Auditor’s Annual Report

Stockport Metropolitan Borough Council – year ended 31 March 2025

December 2025

Contents

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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 Metropolitan Borough Council ('the Council') for the year ended 31 March 2025. Although this report is addressed to the Council, 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 Local Audit and Accountability Act 2014 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 12 December 2025. Our opinion on the financial statements was unqualified.
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Value for Money arrangements
We did not identify any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council's arrangements.

Reporting to the group auditor
In line with group audit instructions issued by the NAO, we have undertaken work on the Council's Whole of Government Accounts (WGA) return in line with their instructions. We have been unable to conclude our work as we have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.

Wider reporting responsibilities
We have not exercised our wider reporting responsibilities, and we did not receive any questions or objections to the 2024/25 financial statements from electors.

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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 (UK) (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 Council and whether they give a true and fair view of the Council's financial position as at 31 March 2025 and of its financial performance for the year then ended. Our audit report, issued on 12 December 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.

Reporting responsibility	Outcome
Narrative Report	We did not identify significant inconsistencies between the content of the annual report and our knowledge of the Council.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full co-operation of management.

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

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

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

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 Council 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 officers

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 have not identified any risks as part of our work

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 Council. 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 Council's 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 outcome 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	11	No	No	Yes – see page 20
Governance	15	No	No	No
Improving economy, efficiency and effectiveness	18	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 Council's operating environment in 2024/25

During 2024/25 the Council continued to face significant challenges, against a backdrop of an adverse national economy and a cost-of-living crisis, the Council continued to see significant increase in demand for its services. In response to these pressures, it is essential the Council has timely and accurate financial reporting to members and senior management, and decision makers make prompt decisions to maintain the financial sustainability of the Council.

2024/25 Financial statement performance

We have undertaken a high-level analysis of the draft financial statements, including the Movement in Reserves Statement and the Balance Sheet. The Council's balance sheet has seen some significant movements over the past year. Overall, the Council's net assets have decreased from £1,470m to £1,424m at 31 March 2025. The most significant changes in the balance sheet relate increases in borrowings, and decreases in the value of the Council's property, plant and equipment portfolio compared to the prior year. The movement in borrowings is in line with the Council's Treasury Management Strategy and movements in property values reflect the Council's capital programme, and changes as a result of asset revaluations.

The Council's useable reserves have decreased from £144m at 31 March 2024 to £136m at 31 March 2025.

Use of reserves during the year include:

- £0.4m approved use of reserves to support the council's 2024/25 budget;
- £2.9m from the Income and Interest Rate Risk Mitigation reserve;
- £1.5m from the Revenue Contribution to Capital Outlay (RCCO) reserve;
- £0.9m from the Insurance reserve to increase the insurance provision based on the actuary report;
- £0.9m from the Adults reserve;
- £0.9m from the Health and Social Care Integration reserve;
- £0.8m from the Post-Covid Investment reserve;
- £0.6m from the Cabinet One-Off investment reserve;
- £0.6m from the Workforce Investment/Change reserve; and
- £0.4m from the Children's reserve

Contributions to reserves include:

- £1.4m to the Collection Fund reserve relating to the 20234/25 Collection Fund surpluses;
- £0.9m to the Legislative and Statutory Requirements reserve.

These reserves provide some mitigation against future financial challenges. The movements in earmarked reserves are consistent with the reserves policy set by the Council in year. The Council's reserves policy identifies the purpose of each reserve, for example whether the reserve is linked to the Council's strategic priorities or to support budget resilience. The policy also sets out the approval process for drawing down reserves. The approval process is determined by the type of reserve and involves officers of sufficient seniority in the decision to draw down the reserve.

The Council's financial planning and monitoring arrangements

The Stockport Council Plan 2024-2027, approved at the Full Council meeting in February 2023, sets a framework for delivering the Council's desired outcomes, and informs decision making in terms of the Council's transformation programme and resulting efficiencies. As well as delivering outcomes, the transformation programme is linked to the delivery of the Council's Medium Term Financial Plan (MTFP) and the delivery of services within the resources available. The Council Plan was refreshed in early 2025 and formally considered by Full Council in February 2025. This update ensured the plan remained up to date and reflected progress since its original adoption.

In February 2024, the Council set a balanced budget for 2024/25, with a total net expenditure requirement of £336.1m. The budget set by the Council included a Council Tax increase of 4.99% (incorporating a 2.99% general increase and an increase in 2% of the Adult Social Care Precept). We have reviewed the Council's budget setting papers for 2024/25 and confirmed the budget is linked to the updated MTFP approved at the same meeting. It includes details of key underlying assumptions including levels of inflation and pay increases alongside known changes to levies and precepts charged in respect of waste, transport, police and fire services.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability – continued

The Council's budget for 2024/25 is based on the most up to date 2023/24 forecast outturn, adjusted for agreed changes with services, savings proposals and contingency allocations. The 2024/25 budget included a £16.5m contingency to address structural budget pressures on a permanent basis, reinforcing the robustness and resilience of the Council's Budget and MTFP. The budget is subject to approval by Cabinet and review by relevant scrutiny committees prior to final approval by Council. During the budget setting process members are kept fully up-to-date on developments in local government finance, and we have seen evidence of officers proactively engaging members in the process. Examples of this include detailed papers explaining the impact of the Local Government Finance Settlements on the Council's budget and MTFP. Regular reviews of the Council's MTFP ensure this remains up-to-date and robust.

During the year the Council reported its financial position to Cabinet four times, in its Corporate Performance & Resources Updates and outturn reports. We have reviewed a sample of the reports presented for 2024/25. These contain appropriate detail of the significant variances to budget and provide an update on the delivery against forecast outturn. They also contain appropriate information on the delivery of the approved capital programme, including explanations for both over and under spends against the budget profile.

The Corporate Performance and Resources Update is supported by detailed Portfolio Performance and Resources reports for each of the Council's Cabinet Portfolios. These provide further and more granular detail on the financial position of each portfolio and are reviewed by relevant scrutiny committees. We selected a sample of these reports to review and confirmed the detail included was sufficient to allow for effective discussion and challenge of the Portfolio's performance. The reports included detail on the reserves held by the portfolio, progress against capital schemes and achievement of savings, in addition to the financial commentary of performance against budget.

The Council reported its revenue outturn position for the 2024/25 year as an overspend of £0.06m. The outturn report highlights ongoing demand pressures in children's services, resulting in an overall service budget deficit of £10.55m, of which £8.78m relates to Children, Families & Education. This was offset by a £6.43m underspend on corporate core budgets and £4.06m underspend on general financing.

Dedicated School Grant

The revenue outturn position continues to highlight significant pressure on the Dedicated Schools Grant (DSG) budget, which shows a deficit of £19.3m in 2024/25, and a cumulative deficit of £43m at the year-end. The significant and growing deficit is primarily driven by additional demand pressures, particularly in relation to high needs and Special Educational Needs & Disabilities (SEND) placements, and the costs of SEND support exceeding the formula-driven, ring-fenced grant from Government. The position is unsustainable and without significant additional external funding support, improved prevention and changes to delivery models are needed.

A statutory override applies to the DSG deficit, which requires the deficit to be ringfenced outside of the Council general fund and shields the Council's usable reserves, and local taxpayers, from the deficit. The statutory override is due to expire in March 2026, although the government has announced its intentions to extend the override until 2028 while it develops a sustainable solution to the national DSG deficit issue. The Council has taken proactive measures to mitigate the deficit, including participation in the Department for Education's (DfE) Delivering Better Value support programme and implementing school place sufficiency planning, with a particular focus on increasing SEND provision to reduce high-cost placements. Six hundred new places are being delivered through the opening of new SEND schools, Lisburne School and Pear Tree School. From our review of the Council's SEND Sufficiency Plan 2025–2030 , further projects are expected from 2026 through annual updates to the School Investment Plan. The strategy focuses on increasing local SEND capacity via new schools and expanding places within existing schools and adapting mainstream settings for inclusion

Despite these actions, the Council forecasts the DSG deficit to rise to £64m by the end of 2025/26, with further growth anticipated throughout the MTFP period. Although the Council has not reported the projected deficit at the end of the MTFP period, it is keenly aware of the need to monitor the DSG deficit accurately and ensure the impact on future reserves is understood. The combined General Fund and earmarked reserves are projected to be £92m by the end of 2025/26. The MTFP, which runs until 2029/30, emphasises maintaining financial resilience through prudent reserves management and underlines the importance of reserves and provisions in addressing both known and unforeseen financial pressures.

The Council's reporting narrative makes clear that it will take decisions to support the DSG deficit if required. No specific reserves have not yet been formally identified for repurposing, however, our review of earmarked reserves indicates that sufficient resources exist to cover the current deficit and the projected deficit for 2025/26. While the current position does not indicate a significant weakness, the scale and trajectory of the DSG deficit require ongoing monitoring and proactive planning to maintain financial resilience when the statutory override ends, and we have raised an Other Recommendation as set out on page 21.

Overall commentary on Financial Sustainability – continued

Arrangements for the identification, management and monitoring of funding gaps and savings

The Council has developed an MTFP Strategy to frame the choices it needs to make about the services it delivers and how it delivers them. This strategy underpins the organisational delivery of the Council Plan and helps to ensure decision making gives consideration to the future shape of the Council and its ongoing financial sustainability.

A key part of the MTFP is to highlight the budget issues that need to be addressed by the Council in each of the years covered. This includes assumptions to allow forecasting of the level of available resources from all sources together with the budget pressures relating to both capital and revenue spending. It also assesses the adequacy of reserves and provisions held for past events which may impact on the Council's resources.

As part of the budget process, the Council explicitly identifies its savings gap for the following year. Following the summer MTFP review, savings proposals are developed by the officers responsible for their delivery. Saving proposals are consulted on (where relevant) and scrutinised by relevant Scrutiny Committees prior to approval by Cabinet. Through our review of the budget setting process, we selected a sample of savings proposals and confirmed these had been subject to the appropriate consultation and scrutiny process prior to approval by Cabinet.

As part of the MTFP update in September 2024, the savings gap identified for 2025/26 was £24.5m. This formed the starting position for the budget setting process. During the course of the budget setting process, the Council updated the assumptions underpinning the MTFP. These revisions included identified savings to date, additional demand pressures and the outcome of the local government financial settlement. This reduced the savings requirement for 2025/26 to £10.2m, rising to a cumulative saving requirement of £53.9m by 2028/29. The Council has a strong track record of delivery against savings programmes to bridge budget gaps in recent years.

Arrangements and approach to 2025/26 financial planning

The arrangements for the 2025/26 budget setting process have largely followed the arrangements in place for 2024/25.The budget for 2025/26 was approved at the February 2025 Council meeting, with a total net expenditure requirement of £356m. As reported above, the Council's MTFP identified an initial savings gap of £24.5m for 2025/26. Using the methodology described above, the Council was able to close this gap and to set a balanced budget for 2025/26. The budget gap was eliminated through a combination of MTFP assumption updates, an increase in Council tax of 4.99% (including the adult social care precept), Cabinet's approved savings programmes and minimal use of reserves of £0.4m. We have reviewed the 2025/26 budget papers and confirmed the budget assumptions are sensible, realistic and properly applied based on the circumstances at the time the budget was set.

The quarter one forecast outturn for 2025/26 was a deficit of £8.3m as the Council continued to deal with inflationary pressures and additional demand particularly for placements for looked after children. The Council reporting was clear about the adverse risk attached to its forecasts, and the likelihood of the deficit increasing as the year progresses due to the continued demand pressure and pricing and set out it will continue to monitor the financial situation and identify mitigations where available to bring down costs in line with budget. The Council has a strong history of identifying and delivering mitigations.

We are satisfied there is not a significant weakness in the Council'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 Council has a comprehensive risk management system in place which is embedded into the governance structure of the organisation. As part of the Council's governance framework, the Audit Committee is responsible for ensuring that risk management arrangements are in place and are regularly reviewed to ensure they are working effectively.

Decision making is supported by risk management arrangements. The Corporate Governance Group monitors the development and maintenance of a Corporate Risk Register and the Corporate Leadership Team receive regular in-year updates on the management of risks within the Corporate Risk Register.

The risk register provides the Council's senior leadership team with oversight of the key risks faced by the organisation. Regular updates to it are taken to the Audit Committee, allowing for member scrutiny and challenge of the risk assessment process. We have reviewed the Council's Corporate Risk Register and confirmed the assessment covers the areas we would expect, and the risks identified are assigned to appropriate risk owners and are linked to the Council's corporate priorities.

In order to provide assurance about the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council has a team of internal auditors, led by the Head of Internal Audit, Risk and Insurance. The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by the Audit Committee prior to final approval. The 2024/25 Internal Audit plan was approved by the Audit Committee in March 2024 ahead of the start of the financial year.

The audit plan is based on an assessment of risks the Council faces and is determined to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work is supplemented by ad hoc reviews in respect of suspected irregularities and other work commissioned by officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plan for 2024/25 and confirmed it is consistent with the risk-based approach.

Internal Audit progress reports are presented to each Audit Committee meeting, including details of audit reports completed since the last update, along with a summary of recommendations raised. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account.

At the end of each financial year the Head of Internal Audit provides an opinion based on the work completed during the year. For 2024/25, the overall opinion was as follows:

> *On the basis of our programme of work for the year, I can provide moderate assurance overall that there is a generally sound system of internal control, adequately designed to meet the Council's objectives, and controls are generally being applied consistently. However, some weaknesses in the design and inconsistent application of controls put the achievement of particular objectives at risk.*

This opinion informed, and was appropriately reflected in, the Council's Annual Governance Statement. Through the Annual Governance Statement, the Council has developed an action plan to address governance priorities for the year ahead. The 2024/25 Annual Governance Statement reported on progress made in addressing the 2023/24 priorities, and identified four priorities for 2025/26 relating to transformation, delivering the MTFP, engaging with the Integrated Care Board as part of Health and Social Care reforms and the governance arrangements for arm's length and subsidiary companies. Throughout the year the Audit Committee receives regular progress reports on delivery of this action plan, providing Members with assurance that the Council is on track with delivery of the plan.

The Council has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Council's Constitution, which includes sections on Members and Officers Codes of Conduct, and the Corporate Governance Code.

The Code of Corporate Governance sets out the key principles which the Council is committed to and which is the framework for the Council to conduct its business. It allocates to key officers roles and responsibilities in respect of the corporate governance themes. In doing this, the framework sets out clearly the lines of accountability.

VFM arrangements – Governance

Overall commentary on Governance - continued

Arrangements for budget setting and budgetary control

The Council has an approved set of budget principles which is used during the budget setting process. The Council's annual budget setting process begins with the retesting of the MTFP forecasts and assumptions to ensure the Council's forecast saving requirement is robust to inform decision making. In addition, available one-off resources are identified to support the balancing of the budget and/or one-off investments.

Based on the updated MTFP position, saving proposals and/or additional resources (i.e. income generation) are identified by services to support the balancing of the budget. Proposals are consulted on and scrutinised by relevant Scrutiny Committees prior to Cabinet approval for inclusion in the budget as part of balancing the budget. Proposals are informed by and aligned to the Council Plan and MTFP Strategy. Government announcements linked to the Council's future funding are a key part of the process. This includes Government Spending Reviews, national budget announcements and Local Government Finance Settlement announcements. In addition, Cabinet decide on an appropriate level of Council Tax increase taking all of the above into account as well as the impact this has on residents to support the balancing of the Council's budget. We have reviewed the budget assumptions which are appropriate and are consistently applied.

Budget monitoring is the responsibility of budget managers with the support of the Finance Service. Each budget has a named budget manager and responsibilities are clear. Financial reports are produced on a regular basis and meetings are held to discuss progress against the financial forecasts. Significant variances against budget are investigated and directors are required to identify and agree the corrective actions to be taken here the individual budgets are at risk. Directors are also required to separately monitor the implementation of approved savings plans and to advise of any slippage or variation. We have reviewed a sample of the finance reports which have been prepared throughout the 2024/25 year which evidence that an appropriate level of detail is included to keep directors, the Senior Leadership Team and members informed of any actual of potential overspends, including detail on how these areas are being managed.

In addition to the above the Council's Section 151 Officer undertakes regular review of the Council's Reserves Policy. This ensures one-off resources are aligned to the Council's corporate and strategic objectives, and provides the Council with the financial resilience to offset the impact of unexpected event. In 2024/25 a key focus of the reserves policy was to mitigate the financial challenges and pressures the Council faces, and support the resilience of the Council's MTFP and transformation. We have reviewed the Council's reserves policy and confirmed it is based on appropriate assumptions. The Council's 2024/25 Reserves Policy was taken through the governance process ahead of Cabinet approval. Our review of the policy confirms this takes account of the current financial challenges faced by the Council. The updated policy looks to realign reserves to support resilience in the Council's MTFP and support strategic priorities and transformation.

The work of other regulators

We reviewed the regulatory reports issued in respect of the Council, including by Ofsted and the Care Quality Commission (CQC). No reports were issued by CQC during the period.

Ofsted conducted an inspection of Stockport local authority children's services in May 2025 and have rated the services as requires improvement although the judgements were balanced with many areas of strong practice and an acknowledgement that progress was being made in areas rated as requiring improvement.

The Council has responded quickly to the report and has a continuous improvement plan in place which has been reported through the governance framework including to Scrutiny Committee. All actions were reported as being on track. Children's Services have also engaged the Head of Internal Audit to assist in providing assurance the plans are being delivered. Regular updates are being reported to Scrutiny Committee, and the Council are actively engaged in reporting back to Ofsted. Council has also approved using £1.2m of reserves to support the improvement plans in the short term and the medium and long term is incorporated in the 2025/26 budgeting planning process.

Based on the above considerations we are satisfied there is not a significant weakness in the Council'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

Performance Management

At the start of the financial year each Cabinet Member signs up to their Portfolio Performance and Resources Agreement, which sets out key performance measures for the Portfolio. The performance measures identified for each area are driven by the Council Plan. We have reviewed a sample of Portfolio Performance and Resources Agreements and confirmed these translate the vision for the portfolio into a delivery plan based around a number of key priorities. The vision for each Portfolio considers the wider policy context the Council operates within and working with other organisations across Greater Manchester. Against each priority, the agreements include a number of key performance indicators which demonstrate the delivery of the Council Plan. The agreements are linked to the Council's budget, setting out the revenue cash limit, agreed savings schemes, reserve levels and the capital plan the Portfolio is responsible for. Combining financial and non financial measures in these agreements enables greater buy-in to the budgeting process, and provides an effective framework of holding Portfolios to account in terms of service delivery.

Each Portfolio Holder reports on the progress in delivering these priorities and outcomes during the financial year as part of quarterly Portfolio Performance and Resources Update Reports. The reports are scrutinised by relevant Scrutiny Committees during the financial year. Each report contains an overall narrative on the Portfolio's progress in delivering its agreed priorities. The reports also contain a performance dashboard, providing an "at-a-glance" view of the Portfolio's achievement against its key performance indicators. Within the dashboard, each performance indictor has a RAG rating to show whether current performance is meeting the target, exceeding it or is behind target. The dashboard also shows performance against the target over time and includes a commentary on the status of each performance indicator. These dashboards are updated on a regular basis and are available in an interactive format online. We have reviewed a sample of the dashboard reports and are satisfied these contain adequate detail to support performance management. We have reviewed the minutes of relevant scrutiny committees. These demonstrate a good level of discussion and challenge arising from the update reports provided, indicating the reports to be effective in enabling appropriate levels of scrutiny by Members.

Partnerships and Commissioning

The Council is open to considering all options to deliver services. This means it commissions from other organisations where it is appropriate, and where it can achieve the same or better outcomes at reduced cost. The Council actively seeks to commission jointly with other public service agencies where possible. The Council has a strong history of working with partners in the healthcare sector to develop integrated commissioning plans for adults, children and prevention and wellbeing services. This is intended to improve the effectiveness of these services and to create efficiencies.

The Council is a partner in the Greater Manchester (GM) Integrated Care System. Through this system the Council works closely with local healthcare providers including Stockport NHS Foundation Trust to plan and operate local healthcare services. Following the formation of integrated care boards in 2022, the Council has continued to work constructively with the wider "system". The establishment of the Stockport Locality Board, chaired by the Leader of the Council, focuses on the One Health and Care Plan, and the Stockport Provider Partnership strengthens integrated partnership working across the Borough. Governance arrangements for the system continued to evolve in 2024/25. The One Health and Care Plan was refreshed in 2025 after further engagement and consultation.

The Council actively seeks partnerships with other local authorities in procurement activities and awards joint contracts where appropriate. The Council is a member of STAR Procurement which is a shared procurement service with Rochdale, Tameside, Trafford, St Helens and Knowsley Councils. STAR reported back to the Council on a regular basis and reports that this approach is delivering financial savings alongside social value requirements.

The Council works closely with other bodies to deliver its strategic priorities. In 2019, Greater Manchester Combined Authority (GMCA) agreed to create the Stockport Mayoral Development Corporation (MDC) to lead the regeneration of Town Centre West. The MDC is bringing forward schemes to deliver the agreed vision and strategy. The programme is intended to drive forward wide-ranging redevelopment in the town. It includes improvements in the provision of housing, employment space, public transport, public realm and greenspace. It also supports the redevelopment and repurposing of some old buildings to improve the overall environment. The delivery of the programme by the MDC reflects collaborative working between the Council, GMCA, Homes England, Transport for Greater Manchester, and the private sector.

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

VFM arrangements

Other recommendations

VFM arrangements - other recommendations

Other recommendations

As part of our work, we have identified an area within the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that, while not considered significant weaknesses, does warrant attention. This matter is summarised in the table below

Matter		Reporting Criteria	Recommendation
1	**Dedicated Schools Grant (DSG)** The DSG deficit at the end of 2024/25 is £43m and is forecast to be £64m by the end of 2025/26. There is a statutory override in place which is due to expire in March 2026, although the government has announced its intentions to extend the override until 2028 while it develops a sustainable solution to the national DSG deficit issue. If the Council is required to fund the DSG deficit through its reserves at the end of the statutory override this will significantly threaten the Council's financial sustainability.	Financial Sustainability	The Council should continue to identify and implement initiatives to reduce the DSG deficit to: • improve prevention and early intervention; • transform provision and reduce costs while maintaining standards; and • identify income to offset high-needs spend.

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Other reporting responsibilities

Other reporting responsibilities

Wider reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We will complete this work when we complete the audit of the Council's financial statements.

Appendices

Appendix 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 of the Council we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Management override of controls 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 through performing audit work over: • 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 work on this risk area and have no matters to report to members.

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

Significant risks and audit findings

Risk	Our audit response and findings
Valuation of Land and Buildings (Council and Group) The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle. The valuation of property, plant & equipment involves the use of management experts (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to five years are not valued at their materially correct fair value. In addition, as the valuations are undertaken at the start of the year there is a risk that the fair value as the assets is materially different at the year end.	**How we addressed this risk** • assessed the skill, competence and experience of the Council's internal and external valuers; • reviewed the instructions issued to the internal and external valuers by management to ensure they comply with the Code requirements; • considered whether the overall revaluation methodology used by the Council's valuers is in line with industry practice, social housing statutory guidance, the CIPFA Code of Practice and the Council's accounting policies; • assessed the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time; • reviewed the approach the Council has adopted to address the risk that those assets not subject to valuation in the 2024/25 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the valuers; • critically assessed the appropriateness of the social housing factor applied to the valuation of the Council Dwellings; • tested the consolidation adjustment made to the valuation of Stockport Homes Ltd's properties to align the valuation to the Council's accounting policies; and • for a sample of properties reviewed the valuation methodology used, including testing the underlying data and assumptions. **Audit conclusion** We have completed our work on this risk area. Our audit work identified misstatements in relation to the accounting treatment of Council Dwellings accumulated depreciation. The misstatements were adjusted for by the Council. We also identified immaterial unadjusted misstatements relating to the valuation of the Council and the Group's assets.

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

Significant risks and audit findings

Risk	Our audit response and findings
Net defined benefit pension asset/ liability valuation (Council and Group) The net pension asset/liability represents a material element of the Council's balance sheet. The Council's single entity and group accounts contain material liabilities relating to the local government pension scheme administered by the Greater Manchester Pension Fund (GMPF), which had its last triennial valuation completed as at 31 March 2022. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension asset/liability in 2024/25.	**How we addressed this risk** • obtained an understanding of the skills, experience, objectivity and independence of the Pension Fund's actuary; • obtained confirmation from the auditors of Greater Manchester Pension Fund that the Pension Fund have designed and implemented controls to prevent and detect material misstatement. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • evaluated and challenged the work performed by the Greater Manchester Pension Fund auditor on the Pension Fund investment assets, and considering whether the outcomes would materially impact our consideration of the Council's share of Pension Fund assets; • reviewed the actuarial allocation of Pension Fund assets to the Council including comparing the Council's share of the assets to other corroborative information; • reviewed the appropriateness of the Pension Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges and utilising information by the consulting actuary engaged by the National Audit Office; • agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements; and • obtained appropriate assurance that the asset ceiling has been calculated in accordance with IFRIC 14, including reviewing the appropriateness of the assumptions and inputs used in the asset ceiling calculation. **Audit conclusion** We have completed our work on this risk area. Our work identified misstatements in relation to Council's gross pensions assets and gross pension liabilities. These misstatements were immaterial and only affected disclosures, and the Council has not amended the financial statements.

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

Significant risks and audit findings

Risk	Our audit response and findings
Valuation of investment Properties (Council) The CIPFA Code requires that investment properties are subject to revaluation, their year end carrying value should reflect the current value at that date i.e. investment property shall be measured at fair value as at the balance sheet date. The valuation of investment property involves the use of management experts and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty	**How we addressed this risk** • assessed the valuers' qualifications, objectivity and independence to carry out such valuations; • reviewed the instructions issued to the valuers by management to ensure they comply with the Code requirements; • for a sample of properties review the valuation methodology used, including testing the underlying data and assumptions; • engage our internal valuations team as our auditor's expert to review the valuation of the land at Manchester Airport and other complex valuations; and • considered movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time. . **Audit conclusion** We have completed our work on this risk area. Our work identified one immaterial misstatement in relation to valuation of one of the Council's investment properties. The Council did not adjust for this misstatement as it was immaterial.

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

Significant risks and audit findings

Risk	Our audit response and findings
New financial reporting standard on lease accounting – IFRS 16 Implementation (Council) IFRS 16 has been applicable to the Council from 1 April 2024 and is designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Council is required to re-classify a number of lease arrangements in line with this new standard for the first time in 2024/25. A key element of IFRS 16 is recognition and measurement of a Right of Use Asset for all applicable leases. The recognition and measurement of a Right of Use asset involves key judgements and assumptions.	**How we addressed this risk** • reviewed the work the Council has carried out for the implementation of IFRS 16 on 1 April 2024 • tested the design and implementation of controls the Council has put in place to ensure the data used to calculate the IFRS 16 transition and in year values is appropriate, complete and accurate; • substantively tested lease balances and obtain evidence to support that they have been correctly classified, and the Right of Use Assets and Lease Liabilities have been accurately measured under the new standard; and • for a sample of Right of Use assets we reviewed the valuation methodology used, including testing the underlying data and assumptions. **Audit conclusion** We have completed our work on this risk area and have no matters to report to members.

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

Enhanced risks and audit findings

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Risk	Our audit response and findings
Valuation of MAHL Shareholding The Council's shareholding in the Manchester Airport Holdings Limited (MAHL) has been valued by a firm of financial experts, engaged by management, based on assumptions about financial performance, stability, and key business projections. The figure disclosed in the Council's accounts in relation to MAHL is at fair value There is a risk that the assumptions and methodology used by your experts are not appropriate and we will need to obtain assurance that accounting entries are not materially misstated.	**How we addressed this risk** Our audit procedures included: • assessing the scope of work/terms of engagement, qualifications, objectivity and independence of the expert engagement to carry out the valuation assessment of the airport shares; and • engaging our internal experts to review the work of management's experts and evaluate the valuation methodology and assumptions. **Audit conclusion** We have completed our work on this risk area and have no matters to report to members.

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

Summary of uncorrected misstatements

Our audit identified a number of misstatements. Management amended the accounts for all material misstatements. There were three uncorrected misstatements, and these were immaterial individually and in aggregate.

Internal control observations

We identified three internal control recommendation in our 2024/25 audit. Management accepted the recommendations. We followed up three recommendations reported in our previous audit and confirmed the Council addressed those three recommendations.

Contact

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