Auditor’s Annual Report

Stockport Metropolitan Borough Council – year ended 31 March 2024

February 2025

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01

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 2024. 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 13 February 2025. Our opinion on the financial statements was unqualified.

Wider reporting responsibilities
In line with group audit instructions issued by the NAO, on 13 February 2025 we reported that the Council’s Whole of Government Accounts return and reported to the group auditor in line with their instructions.

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.

02

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 Council and whether they give a true and fair view of the Council's financial position as at 31 March 2024 and of its financial performance for the year then ended. Our audit report, issued on 13 February 2025 gave an unqualified opinion on the financial statements for the year ended 31 March 2024.

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
Narrative Report	We did not identify any 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.

03

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.

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	No
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 2023/24

During 2023/24 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. The financial impact of the pandemic on the Council continues to feature with loss of income and additional costs. The Council has continued to work to understand the longer-term impact of the pandemic, and to adapt its financial plans over the medium term.

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.

2023/24 Financial statement performance

We have undertaken a high level analysis of the audited 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 £1,671m to £1,512m at 31 March 2024. The most significant changes in the balance sheet relate to the Council's share of the pension fund, being a net liability for 2023/24 after previously being net asset, and increases in the value of the Council's property, plant and equipment portfolio compared to the prior year. It is not unusual to see material movements in the net pension position and this is consistent with our experience at other local authorities. The movements in property values reflect the Council's capital programme, and changes as a result of asset revaluations.

The Council's useable reserves have increased from £133m at 31 March 2023 to £144m at 31 March 2024. The significant changes in reserves were:

Use of reserves during the year include:

• £0.9m approved use of reserves to support the council's 2023/24 budget;

• £2.4m from the Children's reserve;

• £2.1m from the Post-Covid Investment reserve;

• £1.9m from the Income and Interest Rate Risk Mitigation reserve; and

• £1.3m from the Transformation – Double Running reserve, to support 2023/24 phased savings.

Increases in reserves include:

• £6.9m to the Collection Fund reserve relating to the 2023/24 Collection Fund surpluses;

• £2.2m to the Cabinet One-Off Investment reserve to fund activities agreed in the 2022/23 and 2023/24 budgets;

• £1.1m to the Insurance reserve;

• £1.1m to the Health and Social Care Integration reserve; and

• £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 2023/24, 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.

Overall commentary on the Financial Sustainability reporting criteria – continued

In February 2023, the Council set a balanced budget for 2023/24, with a total net expenditure requirement of £310m. The budget set by the Council included a Council Tax increase of 3.99% (including a 1.99% general increase and an increase in 2% of the Adult Social Care Precept), which was below the maximum increase of 5%, balancing the financial pressures faced by the Council with the impact on local taxpayers. We have reviewed the Council's budget setting papers for 2023/24 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 charged in respect of waste, transport, police and fire services.

The Council's budget for 2023/24 is based on the 2022/23 Q2 forecast outturn, adjusted for agreed changes with services, savings proposals and contingency allocations. For 2023/24, the budget included £8.6m contingency relating to the financial impact of the Covid-19 pandemic. 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 2023/24. 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.

As in previous years, officers have worked to ensure financial information is available on a timely basis. The Council's finance officers were able to produce a high quality draft Statement of Accounts.

The Council reported its revenue outturn position for the 2023/24 year as an overspend of £0.7m. The outturn report showed continuing demands pressures for looked after children which was offset by lower than budgeted inflation impacts.

The revenue outturn position also highlights the continued pressure on the dedicated school grants (DSG) budget with shows a deficit of £12.6m for 2023/24 resulting in a cumulative deficit position of £23.8m. The deficit is driven by external demand pressures particularly for high needs and SEN placements. The Council has taken proactive steps to lower the deficit including taking part in the Department for Education (DfE) Delivering Better Value support program. The anticipated opening of the Lisburne School and the Pear Tree Special School will provide additional places to help manage the additional demand pressures in the medium term. The pressures that the Council face are not unique to Stockport MBC and follows similar trends seen at other Local Authorities. The DSG override mechanism has been extended to 31st March 2026 giving Councils additional time to address the underlying deficit.

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.

Overall commentary on the Financial Sustainability reporting criteria – continued

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 2023, the savings gap identified for 2024/25 and 2025/26 were £10.9m, and £24.8m respectively. 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 2024/25 to £5.5m, rising to a cumulative saving requirement of £54.5m by 2027/28. The Council has a strong track record of delivery against savings programmes to bridge budget gaps in recent years.

Arrangements and approach to 2024/25 financial planning

The arrangements for the 2024/25 budget setting process have largely followed the arrangements in place for 2023/24.

The budget for 2024/25 was approved at the February 2024 Council meeting, with a total net expenditure requirement of £336.1m. As reported above, the Council's MTFP identified an initial savings gap of £10.9m for 2024/25. Using the methodology described above, the Council was able to close this gap and to set a balanced budget for 2024/25. 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 of £5.4m, and use of reserves of £0.4m. We have reviewed the 2024/25 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 2024/25 was a deficit of £2.6m as the Council continued to deal with inflationary pressures and additional demand particularly for placements for looked after children. The Council 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 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

Risk management, decision making and monitoring arrangements

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 2023/24 Internal Audit plan was approved by the Audit Committee in March 2023 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 2023/24 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 2023/24, 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 2023/24 Annual Governance Statement reported on progress made in addressing the 2023/24 priorities, and identified four priorities for 2024/25 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 the Governance reporting criteria - 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 2023/24 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 2023/24 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 2023/24 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).

OFSTED conducted an 'Children's services focussed visit' in January 2024. The report does not give a formal rating. The findings of inspection were published in February 2024 and concluded:

'Since the last inspection in April 2022, where services were judged to be good overall, there has been a greater demand for children's services and an increase in the complexity of work, against a backdrop of increased staff turnover and more inexperience across the workforce. This has had a detrimental impact on the consistency of quality of practice for some children in need of help and protection.'

The report highlights areas in which the services are effective but made recommendations for improvement. In response to the recommendations the Council have updated their improvement plan to incorporate these recommendations.

In 2022 the Council invited peers from the Local Government Association (LGA) to carry out a Corporate Peer Challenge. The findings of the review were published in February 2023 and highlighted the delivery of high performing services, strong financial management arrangements and effective working relationships between councillors and officers. The report also made some recommendations for improvement particularly around further strengthening neighbourhood working, the way the Council works with partners, and building the Council's brand further. In response to the recommendations the Council has developed an action plan which is being delivered over 2023/24. The LGA completed a follow up visit in October 2023 to review the progress the Council had made in addressing the recommendations. The report from the visit outlined the Council had been proactive in addressing recommendations, including embedding them into the Council Plan, and highlighted additional positives such as the Council's robust financial management arrangements.

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 2023/24. The One Health and Care Plan was refreshed in 2023 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.

04

Other reporting responsibilities

Other 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 NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 13 February 2025.

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

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk 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 financial statements

Net defined benefit pension asset/ liability valuation

Description of the risk

The net pension asset/liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2022. 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 2023/24.

How we addressed this risk

Our procedures included:

- assessing the skill, competence and experience of the Fund's actuary, Hymans Robertson including a review of the actuary by our actuarial expert PWC;
- challenging the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation;
- reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by GMPF Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;
- carrying out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation;
- corresponding with the GMPF auditor to gain assurance on their audit of the fund; and
- obtaining 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 audit work identified a misstatement in relation to the accounting treatment of the Council's pension asset ceiling adjustment.

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

Valuation of Land and Buildings

Description of the risk

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

Our audit procedures included:

- assessing the skill, competence and experience of the Council's internal and external valuers;
- reviewing the instructions issued to the internal and external valuers by management to ensure they comply with the Code requirements;
- considering 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;
- understanding the process followed by management to seek assurance that any land and buildings assets not revalued at 31 March 2024 are not materially misstated;
- assessing the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;
- critically assessing the appropriateness of the social housing factor applied to the valuation of the Council Dwellings;
- testing the consolidation adjustment made to the valuation of Stockport Homes Ltd's properties to align the valuation to the Council's accounting policies;
- for a sample of properties review 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 the following misstatements:

Adjustment to reduce the value of a school building to recognise the impairment due to the presence of Reinforced Autoclaved Aerated Concrete.

Our audit testing identified differences between the valuation report and the Council's fixed asset register. The differences resulted in adjustments to the financial statements.

We also identified unadjusted misstatements which are highlighted in the tables below.

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

Valuation of investment Properties	**Description of the risk** 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 Our audit procedures included: • assessing the skill, competence and experience of the Council's internal and external valuers; • reviewing the instructions issued to the internal and external valuers by management to ensure they comply with the Code requirements; • considering whether the overall revaluation methodology used by the Council's valuers is in line with industry practice, and the CIPFA Code of Practice and the Council's accounting policies; • assessing the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time; • 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 land of Manchester Airport; and • consider movements in market indices between the valuation date and the year end in order to determine whether these indicate fair values have moved materially over time.
	Audit conclusion We have completed our work on this risk area. Our audit testing identified differences between the valuation report and the Council's asset register. The differences resulted in adjustments to the financial statements. We also identified unadjusted misstatements which are highlighted in the tables below.

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

Enhanced risks

Valuation of MAHL Shareholding	**Description of the enhanced risk** 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 your 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 our audit addressed this area of enhanced 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- Council

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr Financing and Investment Expenditure **Cr Investment Properties** A car park at Stockport Exchange was valued at cost, but the construction was completed in advance of the year end and the asset should have been revalued at the year end. The revaluation reduced the value of the asset by £6.3m. The Council has not amended the financial statements as this adjustment is not material.	6,373			6,373
Dr Financing and Investment Income **Cr Grants Credited to Services** Grant income was incorrectly coded to Financing and Investment Income, but should have been recorded as service income. The Council has not amended the financial statements as this adjustment is not material.	2,609	2,609		
Dr PPE Other Land and Buildings **Cr Revaluation Reserve** Our testing of the valuation of assets identified errors of £309k from the use of inaccurate source data or assumptions. Because these errors were identified in a sample test, applying our audit approach we extrapolated the errors over the untested population. The extrapolated error would increase the value of the assets by £2.4m. The Council has not amended the financial statements as the adjustment is based on an extrapolation and is not material.			2,478	2,478
Continued overleaf				

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

Summary of uncorrected misstatements- Council continued

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr PPE Council Dwellings			2,589	
Cr Revaluation Reserve				2,589
Reflects the applying of the council dwellings indexation using the March 2024 index rather than the February 2024 index. The Council has not amended the financial statements as this adjustment is not material.				
Aggregate effect of unadjusted misstatements	**8,982**	**2,609**	**5,067**	**11,440**

Summary of uncorrected misstatements- Group

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr Financing and Investment Expenditure	664			
Cr OCI - Re-measurement of the Net Defined Benefit Liability		664		
To recognise the financing element of a change in the effect of the asset ceiling for Totally Local Company. The Council has not amended the financial statements as this adjustment is not material.				
Aggregate effect of unadjusted misstatements	**664**	**664**	**-**	**-**

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

Internal control recommendations

We issued two recommendations to strengthen the Council’s internal controls and reported the recommendation from the prior year had not yet been fully implemented.

Contact

Forvis Mazars

Alastair Newall
Audit Director
Tel: +44 (0)161 238 9243
alastair.newall@mazars.co.uk