transactions have been recognised in the right year; • Testing a sample of accruals; and • Reviewing intra-NHS reconciliations and data matches provided by the Department of Health and Social Care and if necessary seek direct confirmation from third parties.
	Audit conclusion We have completed our planned procedures. Our detailed testing of accruals has identified a number of misstatements. These are reported on page 32.

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

Significant risks and audit findings continued

Valuation of Property, Plant and Equipment (Trust)	**Description of the risk** Land and buildings are the Trust's highest value assets accounting for £166m of the Trust's £227m Property, Plant and Equipment balance at 31 March 2025. 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 evaluated the design and implementation of any controls which mitigate the risk. In addition our procedures have included: • 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 includes 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; • Considering and challenging the Trust's review of the continuing appropriateness of its application of the modern equivalent asset approach in 2025/26; • 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 2026 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 detailed testing of property, plant and equipment valuations has identified a misstatement in relation to accommodation assets. This has been reported on page 32.

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

Significant risks and audit findings continued

Leases under IFRS 16 (Trust)	**Description of the risk** As at March 2025 the Trust had Right of Use Assets totalling £9.4m. The Trust are entering into two new leasing arrangements in 2025/26. Due to the complexities around accounting for IFRS 16 we have highlighted this as an area of focus and an enhanced risk for 2025/26.
	How we addressed this risk We have addressed this risk by performing audit work including: •Substantively testing new leases entered into during the year to ensure they have been appropriately accounted for; and •Performing work over the completeness of leases included within the financial statements.
	Audit conclusion We have completed our planned procedures. Our work has provided the assurance we sought in this area.

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

Summary of unadjusted misstatements

Unadjusted misstatements		SOCI		SOFP	
Description	**Nature**	**Dr (£ '000)**	**Cr (£ '000)**	**Dr (£ '000)**	**Cr (£ '000)**
Dr: Property Plant and Equipment Cr: Revaluation Reserve *Being the misstatement noted during our detailed testing of the revalued property, plant and equipment. Two of the assets selected for testing were used in part as staff accommodation but had been revalued as office space. This is the extrapolated error across all similar assets, the actual misstatement noted was £500k.*	Judgemental (extrapolated)			987	-987
Dr: Accruals Cr: Expenditure *Being the extrapolated error of a number of misstatements noted in our detailed accruals testing. The sum of actual errors noted was a £332k over accrual which has been extrapolated across our untested population to £1,099k.*	Judgemental (extrapolation)		-1,099	1,099	
Dr: Trade payables Cr: Operating expenditure *Being the extrapolated error of one item tested in our payables sample. The actual error noted was £44.4k that had been incorrectly included within trade payables, this has been extrapolated across our untested population to £1,671k.*	Judgemental (extrapolation)		-1,671	1,671	
Aggregate effect of unadjusted misstatements		**-**	**-2,770**	**3,757**	**-987**

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

Significant deficiencies in internal control

Cheshire and Merseyside ICB contract
Description of deficiency As part of our detailed income testing, we selected the income received from Cheshire and Merseyside ICB. This is a material item because the Trust has recognised income of £20.7m from this ICB for the year. We asked for evidence of a signed contract between the Trust and ICB but management have been unable to provide a copy of the contract. We have been told this was not finalised and agreed before, (or during) the year.
Potential effects The lack of a signed contract leaves the Trust exposed to unnecessary risk in the event of disputes arising in respect of the services to be provided and the payments due for them.
Recommendation The Trust should ensure it has signed contracts in place with all commissioners prior to the start of the financial year. The Trust should establish appropriate arrangements to monitor any difficulties in obtaining signed contracts so issues can be escalated on a timely basis.
Management response The Trust recognises that contracts should be in place with all commissioners and as part of planning for 2026/27 there is overview of contract signing from NHSE and GM ICB, which involves submitting weekly returns on contract progress. At the current time in relation to 2026/27 the Trust has signed contracts in place with all its commissioners with the exception of Derby & Derbyshire ICB which is subject to continued discussion but this is known at Regional and National level.

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

Significant deficiencies in internal control - continued

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.
Current year update: Our review of the Trust's asset register for 2025/26 has shown there are £24.2m of assets that are fully depreciated. The Trust has disposed of assets throughout the year and performed an annual review in 2025/26 of nil book value assets on the asset register, £21m of these assets have been identified as still being in use, the residual £3.2m have not yet been assessed. We consider this control deficiency and control recommendation remain in place for 2025/26.
Management response The Trust will continue to work with the EBME and IT Teams to identify fully depreciated assets that are still in use on a quarterly basis, and will use the reviews to determine economic useful life assigned to assets in the future and if they need to change or not.

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

Internal control observations

Information retained
Description of deficiency Our testing of receivables identified that signed goods delivery notes or sales orders for our detailed sample were not retained by the Trust.
Potential effects Lack of audit trail which may impact the accuracy and existence of income and receivables.
Recommendation The Trust should request and retain this evidence for their records.
Management response The Trust is upgrading the financial ledger in October 2026 and as part of the review the methods by which documents are stored and linked to transactions will be reviewed.

Payroll records
Description of deficiency Our testing of payroll identified difficulties in obtaining signed contracts for our sample, the Trust does not retain employment contracts.
Potential effects Lack of audit trail and proof of existence of employees. HR records may be out of date.
Recommendation The Trust should retain signed employment contracts for their records.
Management response Employees are instructed to sign a copy of their contract and give it to their line manager for local storage in their local personal file, signed contracts are not held centrally. The Trust does, however, hold central records of receipt of the contract employment by the employee and a copy of the terms they accept by commencing the contract. Local Induction checklists mention the contract but do no explicitly instruct managers to request a signed version, this will be updated.

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

Follow up on previous years recommendations

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.
Current year update This control deficiency remains for 2025/26
Management response The Trust is upgrading its financial ledger in October 2026 and as part of this change the authorisation process for journals will be amended so that all journals need to be authorised; this is part of the standard operating for the system.

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.
Current year update We did not identify any control deficiencies from our testing in 2025/26

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

Follow up on previous years recommendations

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.
Current year update Control deficiency remains in place for 2025/26
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.

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.
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.
Current year update Please refer to significant deficiency raised on page 18.

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