

# **Stockport Homes Limited**

## **Directors' Report and Financial Statements**

**Company Limited by Guarantee**

**Company Number 04521257**

**Year Ended**

**31 March 2013**



**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

<b>CONTENTS</b>	<b>PAGES</b>
Board of Directors, Executive Officers and Professional Advisers	1-2
Directors' Report (Incorporating Operating and Financial Review)	3-20
Report of the Board	
Statement of Board Members responsibilities	21
Independent Auditor's Report	22-23
Income and Expenditure Account	24
Statement of Total Recognised Surpluses and Deficits	25
Balance Sheet	26
Cash Flow Statement	27-28
Notes to the Financial Statements	29-46

**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

**BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND PROFESSIONAL ADVISERS**

Mr R Phillips, Chair	(appointed 23 09 05)
Councillor C Corris	(appointed 23 09 05, resigned 09 05 11, reappointed 19 05 11)
Mr J Bowker	(appointed 29 09 08)
Mr D Wright	(appointed 15 10 07)
Ms MT Rowles, Vice Chair	(appointed 29 09 08, appointed Vice Chair 21 09 09)
Councillor C Murphy	(appointed 04 06 09, resigned 10 07 12)
Mrs B King	(appointed 21 09 09)
Mr P Fury	(appointed 18 11 09)
Councillor P Porgess	(appointed 05 07 10)
Mrs J Clayton	(appointed 20 09 10)
Mr C Lennard	(appointed 20 09 10)
Mr D Beckett	(appointed 01 12 10)
Councillor D Hawthorne	(appointed 25 05 11, resigned 24 5 12)
Councillor A Vine	(appointed 21 06 12)
Councillor T Grundy	(appointed 21 08 12)

Stockport Homes is registered as a provider with the Homes and Communities Agency, registration number 4619

**REGISTERED OFFICE**

Stockport Homes Ltd  
1 St Peter's Square  
Stockport  
Cheshire  
SK1 1NZ

**BANKERS**

The Co-operative Bank Ltd  
Stockport Branch  
1 St Peter's Square  
Stockport  
Cheshire  
SK1 1NX

**SOLICITORS**

Stockport Metropolitan  
Borough Council  
Litigation Department  
Stopford House  
Piccadilly  
Stockport  
SK1 3XE

**EXTERNAL AUDITORS**

BDO LLP  
5 Temple Square  
Temple Street  
Liverpool  
L2 5RH

**INTERNAL AUDITORS**

PriceWaterhouseCoopers  
101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW

**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

**BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND PROFESSIONAL ADVISERS**  
**(continued)**

**EXECUTIVE OFFICERS**

Helen McHale	Chief Executive
Sandra Coleing	Director of Corporate Services
Elaine Dishong	Director of Housing Need & Support Services (retired 31 <sup>st</sup> December 2012)
April Higson	Director of Neighbourhoods and Support
Mark Hudson	Director of Technical and Commercial Services
Carmel Chambers	Director of Finance (appointed 1 <sup>st</sup> April 2013)

With the exception of the Director of Finance, the four permanent executive officers were appointed to their positions on 1<sup>st</sup> October 2005

The executive officers act within the authority delegated to them under the Company's Scheme of Delegation approved by the Board. The detailed scrutiny of performance, the development of strategies/policies and procedures, and the approvals of expenditure within budget are carried out by the executive officers who meet as a Management Team every two weeks.

**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

The Directors present their report incorporating the disclosure requirements of the operating and financial review and the audited financial statements for the year 1 April 2012 to 31 March 2013. The report and accompanying statements have been compiled in line with the Statement of Recommended Practice (SORP) for registered social housing providers (2010). Stockport Homes complies with the principal recommendations of the revised NHF Excellence in Governance Code for members which ensures highest standards of corporate governance.

**DATE OF INCORPORATION**

The date of incorporation was 29 August 2002 with trading commencing on 1 October 2005. These accounts are for the seventh full year of operations for Stockport Homes Limited. In the opinion of the Directors, the Directors' Report has endeavoured to follow the requirements for disclosures as per the SORP "Accounting by registered social housing providers, update 2010".

**PRINCIPAL ACTIVITIES**

The Company's principal activity is to manage and maintain the stock of houses owned by Stockport Metropolitan Borough Council (SMBC), including the management of the capital programme for the modernisation of the properties which numbered 11,422 at 31 March 2013. Stockport Homes Limited manages the allocation of homes and works on behalf of Stockport Council to fulfil their statutory responsibilities around preventing homelessness.

Stockport Homes Limited is known as an Arms Length Management Organisation or ALMO. This means that while the Council established the company, it operates independently from it on day-to-day matters. Under a Management Agreement with SMBC, Stockport Homes Limited receives a sum of money to carry out the business of managing and maintaining the housing stock on behalf of SMBC. The Management Fee for 2012/13 totalled £24.514million.

The total turnover for the year of £33.9m also includes income from other sources of £9.422m. The Management Agreement allows Stockport Homes to employ building contractors to undertake the capital investment programme of which there was a total spend of £18.346m against available resources of £18.292 million in 2012/13.

Stockport Homes continues to build new homes. Its first new build scheme of 17 units was completed during 2009/10 and Stockport Homes has been building new homes ever since. During 2012/13 Stockport Homes acquired 15 properties through the Government's Mortgage Rescue scheme, two ex Right-to-Buy properties (RTBs) and eight empty homes. Stockport Homes now owns a total of 90 properties at the end of March 2013. In 2012/13 Stockport Homes in partnership with Stockport Council was allocated £1.3m grant funding to deliver 56 new homes as part of the Affordable Homes Programme. Ownership of these new homes rests with Stockport Council with the homes forming part of the Housing Revenue Account (HRA) account however Stockport Homes is managing the delivery of them. During the year a start on site was achieved on 49 of these 56 homes across four sites offering a range of tenure models including shared ownership and affordable rent.

Stockport Homes collects water charges from tenants on behalf of United Utilities. This resulted in additional income being received from SMBC of £775k in 2012/13 as part of the management agreement to invest in new services relating to social and financial inclusion.

Stockport Homes continued to operate the brand of Repair 1st during 2012/13 to deliver quality repairs and efficient repair services to customers. This is a partnership arrangement delivered by the in-house Direct Labour Organisation and the contractor Jackson Lloyd. By partnering this arrangement maximum efficiencies and cross-sector expertise have been obtained, however in April 2013 the Jackson Lloyd Repairs team were brought in house to build on the experience gained through the partnership and maximise opportunities for delivering future efficiencies.

**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

Stockport Homes seeks to deliver high quality housing services, provide continuous improvement and improve the efficiency of its service. Any surplus after tax will be used to finance service improvements to customers and ensure the Mission and Aims of Stockport Homes are delivered.

Stockport Homes purchase a number of essential services from Stockport Council. These include insurance, legal services, IT infrastructure, financial systems and payroll. There are service contracts in place, which give detailed information on the services provided, including service standards and performance indicators, and the costs of such provision.

**LEGAL STATUS OF COMPANY**

The Company is limited by guarantee and does not have any share capital.

**VISION, MISSION AND AIMS**

Stockport Homes continues to explore new business opportunities and is innovating in order to better meet the Council's objectives and the ever changing economic and political environment in which it operates. Regulation has less emphasis on prescribing how services should be delivered. This has been supported by an end to routine inspections and the growth of customer scrutiny in monitoring front-line services. The organisation feels its vision, mission and aims are flexible and outcome-focused that will allow Stockport Homes to continue to evolve and expand its role to meet the changing demands of its customers, the Council and other stakeholders.

***Vision***

To deliver the best services possible by being a great place to work.

***Mission***

Transforming lives

***Aims***

- Exceed customer expectations and always do the right thing
- Support customers in all aspects of their lives through effective partnership working
- Create greener places to live and work and continually minimise our impact on the environment
- Expand our thriving, safe and sustainable neighbourhoods, maximising our contribution to meeting housing need
- Involve customers, staff and the Board in decision making and create opportunities for them to fulfil their potential
- Grow by making the best use of our resources and diversifying into new businesses that compliment what we already do

The aims are delivered through an embedded continuous improvement framework, including the Service Improvement Plan (SIP). It provides a clear plan of activity to ensure sustained improvement across all areas of activity.

**CORPORATE GOVERNANCE**

The Board of Stockport Homes consists of 13 voluntary members (5 tenants, 4 nominees of Stockport Council and 4 independent members). The make-up of the Board and their term of office is determined by Stockport Homes' Memorandum and Articles of Association, which govern the company.

**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

The Board is responsible for the strategic direction of the organisation and Board members are registered as the Company Directors with Companies House. They have been selected to collectively provide the skills and competencies to successfully steer the company in accordance with its Mission and Aims.

In May 2013 Stockport Council informed Stockport Homes that it would no longer make nominations to the company's Board and its nominees stood down with effect from 21 May 2013. As a consequence, in 2013/14 Stockport Homes will review its Board size and composition in order to achieve the most effective governance arrangements for the company. Changes to the Memorandum and Articles will be agreed with the Council.

Stockport Homes has a Management Team which is led by the Chief Executive, supported by four Executive Directors and is responsible for the day to day operations of the organisation. The Chief Executive reports to the Board of Stockport Homes.

The Board meet four times per year to make decisions concerning the strategic direction of the organisation. The Board has reviewed its Sub-Group structure in 2012/13. Until December 2012 it was supported by four Sub-Groups: Finance and Audit, Human Resources and Governance, Asset Management and Sustainability, and Performance. Since January 2013 these have been merged into two Sub-Groups, Business Development and Service Excellence, both of which have clear terms of reference. The Board and Sub-Groups are supported by the Governance Team which uses a range of different tools to ensure the effectiveness of the Board's decision-making. This includes a thorough forward planning process and procedures for following actions that are agreed in minutes.

An internal audit of governance took place in November 2012. The audit made one advisory recommendation which has been implemented by the Governance Team. To help ensure continuous improvement in governance, the Board undergo an Annual Personal Development Review (PDR) process which gives Board members the opportunity to reflect on personal and collective performance. The PDR work fed into a Governance Improvement Plan incorporating improvements to the way governance is managed at Stockport Homes.

During 2012/13 the Board undertook training on a range of issues including financial training and social value.

In September 2012, the Board received the second Annual Report of the Customer Scrutiny Panel (CSP) updating on the year's activity and the support that Stockport Homes has provided to the panel. The report highlighted outcomes from the CSP's first review of how Stockport Homes deals with empty (void) properties.

The Board also received a report on the CSP's second service review of the Sheltered Housing Service along with a management action plan to achieve the panel's recommendations for service improvements.

**OPERATING AND FINANCIAL REVIEW OF THE YEAR**

The Operating and Financial Review has been compiled in line with best practice as outlined in the Statement of Recommended Practice (SORP) for registered social housing providers (2010). Stockport Homes has continued to operate efficiently, pro-actively and effectively within the terms of the Management Agreement with Stockport Council.

**VALUE FOR MONEY**

At the forefront of Stockport Homes' financial management is its consistent and dedicated approach to value for money.

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

*Robust approach to decision making*

Stockport Homes has a value for money strategy that was approved by the Board in July 2011 and covers 2012 to 2015, setting out four key priority areas. This is underpinned by a Value for Money Action Plan which is reported on quarterly. All areas of the business are constantly reviewed via business plans and value for money service reviews. This ensures any opportunities for cost reduction and/or income maximisation are achieved. Regular value for money updates are provided to Stockport Homes Management Team (SHMT) and Business Development Sub Group. The organisation maintains an efficiency log to capture both cashable and non-cashable efficiencies. Recent examples include restructuring working methods to maximise use of IT within the Customer Finance team, changing the way that the Caretaking team deliver services, re-procurement and partnership working with new printing suppliers and insourcing of the Facilities Management contract previously delivered by Norfolk Property Services. In the second half of 2012/13 the gas maintenance contract went through a procurement process, and in April 2013 the Jackson Lloyd responsive repairs team was insourced to the organisation. Both of these service areas will generate efficiencies whilst improving the quality of service delivery for customers throughout the coming year. All of these initiatives have maximised efficiencies that are now available to be reinvested into service delivery.

*Optimising Return on Assets*

Efficiencies realised at year end amount to £825,330. This represents 3.37 per cent of the management fee<sup>1</sup> and meets the target set for the 2012/13 financial year of three per cent. This approach continues to demonstrate the commitment and expertise of Stockport Homes in delivering and evidencing value for money.

As a result of this committed approach Stockport Homes has delivered services provided by the management fee with optimum efficiency, resulting in a surplus position at the year-end. Net cash inflows from operating activities totalled £2.003million. Cash reserves totalling £471k were invested in initiatives that will generate future income streams for the organisation whilst furthering the organisation's objectives. A significant proportion of the reserves position at the 31 March 2013 is made up of projects that are committed to be spent during the coming financial year, or are earmarked reserves for planned spend-to-save initiatives which will in turn continue to generate year-on-year efficiencies. Stockport Homes continues to operate in an increasingly difficult economic environment and will therefore manage its finances during the coming year to address this. The organisation is currently reviewing how value for money reporting can be developed to include measuring the impact of social return.

Stockport Homes continued to make the best use of available cash resources by making short-term investments within the Treasury Management Policy parameters during 2012/13. The parameters were updated during 2012/13 to enable longer investment periods. Interest yield however remained relatively low during the period due to the ongoing difficult global economic conditions.

*Performance management and Scrutiny*

The Management Team continues to manage and scrutinise the organisation's finances with monthly reviews of management accounts, variance analysis and continual forecasting. This allows thorough transparency on monies available and effective decision making in the release of monies for expenditure within the business. Business planning remains a primary focus for Stockport Homes with the aim to have a comprehensive understanding of the organisation's threats and opportunities going forward.

Services are also subject to scrutiny by the Customer Scrutiny Panel. This has resulted in a number of cost and quality recommendations to improve the value for money of service delivery to customers.

---

<sup>1</sup> £24,514,000



**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
***31<sup>st</sup> March 2013***

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

*Understanding costs and outcomes*

During 2012/13 detailed business plans were produced for Repair 1<sup>st</sup>, Concierge, and long-term financial viability models are in place for all New Build schemes

The 2012/13 financial year was the first year of the Housing Revenue Account (HRA) Self-Financing Business Plan. Stockport Homes manage the business plan and much of its operational activity, such as minimising rent arrears, which significantly impacts on the health and success of the HRA. The financial performance for the HRA for 2012/13 exceeded the business plan forecast performance which is another example of the strong management and performance of the organisation.

Key performance indicators, measuring both cost and quality are reported on regularly throughout the year to SHMT and the Business Development Sub Group.

**OPERATIONAL AND PERFORMANCE REVIEW OF THE YEAR**

The following section gives an overview of the operational and performance review of the company's business during the financial year. The first area looks at Key Performance Indicators, including targets and out-turn results for the year. The second area relates to the Capital Investment Programme where Stockport Homes managed the delivery of capital improvements to properties totalling £18.292 million. The third area relates to the various accreditations received by the organisation during the year.

**1 Scorecard update**

At the end of the financial year over two thirds of performance indicators were on target. Table One below provides a list of corporate scorecard indicators and performance against these at the end of 2012/13.

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

<b>Table One Performance indicator</b>	<b>2012/13 target</b>	<b>2012/13 outturn</b>
Ratio of homelessness interventions to homeless applications	12.1	14.1
% of vulnerable people supported to maintain independent living by the resettlement service	96.7%	97.6%
% of vulnerable people supported to maintain independent living by the tenant support service	96.7%	98.6%
% of vulnerable people supported to maintain independent living by the teen pregnancy service	98.2%	97%
% of responsive repairs for which an appointment was made and kept	97.75%	97.8%
% of customers satisfied that their repair was done right first time	98.4%	99%
% of households with a valid Gas Safety certificate	100%	100%
% of estate inspections rated at least 'good'	93%	96%
Proportion of rent collected	100.6%	99.61%
Rent arrears of current tenants as a % of rental debt	0.82%	0.98%
% void rent loss	0.45%	0.5%
Average responsive repair cost per property	£247	£237
Average time taken to re-let empty properties	11 days	10 days
Efficiencies as % of the management fee	3%	3.37%
Number of days lost to sickness per employee	5.75	7.33
% change in number of a) accidents and b) incidents	a) -10% b) -1%	a) +40% b) +14%
Customer satisfaction with Repairs	95%	97.9%
Customer satisfaction with Investment works	95%	95.2%
Customer satisfaction that Anti Social Behaviour was resolved	95%	95.8%
% of complainants that would use the complaints service again	90%	95.2%

**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

The targets set for 2012/13 were particularly challenging in the context of continual improvement over recent years. Sixteen indicators were in use last year and performance against nine of these has either improved or cannot be improved because performance has stabilised at 100 per cent. Of the seven where performance appears to have deteriorated, one is being interpreted differently compared to the previous year, and two are easily distorted by low sample size. There are four indicators where performance was lower than the previous year and short of the year-end target.

Of the six measures that can be benchmarked with peers, Stockport Homes is ranked first compared with other ALMOs for its performance on rent arrears as a percentage of rental debit, and is 14<sup>th</sup> out of 164 compared with all housing organisations which is top quartile performance. Stockport Homes is performing among the best 25 per cent for four of the five remaining measures.

## **2. Capital Programme**

2012/13 was the first year of HRA Self Financing Business Plan with a capital programme investment budget of £18.232 million. The capital investment programme was aligned against the HRA Business Plan however following confirmation of £9.5 million Community Energy Saving Programme (CESP) funding from British Gas budgets were re-aligned. The programme required £3.5 million funding from the capital programme and involved the installation of four biomass boilers and an extensive over-cladding programme. The programme was particularly challenging, being one of the largest programmes of its type in the country and requiring the works to be significantly complete by December 2012. The programme was completed to timescale and overall capital resources were managed effectively in line with the permitted budget tolerance. In addition, the opportunity was used to accelerate the windows replacement programmes on the affected properties so as to benefit from efficiencies in scaffolding and preliminaries. To accommodate this, some works originally planned for year one of the Business Plan have been reprofiled to future years.

The overall HRA capital programme also involved the construction of 56 new build units under the government's affordable homes scheme. The first tranche of these schemes are due to complete in September 2013. More detail on these schemes is provided in the Development Activity section of this report.

## **3. Accreditations and Awards**

During the 2012/13 year Stockport Homes received the following accreditations and awards, which reflect not only continuous improvement and excellent service delivery but the cutting edge nature of many of its services.

### **Accreditations**

#### **The Sunday Times Top 100 Public Sector and Best Companies Awards**

Stockport Homes was ranked "good" and was named as the 59<sup>th</sup> best Public and Third Sector Employer by The Sunday Times and 'Best Companies' in March 2013. This reflects Stockport Homes' dedication to making the organisation a place where people want to work. It demonstrates a focus on employees which has led to effective engagement, reduced sickness levels, increased productivity and better staff retention.

#### **Investors in People – Gold Status, IIP Champion and Health and Wellbeing Award**

**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (Incorporating Operational and Financial Review)**

This accreditation is nationally recognised as demonstrating good practice in employee development, wellbeing and reward strategies. In 2012 Stockport Homes' retained Gold status for both IIP and good practise in staff health and wellbeing. Stockport Homes continues to be an IIP Champion.

**Customer Service Excellence**

In line with Stockport Homes' commitment to delivering a 'customer driven service', the organisation underwent a Customer Service Excellence Award (formerly CharterMark) assessment in October 2012 and met 100 per cent of its criteria for the fifth time. This looks in depth at issues that are a priority for customers, such as service delivery, timeliness, information, professionalism and staff attitude. There is also an emphasis on developing insight into customer needs, understanding the user's experience and robust measurement of customer satisfaction. This on-going accreditation is a significant achievement for Stockport Homes, and reflects the high standards of customer care delivered by the organisation and its partners.

**HouseMark ASB (Anti Social Behaviour) Accreditation**

Stockport Homes has achieved this three year accreditation which demonstrates to customers and partners how it responds to what is a key issue for customers. The accreditation process is based on an independent assessment of the service, providing a robust and critical challenge to ensure continual improvement. Stockport Homes will seek re-accreditation in December 2013.

**Positive About Disabled People**

Stockport Jobcentre Plus has awarded the 'Two Ticks Disability Symbol' to Stockport Homes for the seventh year running in recognition of its positive work to recruit disabled employees. Recognition is given to employers who can demonstrate a commitment to the recruitment, retention, training and career development of people with disabilities.

**ISO 14001 – Environmental Management Standard**

This accreditation was initially achieved in October 2011, External audits have been carried out at six monthly intervals to maintain the accreditation. It is an internationally accepted standard that demonstrates an effective Environmental Management System (EMS). The standard is designed to address the delicate balance between maintaining profitability and reducing environmental impact and is held by only a small number of housing organisations in the UK.

**Supporting People Validation Inspections**

Stockport Homes' major Supporting People funded service carried out a self-assessment under the Council's Quality Assessment Framework and retained their status as accredited providers. The Resettlement and Temporary Accommodation Services retained an 'A' (excellent) status. A Supporting People review is scheduled to be carried out in 2013.

**Awards**

**Housing Innovation Awards 2013**

These awards celebrate pioneering spirit and highlight examples of inventive and original schemes and services. Stockport Homes' was awarded the 'Most Innovative Use of Community Engagement' for Offerton Neighbourhood Management Board and Stockport Homes' Repair 1st Team was awarded

**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

'Most Innovative Housing Contractor' Offerton Neighbourhood Management Board is a multi-agency partnership established to focus on the Offerton area and its needs. This partnership works to address inequalities, make services more joined up and enable improved outcomes for residents. Repair 1st is based on the spirit of delivering the best service possible, for the best value, and working with partners to deliver more than just repairs.

**Best Practice in Maintenance Awards 2013**

These awards are organised by the National Housing Maintenance Forum and recognise best practice in the maintenance of social housing. Stockport Homes' Repair 1st Team was awarded the 'Best Direct Labour Organisation' award. The team has a strong commitment to corporate social responsibility as well as to service delivery.

**Tech Success Awards 2012**

These awards celebrate those who have implemented innovative IT projects within their organisations. Stockport Homes' IT Team was awarded the Best Mobility Project award for automating tenant visits using an android tablet device. Judges said the IT Team "Epitomised a true mobilisation solution - meeting the needs of the end users, having the ability to work offline, and ensuring the data is held securely".

**Association for Public Service Excellence Awards 2012**

These celebrate those who have demonstrated their ability to pursue innovation within service delivery and implement new approaches, which improves the level of service to local communities and people. Stockport Homes' was awarded 'Best Service Team' for the work carried out by Repair 1st.

The team went through a transformational change to work collaboratively in partnership with the private sector delivering excellent repairs and void works services to customers. This has included capital investment works, planned maintenance projects, photo-voltaic (PV) panel installations, third party works and further exciting growth opportunities within the team. The team has met or exceeded all its increasing standards and targets for six years in succession, with plans to continue to grow and improve the service in future.

**National Federation of ALMOs Awards 2012**

These awards remain the industry leading awards celebrating achievement in social housing delivery. Stockport Homes was awarded 'Most Effective Partnership' for the work carried out by the Act Family team. The Act Family Team was set up in July 2011 and is a partnership between Stockport Homes (the managing agent), the Police, Parent Support Team, Social Care Team, Health, Youth Offending Service, Probation, Welfare Rights and Education and Skills Teams. Act Family was a new way of working in an integrated fashion across service boundaries with those families that are most at risk of experiencing a range of poor outcomes. The project has since ended.

**British Renewable Energy Awards 2012**

These awards celebrate the achievements of companies and individuals who have done most to advance renewable energy in the UK. Stockport Homes were awarded the 'Pioneer Award' for the SHINE project – Stockport Homes Investing in Natural Energy. Stockport Homes were quick to mobilise and deliver over 1000 domestic solar PV systems within Stockport by the end of March.

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

2012 This innovative project represented over £10m in investment to deliver reduced energy bills for customers and cleaner, greener energy generation for environmental protection. Stockport Homes were up against major private sector organisations such as Marks and Spencer and Tesco in this category.

**DEVELOPMENT ACTIVITY REVIEW OF THE YEAR**

During 2012/13 development activity at Stockport Homes continued both on Stockport Homes' housing portfolio and in partnership with Stockport Council. 2012/13 was year two of the four year Affordable Homes Programme for which Stockport Council was allocated £1.3m of grant funding to deliver 56 new homes, with Stockport Homes acting as managing agent on the developments. A start on site was achieved on 49 new units across four sites. Conversions of existing properties to Affordable Rents to support the new build programme commenced in July 2012 and progressed well with 104 conversions completed in 2012/13 with little impact on demand.

Stockport Homes also continued to develop and expand its own housing stock with sales completing on the remaining five shared ownership units at Tame Valley and the 46 unit scheme at Covent Garden completing in April 2013.

Stockport Homes purchased 15 mortgage rescue properties, two ex right to buy properties and eight empty homes during the year. These have been funded by a combination of prudential borrowing and reserves.

The purchase of these properties has increased Stockport Homes' property portfolio to 90 units by 31 March 2013 as detailed below.

<b>Scheme</b>	<b>Number of Units</b>
Lantern Close	17
Marlhill Court	9
Mendip Court	9
Bideford Road	4
Tame Valley	8
Mortgage Rescue (phase 1)	18
Mortgage Rescue (phase 2) / Empty Homes / Ex RTBs	25
<b>Total</b>	<b>90</b>

**Covent Garden (Hopes Carr)**

This scheme completed in April 2013. The scheme comprises of two four-storey blocks containing 46 apartments with retail units and local underground parking for rent and are built to the Code for Sustainable Housing (CfSH) level 3. This code sets standards for key elements of design and construction which affect the sustainability of a new home. This project forms part of the 2008-11 HCA funding programme and the completed units are owned by Stockport Homes. It is the first phase of SMBC's regeneration efforts for Stockport town centre. It is envisaged that the Covent Garden Village Masterplan will deliver 250 new homes, new shops and a park. The vision for the area is to form a mixed use neighbourhood aimed at attracting economically active households into the town centre.

**Cross Lane, Marple**

In September 2012 the re-development of this former primary school site commenced with completion scheduled for October 2013. The scheme will deliver 17 new homes for affordable rent, comprising a mixture of family houses and wheelchair accessible bungalows. The scheme is HCA funded via the 2011-15 programme and will therefore be owned by Stockport Council.

**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

**Willow Avenue, Cheadle Hulme**

This scheme commenced on site in September 2012 and is due for completion in October 2013. The project includes eight family houses for affordable rent. As the project is HCA grant funded through the 2011-15 programme the completed units will be owned by the Council.

**Sandringham Rd. Cheadle Hulme**

This project commenced on site in September 2012 and comprises five family houses and one wheelchair accessible bungalow for affordable rent. The project is due for completion in October 2013 and the completed units will be owned by the Council.

**Essex Rd Brinnington**

In March 2013 a start on site was achieved on this shared ownership scheme. The project consists of 18 family homes for sale on a shared ownership basis. The scheme is due for completion in March 2014 and the completed units will come under the ownership of the Council.

**Mortgage Rescue**

During 2012/13 15 properties were acquired through the mortgage rescue programme utilising £826,465 in capital grant funding. This brings the total number of properties acquired through the Mortgage Rescue programme to 33. All properties acquired are owned by Stockport Homes.

**Empty Properties**

During 2012/13 Stockport Homes was successful with a bid for funding to acquire and bring back into use empty properties, securing £400,000 to support the acquisition of 16 properties over a three year period. During 2012/13 eight properties were acquired, refurbished and let. Acquired properties are owned by Stockport Homes.

**Spend to Save Acquisitions**

The acquisition of two former right to buy properties took place during 2012/13 and these were financed from reserves.

**Pipeline Schemes 2013-2017**

The Development Team is working on a number of new schemes for submission of a bid for grant funding as part of the next HCA bid round. As well as others, these schemes include Grafton Street in Heaton Norris, a supported housing scheme and Fir Tree in Reddish, a scheme for affordable rent and shared ownership.

**NEIGHBOURHOOD AND ENVIRONMENT ACTIVITY**

Stockport Homes is committed to creating and maintaining sustainable neighbourhoods. To help the organisation deliver genuinely sustainable communities, close partnership working is required with customers, and a multitude of agencies and partners. This has led to the delivery of a range of physical and activity based projects. During the year a variety of projects have been delivered in partnership, including environmental improvements, such as new fencing, access, signage, car

**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

parking and recycling areas, children and young people projects, access and IT improvements to local community hubs, community cleans ups and campaigns such as promotion of recycling in partnership with Stockport Council

These projects have been supported with funding secured through the Funding Strategy. The Strategy is in place to support services, customers and partners to maximise external resources. During the year successful bids have been made through local and regional grants from Big Lottery, the Cooperative, Equity Foundation, Recycle for Greater Manchester, Manchester Airport Community Trust Fund, Forever Manchester, Greater Manchester Fire Service, and Groundwork Trust.

Within Stockport Homes' Management Fee customers have benefited from the annual Estate Improvement Budget of £400,000 to support a range of physical improvements to deliver cleaner, greener and safer community projects. In addition a £50,000 Stockport Homes Community Fund was made available for customers to access to support a range of community projects which genuinely make a difference to the lives of residents. This has included support, fun days, trips, equipment, and materials for local community groups. Customers, including children and young people, are at the forefront in identifying projects and involved in the decision making process as to which projects are implemented and are involved in the design stages of the projects.

Stockport Homes continues to work with Stockport Council in delivery of neighbourhood management across Stockport's priority neighbourhoods, taking the lead in chairing both Offerton and Brinnington Neighbourhood Management Boards. Partnership work also continues to be developed and strengthened with existing environmental partners including Groundwork Trust, Glendale, the Furniture Station, Greenspace Forum, and Greater Manchester Probation Trust.

**ENVIRONMENTAL ACTIVITY**

Stockport Homes has delivered significant environmental activity over the past two years, with a specific focus on energy efficiency and the use of low carbon and renewable technologies. In 2012/13 Stockport Homes delivered one of the largest Community Energy Saving Programme (CESP) initiatives in the UK on behalf of Stockport Council. Working in partnership with British Gas, this involved upgrading five district heating schemes using biomass technology over the space of 10 months.

The CESP investment is estimated to save 1,600 customers around £100 each per year through more efficient energy provision.

2012/13 was also the first full financial year that the £10million investment in solar panels generated net Feed in Tariff (FIT) income for the capital programme of £344,000 (after interest and loan charges) and estimated energy savings of £130 per household.

The estimated annual savings on Carbon (CO<sub>2</sub>) reduction coming from these investments is estimated at 11,000 tonnes, which is equivalent to making 1,395 homes carbon neutral.

**CAPITAL STRUCTURE AND TREASURY POLICY**

To protect Stockport Homes from adverse movements in interest rates, Stockport Homes secures the cost of its long term borrowing through fixed rate loans. As at 31<sup>st</sup> March 2013 100% of Stockport Homes' debt is hedged in this way.

All of the organisation's borrowings and available facility are from Stockport Council through the use of prudential borrowing. Total borrowing at 31 March 2013 was £6.823m. Stockport Council has recently approved a total borrowing facility of £15.035m over the next three years which is deemed sufficient to finance future development opportunities.



**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (Incorporating Operational and Financial Review)**

The principal falls due for payment in

	2013 £000	2012 £000
0-1 year	158	65
1-2 years	164	68
2-5 years	528	222
More than 5 years	5,973	3,271
<b>Total</b>	<b>6,823</b>	<b>3,626</b>

Stockport Homes has a treasury management policy which is underpinned by detailed procedures

**RISK MANAGEMENT**

Stockport Homes' Board has overall responsibility to set the strategic direction and values of the organisation and to ensure its financial stability. Part of this responsibility is to work with the Management Team to identify, control and monitor financial and other risks which affect the organisation.

The organisation has a Risk Strategy in place which defines the structure for gaining assurance about the management of organisational risk and how risk management will continue to be embedded at Stockport Homes.

Each year the Board approves the annual risk register which outlines the key risks facing the organisation along with risk control actions to mitigate the risks. As part of this process, the key strategic risks facing the organisation are also identified and agreed. A matrix scoring system rates the risks based on the likelihood and impact of the risk before actions are taken (gross rating) and a score is then also applied to the risk after the risk control actions are carried out (residual rating).

On a day to day basis the responsibility is delegated to the Chief Executive, Directors and the Business Development Sub-Group for the management of risk. A quarterly risk report is presented to the Management Team and the Business Development Sub-Group.

To embed a culture of risk management, and to ensure emerging risks are captured and mitigated throughout the year, a cross-directorate Risk Management Working Group meets quarterly to discuss the current business activities and monitors the emerging risk register.

**Key Risks 2012-13**

The 2012-13 Risk Register identified 36 key risks to the organisation – no risks were rated as high risk, there were 31 medium risks and five low risks. When the risk control actions planned were completed, the residual risks reduced so that two were classed as medium risk and 34 classed as low risk. By the 31<sup>st</sup> March 2013, all risk control actions with defined target dates had been completed or started with 54 risk control actions being completed or under control. The following risks were classified as medium risk following completion of planned risk control actions in the 2012/13 Risk Register.

- The impact on the HRA business plan on investing in unsustainable stock or disposing of stock and the consequences of reduced rental income, and

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

- The contract with the partner repairs contractor is due to expire in March 2013. There is a risk that the demobilisation of this contract could have an adverse impact on financial and operational KPI's

The annual risk register is subject to Board approval. Risks continue to be closely monitored with quarterly updates being reviewed by SHMT and Business and Development Sub Group

**STOCKPORT HOMES EMPLOYEES**

Stockport Homes is a medium to large sized organisation with an establishment of 487 full time equivalent posts at 31 March 2013, which is well established in the local community. Stockport Homes' continues to recognise that employees are the most important asset to the organisation. The work of the HR team focuses on the eight factors defined by the Best Companies methodology, enabling the service to increase employee engagement through the implementation of the Human Resources Strategy, specific actions and service improvements.

Stockport Homes retained 'Investors In People' (IIP) Gold Status in October 2012 with an outstanding assessment, achieving 100% of the possible criteria, with very few areas for improvement. In addition, Stockport Homes were again invited to become an IIP Champion and retained the Health and Wellbeing Standard for the second consecutive year. Within this assessment, the assessor commented that the strategies put in place by Stockport Homes go beyond the scope of the IIP standards and that a particularly strong approach to people management is prevalent and well deployed throughout the organisation. The assessor had never awarded all 196 criteria, to any organisation, in their time assessing against the IIP standards, which is a "fantastic achievement" for Stockport Homes.

**"Most notably, it is clear that the organisation is continually seeking to raise the bar through its strong aspiration to continually improve, both operationally and in terms of people management." John O'Sullivan, IIP Assessor, October 2012**

Stockport Homes has been listed as a 'Best Companies Top 100 Place to work in the Not-For-Profit Sector' for a fourth consecutive year. The organisation's inclusion in the prestigious list reaffirms Stockport Homes' commitment to becoming an employer of choice and an even better place to work. Stockport Homes' was among the top 20 mid-sized companies in the 'Giving Something Back' and 'Well-being' factors.

Stockport Homes' has invested in a range of initiatives to promote emotional well-being, minimise the impact of home and workplace stresses and advocate positive mental health. A comprehensive programme of accredited 'Mental Health First Aid' (MHFA) courses and 'Preventing Stress and Promoting Positive Manager Behaviour' workshops demonstrates Stockport Homes' commitment to improve the emotional well-being of the workforce.

Stockport Homes is also committed to ensuring that it provides equal opportunities in employment to existing employees and anyone who applies for a job with the organisation. This makes good

business sense and is in line with good practice elsewhere. Stockport Homes is also legally required to do so. As such, the following statement has been adopted:

**"We reaffirm our opposition to unfair discrimination in recruitment, employment or pay. We will ensure that the selection, training and promotion of employees is based solely on the criteria of merit and ability."**

**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (Incorporating Operational and Financial Review)**

**No job applicant, employee or ex-employee will receive less favourable treatment on the grounds of race, religion; gender; marital status; sexual orientation, disability, offending past; caring responsibilities; status as a refugee; social class; or age."**

The principle behind this statement is intended to cover discrimination in employment occurring on any other unjustified grounds. As such, all job applicants describing themselves as disabled are guaranteed an interview if they meet the essential criteria. Implementing equal opportunities for employees is a continuing process that we keep under constant review. The process involves devising codes of practice, establishing procedures, promoting good practice within the organisation and setting goals to ensure continuing progress.

**INTERNAL CONTROLS ASSURANCE**

The Board accept their ultimate responsibility for ensuring the company has in place a system of controls that are appropriate to the various business environments in which it operates. This ensures the safeguarding of the company's assets. The system of internal controls includes financial controls but also includes a comprehensive performance management framework to ensure a high standard of service delivery is maintained. The system of internal control was established with reference to the organisation's Risk Register. The Register identifies priority risks using a recognised risk management framework. The organisation has in place a two year Risk Management Strategy. The aim of the Strategy is to define the structure for monitoring, review and gaining assurance about the management of risk within the organisation. It explains the way in which the Corporate Risk Register and evaluation criteria is established and reviewed. The Strategy also shows how risk management will be embedded within the organisation.

In summary the system of internal controls is designed to give reasonable assurance with respect to

- The reliability of financial and other non-financial performance information used within the Company or for publication,
- The actions taken by the Company to ensure its objectives are met and stated standards of performance are achieved,
- The maintenance of proper accounting records, and
- The safeguarding of assets against unauthorised use or disposition

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss.

The system of internal control includes the following key elements

- A risk management framework is in place in which priority risks are reviewed quarterly by the Chief Executive and Directors and reported to the Business Development Sub-Group,
- Formal policies and procedures are in place for both financial and operational activities. These include Financial Regulations, Staff Scheme of Delegation and Contract Procedure Rules. The Staff Scheme of Delegation sets out clearly the levels of financial approvals across the organisation. This protects against unauthorised use of the Company's assets, as well as aiding effective service delivery,
- Appointment of experienced and suitably qualified staff to take responsibility for important business functions. Annual Performance Development Reviews including learning and development needs analysis are well established to maintain standards of performance,

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

- Effective recruitment and selection processes are in place to ensure only suitable people are employed,
- Forecasts and budgets are prepared which allow the Board of Directors and management team to monitor the key financial risks and objectives and progress towards financial plans for the year and the medium terms. Monthly management accounts are prepared promptly, providing relevant and reliable financial information. The monthly management accounts are considered in detail by Stockport Homes' Management Team along with the Corporate Scorecard each month, and include the investigation of any significant variances and any necessary management action to ensure services and programmes are delivered to budget,
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Directors/Sub-Groups and the Management Team,
- The Board of Directors receives the annual external auditors report. The Board is offered the opportunity to meet with the external auditors without officers present to allow them to raise any concerns directly,
- A full range of insurances are in place to safeguard assets and these are regularly reviewed to ensure they are fit for purpose,
- A detailed Strategy and Policy Register is in place with separate procedures where required to ensure that strategies and policies are regularly reviewed, approved and remain operational,
- There is an internal audit plan in place based on assessment of risks. This plan is agreed by the Business Development Sub-Group and the Management Team. Once an audit has been completed, the relevant service manager will develop a management response and, provide a completion date for delivery of management actions. All reports and resulting action plans are presented to the Stockport Homes Management Team and the Business Development Sub-Group for scrutiny and monitoring on a regular basis. The internal auditor undertakes follow ups on actions to ensure associated risks are mitigated through completion of agreed works. This is reported to Management Team and the Business Development Sub-Group.

During 2012-13, ten internal audits were conducted

INTERNAL AUDIT	OVERALL RATING	FINDINGS
Arrears Management (including financial inclusion)	Medium	Two medium risk findings
Core Financial Controls (payroll)	Medium	Two medium and one low finding
Corporate Governance	Low	One advisory finding
Counter Fraud and Bribery	Medium	One high, one medium and one low risk finding
Executive Decision Making	Low	One low risk finding
Health and Safety (asbestos)	Low	Two medium risk findings
Partnership Working	Medium	Two medium risk findings
Strategic Business Planning	Low	No findings
Value for Money Procurement	Low	Two medium risk findings
Void Repairs and Management	Low	Five low risk findings

Over the ten audits, there were 21 recommendations made. These included

- No critical recommendations,

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**DIRECTORS' REPORT (incorporating Operational and Financial Review)**

- One high recommendation,
- Eleven medium recommendations,
- Eight low recommendations, and
- One advisory recommendation

High risk recommendations could have a significant legal, financial or reputational impact on the organisation, medium risk recommendations a moderate impact and low risk recommendations a minor impact. Advisory recommendations do not have a risk impact but are raised to highlight areas of inefficiencies or good practice.

The high risk recommendation in the Counter Fraud review recommended that all departments are supported to develop fraud risk assessments. Work is currently ongoing to implement this.

No weaknesses were found in the internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report of the financial statements. The Board of Directors is of the opinion that the Company has suitable internal controls for maintaining adequate accounting records, safeguarding the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

**INVESTMENT FOR THE FUTURE**

A range of strategies have been implemented to help the organisation focus on the continuous improvement and value for money of the services provided. These include:

- staff trained in quality methodologies, tools and techniques
- a comprehensive approach to service assessment and improvement
- a range of resident involvement options to engage with customers
- investment and training in Information Technology
- investment and training in staff development

Over the next financial year Stockport Homes plan to borrow a further £787,000 for the acquisition and development of new homes. This includes the agreed borrowing of £590,000 for Turves Road which is a shared ownership scheme for 11 units with a start of site of April 2014 and £197,000 for the remaining properties under the Empty Homes / Mortgage Rescue (phase 2) scheme which will be acquired in 13-14. The organisation is working closely with SMBC to maximise further developments where possible.

**GOING CONCERN**

At its meeting on 2 September 2013, the Board of Stockport Homes Ltd approved the statement that in their opinion, Stockport Homes Ltd has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements. This was based on the contract in place with SMBC to pay Management Fees in return for delivery of housing management and maintenance services, as prescribed in the Management Agreement. The Directors confirm that the Management Agreement for providing Housing Services was renewed in October 2009 and expires in October 2015.

The financial statements have been prepared on a going concern basis. The Company's Balance Sheet shows a net liability which includes pension liabilities or assets required under FRS 17. SMBC provides indemnity covering the value of any liabilities that would have been incurred under this scheme. For 2012/13 the pension funds were valued at a liability value of £7.036m as at 31 March 2013 (liability of £4.375m as at 31 March 2012). The position this year is worse than it was last year, principally due to falling real bond yields.

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**APPOINTMENT OF AUDITORS**

By an elective resolution of the company, BDO LLP, Registered Auditors, are deemed re-appointed as auditors for the succeeding year

**INFORMATION GIVEN TO AUDITORS**

So far as each of the Directors are aware at the time the report is approved

- ▪     There is no relevant audit information of which the company's auditors are unaware, and
  
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Approved by the Board of Directors and signed on behalf of the Board on 2 September 2013

**STATEMENT OF COMPLIANCE**

The Board has endeavoured to follow the principles as detailed in the revised 2010 SORP in ensuring that the disclosures as required in an Operating and Financial Review are being made. The Board is of the opinion that the disclosures made meet the requirements of Reporting Standard 1 Operating and Financial Review



**Roger Phillips**  
*Chair*

**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

**STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES**

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations

Company law and social housing legislation require the board members to prepare financial statements for each financial year. Under that law the board members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of the surplus or deficit of the association for that period.

In preparing these financial statements, the board members are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice Accounting by registered social housing providers (Update 2010) have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act and the Accounting Direction for Private Registered Providers of Social Housing in England from April 2012. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice Accounting by registered social housing providers (Update 2010).

Financial statements are published on the association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF STOCKPORT HOMES LIMITED**

We have audited the financial statements of Stockport Homes Limited for the year ended 31 March 2013 which comprise the income and expenditure account, the balance sheet, the statement of total recognised surpluses and deficits, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

***Respective responsibilities of the board and auditors***

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

***Scope of the audit of the financial statements***

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

***Opinion on financial statements***

In our opinion the financial statements

- give a true and fair view of the state of the association's affairs as at 31 March 2013 and of its surplus for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England from April 2012.

***Opinion on other matters prescribed by the Companies Act 2006***

In our opinion the information given in the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements.

***Matters on which we are required to report by exception***

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or



**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

- certain disclosures of board member and or directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

BDO LLP

*Hamid Ghafoor (senior statutory auditor)*  
*For and on behalf of BDO LLP, statutory auditor*  
*Liverpool*  
*United Kingdom*  
*Date 10<sup>th</sup> September 2013*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	Notes	2013 £'000s	2012 £'000s
<b>Turnover</b>	2	<b>33,936</b>	<b>31,022</b>
Operating costs		(32,624)	(29,967)
<b>Operating surplus</b>	4	<b>1,312</b>	<b>1,055</b>
Interest receivable and similar income	5	29	29
Net interest (deficit) on pension	7	(6)	202
Interest payable and similar charges	5	(167)	(149)
<b>Surplus on ordinary activities before taxation</b>		<b>1,168</b>	<b>1,137</b>
Tax on surplus on ordinary activities	6	(21)	(7)
<b>Surplus on ordinary activities after taxation</b>		<b>1,147</b>	<b>1,130</b>
Transfer to/from resources		-	-
<b>Retained surplus for the year</b>		<b>1,147</b>	<b>1,130</b>

All amounts relate to continuing activities

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	Notes	2013 £'000s	2012 £'000s
<b>Reported surplus for the year</b>		<b>1,147</b>	<b>1,130</b>
<b>Actuarial (loss)/gain in pension plan</b>	<b>7</b>	<b>(2,558)</b>	<b>(3,390)</b>
<b>Total recognised (deficits)/surplus for the financial period</b>		<b>(1,411)</b>	<b>(2,260)</b>

All recognised gains and losses have been included in the above statement

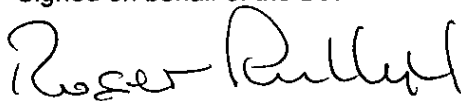
**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**BALANCE SHEET**  
**AT 31 MARCH 2013**  
**Company Number 04521257**

	Notes	2013 £'000s	2012 £'000s
<b>Fixed assets</b>			
Housing Property			
Cost less Depreciation	8	11,869	6,633
Less Social Housing and other Grant	8	(5,201)	(3,374)
Other tangible assets	8	213	7
		<u>6,881</u>	<u>3,266</u>
<b>Current assets</b>			
Stock and Work in Progress	9	216	425
Debtors	10	4,279	3,568
Cash at bank and in hand		5,911	4,277
		<u>10,406</u>	<u>8,270</u>
Creditors amounts falling due within one year	11	(5,721)	(4,325)
<b>Net current assets</b>		<u>4,685</u>	<u>3,945</u>
<b>Total assets less current liabilities</b>		<u>11,566</u>	<u>7,211</u>
Creditors amounts falling due after one year	12	(6,666)	(3,561)
<b>Net assets before pension liability</b>		<u>4,900</u>	<u>3,650</u>
<b>Provisions for liabilities</b>			
Pension liability	7	(7,036)	(4,375)
<b>Total Liabilities</b>		<u>(2,136)</u>	<u>(725)</u>
<b>Capital and Reserves</b>			
Revenue reserve	15	(2,607)	(725)
Property and Initiatives Reserve		471	
<b>Total Liabilities</b>	15	<u>(2,136)</u>	<u>(725)</u>

These financial statements were approved and authorised for issue by the Board of Directors on 2 September 2013

Signed on behalf of the Board of Directors

  
 Roger Phillips  
 Chair

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	2013 £'000s	2012 £'000s
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>		
Operating surplus	1,312	1,055
FRS17 net deficit	97	9
Depreciation	116	85
FRS 17 past service loss/(gain)	-	9
Movement in stocks	(10)	(272)
Movement in debtors	493	(1,542)
Movement in creditors	(6)	465
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,002</b>	<b>(191)</b>
<b>Cash flow statement</b>		
Net cash inflow/ (outflow) from operating activities	2,002	(191)
Return on investments and servicing of finance (note 1)	(138)	(120)
Capital expenditure and financial investment (note 2)	(3,333)	(1,234)
Taxation (note 3)	(2)	(7)
(Decrease) in cash before financing	(1,471)	(1,552)
<b>Financing</b>		
Loan advances received	3,391	1,850
Loan principal repayments	(65)	(290)
Loan redemption repayments	(222)	-
<b>Net cash inflow from financing</b>	<b>3,104</b>	<b>1,560</b>
<b>Increase in cash</b>	<b>1,633</b>	<b>8</b>
<b>Reconciliation of net cash flow to movement in net funds (note 4)</b>		
Increase in the year	1,633	8
Debt in the year	(3,105)	(3,560)
Net funds at 31 March 2012	717	4,269
<b>Net funds at 31 March 2013</b>	<b>(755)</b>	<b>717</b>

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	2013		2012	
	£'000s	£'000s	£'000s	£'000s
<b>NOTE 1 TO</b>				
<b>CASH FLOW STATEMENT</b>				
<b>Gross cash flows</b>				
Returns on investments and servicing of finance				
Interest received	29		29	
Interest paid	(167)		(149)	
		(138)		(120)
<b>NOTE 2 TO</b>				
<b>CASH FLOW STATEMENT</b>				
<b>Capital expenditure and financial investment</b>				
Acquisition and construction of properties	(3,962)		(1,503)	
Purchase of other fixed assets	(217)		(763)	
Capital grants received	624		1,032	
Sale of properties	222		-	
		(3,333)		(1,234)
<b>NOTE 3 TO</b>				
<b>CASH FLOW STATEMENT</b>				
Taxation paid	(2)		(7)	
		(2)		(7)
<b>NOTE 4 TO</b>				
<b>CASH FLOW STATEMENT</b>				
	At 31 3 12 £'000s	Cash Flows £'000s	At 31 3 13 £'000s	
Cash in hand and at bank	4,277	1,634	5,911	
Bank loan > 1 year	(3,560)	(3,105)	(6,665)	
Total	717	(1,471)	(755)	

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

**1 Principal accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the current accounting period.

**Accounting Policy – Basis of Accounting**

The financial statements have been prepared in accordance with historical cost convention, applicable Accounting Standards and Statements Of Recommended Practice. The accounts comply with the Housing and Regeneration Act 2008, the Accounting Direction for Social Housing 2012 and the Statement Of Recommended Practice accounting by registered social landlords published by the National Housing Federation in March 1999 and updated in 2010.

**Going concern**

The financial statements have been prepared on a going concern basis. The Company's Balance Sheet shows a net liability of £2.136m. This includes the deficit on pensions under Financial Reporting Standard 17 of £7.036m. Stockport MBC is a guarantor within the pension admission agreement. Net current assets before FRS17 are £4.9m. The Directors can confirm that the management agreement for providing housing services was renewed in October 2009 until October 2015.

**Turnover**

Turnover represents management fee receivable for services provided in the normal course of business, net of VAT and other sales related taxes. Turnover is recognised on the performance of services rendered.

**Tangible Fixed Assets**

Housing properties are principally properties available for rent and are stated at cost. Any additions include the cost of acquiring land and buildings, development costs and expenditure incurred in respect of enhancements to existing properties.

Other fixed assets are included in the Balance Sheet at historical cost, less depreciation where appropriate. A de minimus value of £5,000 applies to individual items. Depreciation is provided at a rate calculated to write off the cost of fixed assets, less their estimated residual value over their estimated useful lives on the following basis:

- Computer Equipment 33 33% Straight Line
- Photovoltaic panels 4% Straight line

**Housing Properties for Rent – Fixed Asset Capitalisation and Depreciation**

Housing properties for rent are stated at cost less accumulated depreciation and related social housing grant. Houses are transferred to completed properties when they have reached practical completion.

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

Where a housing property comprises two or more major components with substantially different useful economic lives, each component is be accounted for separately and depreciated over its individual useful economic life Expenditure relating to the subsequent replacement or renewal of components is capitalised as incurred

Depreciation is charged on a straight-line basis after taking into account Social Housing Grant over the asset's expected economic useful life as shown below

New build housing structure (including on-costs)	100	Years
Other housing structure	50	Years
Boundary walls & car hard-standings	50	Years
Roofs	70	Years
Windows	30	Years
Electrical	30	Years
Bathrooms	30	Years
Structural cladding	25	Years
Front Doors	25	Years
Back Doors	30	Years
Boilers	20	Years
Heating systems	30	Years
Kitchens	20	Years
Canopy Roofs	20	Years
Gutters / Fascia / Waste Stack / Downpipes	20	Years
Gates / Fences	25	Years
Consumer Units	30	Years
Smoke Detectors / Carbon Monoxide Detectors/Extractors	10	Years
Photovoltaic Panels	25	Years

### **Impairment**

Stockport Homes' housing stock is reviewed for impairment at the end of each financial year on a scheme by scheme basis There is no impairment indicated for the year ending 31 March 2013

### **Housing properties under construction**

New Build schemes under construction are stated at cost and are not depreciated Where assets under construction have been partly funded by Social Housing Grant the excess of grant over expenditure is held as grants in advance in other creditors until the expenditure is incurred

### **Shared ownership properties**

Completed shared ownership properties not sold at 31<sup>st</sup> March 2013 and shared ownership properties under construction are split between current and fixed costs in accordance with the percentage of the property due to be sold under a first tranche sale Proceeds from first tranche sales of shared ownerships properties and associated costs of goods sold are disclosed in note B to the income and expenditure account



**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

**Capitalisation of directly attributable costs**

Salary and other costs directly attributable to development costs are capitalised and apportioned on the basis of works costs. The development interest is charged to the income and expenditure account as it is incurred.

**True and Fair Override**

Capital grant income received as a contribution towards capital cost of fixed assets is deducted from the fixed asset cost in accordance with the statement of Standard Accounting Practice (SSAP4). This treatment is contrary to the Regulations under the Companies Act 2006 which states fixed assets should be stated at purchase price, or valuation, less any provision for depreciation or diminution in value. The purpose of the capital grants is to subsidise the cost of the social housing and the income from properties is a function of net cost. Accordingly the Board considers it necessary to adopt the treatment set out in SSAP4 in order to give a true and fair view of the financial position of the company.

Social housing grant in relation to shared ownership schemes is set against the fixed asset element remaining from a first tranche sale. Future disposals arising from staircasing will be based on the gross asset value, with the relevant proportion of grant being transferred to the recycled capital grant fund.

Social housing grant would be repayable if Stockport Homes failed a HCA audit or sold a rental property to a third party other than the tenant.

**Grants**

Revenue grants are credited to the income and expenditure account as the related expenditure is incurred. Where grant is received as a contribution towards the capital cost of fixed assets it is deducted from the fixed asset cost.

**Investments**

Short-term cash investments are in line with the treasury management policy. Future investments to be held as fixed assets are stated at cost less provision for any impairment.

**VAT Accounting Policy**

The majority of the Stockport Homes turnover is exempt from VAT, however the VAT incurred on the new build construction on-costs and maintenance is non-reclaimable and so Stockport Homes is only able to recover part of the VAT incurred in expenditure. Any VAT payable that cannot be recovered is included in costs or assets as appropriate.

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Work In Progress**

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity, based on a schedule of rates. Provision is made for any foreseeable losses where appropriate.

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

**Provision for bad and doubtful debts**

The provision for bad and doubtful debts is calculated on the following basis

- Rechargeable Repairs - 80% of debts relating to former tenants and 75% of debts relating to current tenants
- New Build Schemes - 20% of new build arrears
- Sundry debtors - 100% of all debts over 1 year old and 100% of debts relating to Homelessness older than 6 months
- Carecall/Sheltered/ Hostels - 100% of debts relating to former tenants

**Operating leases**

Operating lease rentals are charged direct to the income and expenditure account in equal amounts over the lease term. The value of leased assets is not reflected in the Balance Sheet.

**Pension costs**

The Company participates in the Greater Manchester Pension Fund. The scheme is a final salary pension scheme and retirement benefits to the employees of the Company are funded by contributions from all employers and employees in the scheme.

Payments are made to a fund operated by Tameside Metropolitan Borough Council. These payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable to the various participating organisations. All costs, liabilities, assets and investment returns are accounted for in accordance with FRS 17.

**Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or reversed) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

been enacted or substantively enacted by the balances sheet date. Deferred tax is measured on a non-discounted basis.

**2 Turnover**

Stockport Homes Ltd's principal source of income (72% of turnover) is the management fee, paid by Stockport Metropolitan Borough Council, for managing and maintaining the Council's housing stock. It receives other income in addition to the management fee, as detailed below.

**Note A**

		<b>2012/13</b>			<b>2011/12 (restated)</b>	
	<b>Turnover</b>	<b>Operating</b>	<b>Operating</b>	<b>Turnover</b>	<b>Operating</b>	<b>Operating</b>
	<b>£000's</b>	<b>Costs</b>	<b>Surplus</b>	<b>£000's</b>	<b>Costs</b>	<b>Surplus</b>
		<b>£000's</b>	<b>£000's</b>		<b>£000's</b>	<b>£000's</b>
Social Housing Lettings (Note B)	641	470	171	393	304	89
	641	470	171	393	304	89
<b>Other Social Housing Activities</b>						
Management Fee from Stockport MBC	24,514	23,477	1,037	22,601	21,794	807
Income from customers and miscellaneous	4,750	4,674	76	3,753	3,409	344
Supporting People grants	686	686	-	1,165	1,165	-
Charges to Capital Programme	2,570	2,570	-	2,391	2,391	-
Water Initiative	775	650	125	719	895	(176)
Pension Loss	-	97	(97)	-	9	(9)
						-
Sub Total	33,295	32,154	1,141	30,629	29,663	966
<b>Total</b>	<b>33,936</b>	<b>32,624</b>	<b>1,312</b>	<b>31,022</b>	<b>29,967</b>	<b>1,055</b>

**Note B**

	<b>2012/13</b>	<b>2011/12</b>
	<b>General</b>	<b>(restated)</b>
	<b>Needs</b>	<b>General</b>
	<b>Housing</b>	<b>Needs</b>
	<b>£000's</b>	<b>Housing</b>
		<b>£000's</b>
<b>Income</b>		
Rent Receivable net of service charge income	346	241
Service Charge Income	4	2
Other Revenue Grants	-	-
Sales of Shared Ownership Schemes	288	150

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

Bad Debt reduction in provision	3	-
Turnover from social housing	641	393
<b>Expenditure</b>		
Management	27	61
Service Charge Costs	4	2
Maintenance	20	10
Major Repairs Expenditure	-	-
Bad Debts Charge	-	5
Depreciation of Housing Stock	105	76
	-	-
Impairment of Housing Stock	270	150
Cost of Goods Sold of Shared Ownership Schemes		
Other Costs	44	-
Total Expenditure	470	304
Operating Surplus / (Deficit) on Social Housing Lettings	171	89

**3 Information regarding Directors and employees**

**Directors' emoluments**

The non-executive directors are defined as being the members of Stockport Homes Ltd's Board. None of the non-executive directors received any emoluments but were entitled to reimbursement of incidental expenses incurred when attending Board meetings and other formal events in their capacity as Board members. These expenses totalled £3,422 the year to 31 March 2013 (£4,396 in the twelve months to 31 March 2012).

**Executive Officers' emoluments**

There are five permanent Executive Officers. Executive Officers comprise the Chief Executive and those Executive Officers listed at page two.

	2013 £'000s	2012 £'000s
Aggregate emoluments - Executive Officers	403	411
Aggregate Pension Contributions - Executive Officers	56	58
	459	469
Emoluments Paid to the Highest Paid Executive Officer	120	120
Pension contributions – Highest Paid Executive Officer	19	18
	139	138

The Chief Executive is the highest paid Executive Officer and is an ordinary member of the Greater Manchester Pension Fund.

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

Employees receiving more than £60,000 remuneration for the year (excluding employer's pension contributions) were paid as shown in the salary bands in the table below

Remuneration bands (£)		No of Employees 2013
£60,000 -	£70,000	-
£70,001 -	£80,000	2
£80,001 -	£90,000	1
£90,001 -	£100,000	-
£100,001 -	£110,000	-
£110,001 -	£120,000	1

Average number of persons employed	2013	2012
Operations	239	224
Repairs and Maintenance	104	85
Administration	90	88
	<b>433</b>	<b>397</b>

Staff costs during the period (including Directors)	2013 £'000s	2012 £'000s
Wages and salaries	10,757	9,897
Social security costs	788	732
Pension costs	1,417	1,278
Post Service debit( note 7)	-	-
	<b>12,962</b>	<b>11,907</b>

4	<b><u>Operating surplus</u></b>	2012 £'000s	2011 £'000s
	The operating surplus is after charging		
	Depreciation	116	85
	Rentals under operating leases	679	667
	Auditors' remuneration - audit	12	13
	- non-audit services	2	3

**5 Interest payable and receivable**

Interest of £167k on the borrowing for the New Build completed schemes was payable during the year to 31 March 2013 (£149k during the financial year to 31 March 2012) Interest due on Treasury activities during the year 31 March 2013 was £29k (£29k during the financial year to 31 March 2012)

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

<b>6</b>	<b><u>Tax on surplus/(deficit) on ordinary activities</u></b>	<b>2013</b>	<b>2012</b>
		<b>£'000s</b>	<b>£'000s</b>
	United Kingdom corporation tax	<u>21</u>	<u>7</u>
	<b>Factors affecting tax charge for year</b>		
	Surplus on ordinary activities before tax	<u>1,168</u>	<u>1,137</u>
	Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% adjusted for small companies marginal relief	<u>280</u>	<u>273</u>
	Effects of Non taxable income and deductions	<u>(259)</u>	<u>(266)</u>
		<u>21</u>	<u>7</u>

**7** **Pensions**

The Company joined the Greater Manchester Pension Fund, administered by Tameside Metropolitan Borough Council, on 1 October 2005 with its employees transferring from Stockport Metropolitan Borough Council

The latest formal valuation of the Fund was as at 31 March 2010. Results from this valuation have been rolled forward to 31 March 2013 using approximate methods. The roll-forward allows for

- Changes in financial assumptions
- Additional benefit accrual
- Estimated cash flows over the period, and
- Membership information

A summary of the data used for valuation is as follows

- Individual membership data submitted as at 31 March 2010
- Individual pensioner data in respect of LGPS unfunded pensions
- Latest numbers of employees, deferred pensioners and pensioners
- Estimated employer and employee contributions up to the latest available date
- Actual split of Fund assets as at the latest available date
- Actual Fund returns provided up to the latest available date
- The bid value of Fund assets as at the latest available date, and
- Any new early retirements from 1 April 2011 to the latest available date on unreduced pensions which are not anticipated in the normal employment service cost

The financial assumptions used for the purpose of the FRS17 calculations are as follows

Pension Increase Rate	2.8%	2.5%
Salary Increase Rate*	4.6%	4.3%
Expected Return on Assets	5.1%	5.6%
Discount Rate	4.5%	4.8%

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

\*the salary increase assumption for 31 March 2013 is 1.0% p.a. until 31 March 2015, reverting to 4.3% thereafter

The assets in the scheme and the expected rate of return were

Assets	2012/13	2011/12
Equities	5.7%	6.3%
Bonds	3.5%	3.9%
Property	3.9%	4.4%
Cash	3.0%	3.5%

Mortality assumptions - life expectancy is based on the Fund's VitaCurves with improvements in line with the Medium Cohort and a 1% p.a. underpin from 2010. Based on these assumptions, the average future life expectancies at age 65 are summarised below

Category	2012/13	2011/12
Current Pensioners	20.1 Years	22.9 Years
Future Pensioners*	22.5 Years	25.0 Years

\* Future pensioners are assumed to be currently aged 46

**Historic mortality**

Life expectancies for the prior year end are based on the Fund's VitaCurves. The allowances for future life expectancies at age 65 are shown below

Year	2012/13	2011/12
31 March 2012	year of birth, medium cohort and 1% p.a. minimum improvements from 2010	year of birth, medium cohort and 1% p.a. minimum improvements from 2010
31 March 2011	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007
31 March 2010	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007
31 March 2009	Calendar year 2033	Calendar year 2017
31 March 2008	Calendar year 2033	Calendar year 2017
31 March 2007	Calendar year 2017	Calendar year 2004

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

The fair value of employer assets were

Equities	21,835	17,610
Bonds	5,155	4,529
Property	1,516	1,258
Cash	1,819	1,761
<b>Total</b>	<b>30,325</b>	<b>25,158</b>

The above asset values as at 31 March 2013 are at bid value as required under FRS17. No details have been provided to the pension fund in respect of the difference between mid market and bid value of assets for the Fund as a whole by the Administering Authority. Accordingly, the bid value of assets has been estimated by applying an adjustment of -0.3% to the Employer's mid market value asset share as at 31 March 2013.

The amounts recognised in the balance sheet are as follows

Fair Value of Employer Assets	30,325	25,158
Present Value of Funded Liabilities	(37,361)	(29,533)
Net (Under)/Overfunding in Funded Plans	(7,036)	(4,375)
Present Value of Unfunded Liabilities	-	-
Unrecognised Past Service Cost	-	-
<b>Net (Liability)</b>	<b>(7,036)</b>	<b>(4,375)</b>
Amount in the Balance Sheet (Liabilities)/Assets	7,036	4,375
<b>Net (Liability)</b>	<b>(7,036)</b>	<b>(4,375)</b>

The amounts recognised in the profit or loss are as follows

Year Ended:	31 Mar 2013	31 Mar 2013	31 Mar 2012	31 Mar 2012
	£(000)	% of pay	£(000)	% of pay
Current Service Cost	1,502	17.3%	1,287	15.6%
Interest Cost	1,454	16.7%	1,399	16.9%
Expected Return on Employer Assets	(1,448)	(16.7%)	(1,601)	19.3%
Past Service Cost / (Gain)	-	-	-	-
Losses / (Gains) on Curtailments & Settlements	-	-	9	0.1%
<b>Total</b>	<b>1,508</b>	<b>17.3%</b>	<b>1,094</b>	<b>13.3%</b>
Actual Return on Plan Assets	3,749		354	



**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

Changes in the present value of the defined benefit obligation are as follows

<b>Opening Defined Benefit Obligation</b>	<b>29,533</b>	<b>24,886</b>
Current Service Cost	1,502	1,287
Interest Cost	1,454	1,399
Contributions by Members	568	541
Actuarial Losses/(Gains)	4,853	2,132
Past Service Costs / (Gains)	-	-
Losses / (Gains) on Curtailments	-	9
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(549)	(721)
<b>Closing Defined Benefit Obligation</b>	<b>37,361</b>	<b>29,533</b>

Changes in the fair value of plan assets are as follows

<b>Opening Fair Value of Employer Assets</b>	<b>25,158</b>	<b>23,714</b>
Expected Return on Assets	1,448	1,601
Contributions by Members	568	541
Contribution by the Employer	1,405	1,278
Contributions in respect of Unfunded Benefits	-	-
Actuarial Gains/(Losses)	2295	(1,255)
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Unfunded Benefits Paid	-	-
Benefits Paid	(549)	(721)
<b>Closing Fair Value of Employer Assets</b>	<b>30,325</b>	<b>25,158</b>

The major categories of plan assets as a percentage of total plan assets

Equities	72%	70%
Bonds	17%	18%
Property	5%	5%
Cash	6%	7%

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

Amounts for the current and previous accounting periods

Fair Value of Employer Assets	30,325	25,158
Present Value of Defined Benefit Obligation	(37,361)	(29,533)
(Deficit) / Surplus	(7,036)	(4,375)
Experience Gains / (Losses) on Assets	2,295	(1,255)
Experience Gains / (Losses) on Liabilities	19	(142)

Amounts for the current and previous accounting periods

Fair Value of Employer Assets	23,714	20,376	13,922
Present Value of Defined Benefit Obligation	(24,886)	(31,087)	(16,011)
(Deficit) / Surplus	(1,172)	(10,711)	(2,089)
Experience Gains / (Losses) on Assets	802	4,288	(3,899)
Experience Gains / (Losses) on Liabilities	697	-	-

The amount recognised in the Statement of Total Recognised Surpluses and Deficits is a loss of £2 558m (2012 loss of £3 390m )

The best estimate for employers contributions for the year to 31 March 2014 is approximately £1,510,000

**8 Tangible Fixed Assets**

Cost	Completed Housing Properties		Housing under Construction		Other Assets		Total £000
	For Rent £000	For shared ownership £000	For Rent £000	For shared ownership £000	Computer assets £000	PV Panels £000	
At 1 April 2012	6,071	408	256	7	52	-	6,794
Additions	2,482	288	2,828	68	43	174	5,883
Transfer to completed	-	-	-	-	-	-	-
Transfer to stock	-	-	-	(34)	-	-	(34)
Transfer to SMBC	-	-	(3)	-	-	-	(3)
Disposals	-	(288)	-	-	-	-	(288)
<b>At 31 March 2013</b>	<b>8,553</b>	<b>408</b>	<b>3,081</b>	<b>41</b>	<b>95</b>	<b>174</b>	<b>12,352</b>

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

**Depreciation**

At 1 April 2012	107	2	-	-	45	-	154
Charge for year	97	8	-	-	7	4	116
<b>At 31 March 2013</b>	<b>204</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>4</b>	<b>270</b>

**Cost less Depreciation**

<b>At 31 March 2013</b>	<b>8,349</b>	<b>398</b>	<b>3,081</b>	<b>41</b>	<b>43</b>	<b>170</b>	<b>12,082</b>
At 31 March 2012	5,964	406	256	7	7	-	6,640

**Social Housing Grant**

At 1 April 2012	3,086	288	-	-	-	-	3,374
Additions	-	-	-	-	-	-	1,051
Transfer to Completed	1,051	-	-	-	-	-	-
<b>At 31 March</b>	<b>4,137</b>	<b>288</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,425</b>

**Other grant**

At 1 April 2012	-	-	-	-	-	-	-
Additions	-	-	776	-	-	-	776
Transfer to Completed	-	-	-	-	-	-	-
<b>At 31 March</b>	<b>-</b>	<b>-</b>	<b>776</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>776</b>

**Net Book Value**

<b>At 31 March 2013</b>	<b>4,212</b>	<b>110</b>	<b>2,305</b>	<b>41</b>	<b>43</b>	<b>170</b>	<b>6,881</b>
At 31 March 2012	2,878	118	256	7	7	-	3,266

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

All properties owned by Stockport Homes are owned on a freehold basis with the exception of 9 properties which were purchased on a leasehold basis. The total net book value of the leasehold properties as at 31<sup>st</sup> March 2013 is £719k

Social housing grant received for capital projects to date is shown above and includes grant from the Homes and Communities Agency

£288k disposal of shared ownership fixed assets relates to 2012-13 tranche sales of five units all at 50%

Assets under construction included a cost of £3k as at 31<sup>st</sup> March 2012 for the Sandringham Road scheme. During 2012-13 it was decided that this scheme would form part of the Affordable Homes Programme which falls under SMBC ownership and this cost has been transferred over to SMBC. Other grant relates to a contribution of £776k from SMBC towards the costs of Covent Garden.

The breakdown of expenditure on works to existing properties is as follows -

	2013	2012
	£000	£000
<b>Expenditure on works to existing properties</b>		
Amount capitalised	4,566	2,266
Amount charged to income and expenditure account for maintenance	20	10
	<u>4,586</u>	<u>2,276</u>

**Land owned**

Stockport Homes have been transferred freehold and leasehold land as at 31 March 2013 from Stockport Council at nil consideration

9	<b><u>Stock and Work in Progress</u></b>	2013	2012
		£'000s	£'000s
	Raw materials and consumables	175	165
	Shared ownership stock	41	260
		<u>216</u>	<u>425</u>
10	<b><u>Debtors</u></b>	2013	2012
		£'000s	£'000s
	Due from Stockport MBC and its subsidiaries	2,703	2,565
	Trade debtors	463	264
	Other debtors	263	298
		<u>850</u>	<u>441</u>
	Prepayments and accrued income	<u>4,279</u>	<u>3,568</u>

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

<b>11</b>	<b><u>Creditors:</u></b> amounts falling due within one year	<b>2013</b> <b>£'000s</b>	<b>2012</b> <b>£'000s</b>
	Due to Stockport MBC and its subsidiaries	662	584
	Trade creditors	1,319	1,465
	Corporation tax	21	7
	Other taxation and social security	255	256
	Other creditors	583	846
	Accruals and deferred income	2,881	1,167
		<hr/>	<hr/>
		<b>5,721</b>	<b>4,325</b>
		<hr/>	<hr/>
<b>12</b>	<b><u>Creditors:</u></b> amounts falling due after one year	<b>2013</b> <b>£'000s</b>	<b>2012</b> <b>£'000s</b>
	Housing Loans (due to Stockport MBC)	6,666	3,561
		<hr/>	<hr/>
		<b>6,666</b>	<b>3,561</b>
		<hr/>	<hr/>
		<b>2013</b> <b>£'000s</b>	<b>2012</b> <b>£'000s</b>
	In 1 to 5 years	692	290
	In 5 years or more	5,974	3,271
		<hr/>	<hr/>

The housing loans are currently on fixed rates of interest

Scheme	Interest Rate	Loan Term	Amount outstanding (£)
Lantern Close	4.80%	30 years	977,836
Marlhill Close	4.02%	20 years	509,660
Mendip Close	5.37%	40 years	446,245
Bideford Road	4.78%	40 years	264,427
Tame Valley	3.74%	20 years	105,808
Covent Garden	3.92%	40 years	2,331,556
Mortgage Rescue Phase 1	5.31%	30 years	791,088
EH / MR Phase 2	2.54%	16 years	1,396,979
Turves Road	3.19%	17 years	0
Total			6,823,599

Stockport Homes has £197,152 of loans to draw down from Stockport Metropolitan Borough Council in relation to Empty Homes properties falling under EH / MR Phase 2 which are due to be purchased in the early part of 2013-14, and £589,570 in relation to Turves Road shared ownership scheme which is showing as an asset under construction at year end. These are expected to be drawn down in 2013/14.

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

**13 SHG Received and Receivable as at 31<sup>st</sup> March 2013**

SHG received into the bank as at 31<sup>st</sup> March 2013 is £3,998,278 relating to completed assets and assets under construction. Furthermore, £427,009 has been accrued as outstanding SHG receivable as at 31<sup>st</sup> March 2013 in relation to the Mortgage Rescue and Empty Homes purchased within 2012-13.

**14 Reconciliation of Housing Properties Managed**

	<u>Owned and managed by Stockport Homes</u>		<u>Managed on behalf of Stockport Council</u>
	Completed	Assets Under Construction	
<b>Number of Dwellings Properties as at 1<sup>st</sup> April 2012</b>	<b>65</b>	<b>63</b>	<b>11,457</b>
Sales via Right To Buy	-	-	(35)
Acquisitions of Properties	25	-	
New Schemes Commenced	-	-	
Transfer to SMBC		(6)	
<b>Number of Dwellings Properties as at 31<sup>st</sup> March 2013</b>	<b>90</b>	<b>57</b>	<b>11,422</b>

Assets under construction included 6 units as at 31<sup>st</sup> March 2012 for Sandringham Road. During 2012-13 it was decided that this scheme would form part of the Affordable Homes Programme under SMBC ownership.

**15 Reconciliation of movement in reserves**

The closing value of reserves comprises of

	<b>2013 £'000s</b>	<b>2012 £'000s</b>
Revenue reserves	<b>4,429</b>	<b>3,650</b>
Investment purchase reserves	<b>471</b>	<b>-</b>
Reserves relating to FRS 17 Pension Liability	<b>(7,036)</b>	<b>(4,375)</b>
<b>Closing value of reserves</b>	<b>(2,136)</b>	<b>(725)</b>

During 2012/13, £471k of cash generated from revenue reserves was utilised to invest in fixed assets that will generate future returns for the Company. Therefore the use of these funds has been disclosed as a transfer from revenue to property reserves.

**STOCKPORT HOMES LTD**  
**Directors' Report and financial Statements**  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

**16      Commitments**

At 31 March 2013 the company was committed to making the following payments during the next year, in respect of non-cancellable operating leases

<b>Motor Vehicles: Leases which expire:</b>	<b>2013 £'000s</b>	<b>2012 £'000s</b>
Within one year	39	24
Within two to five years	347	350

<b>Land &amp; Buildings: Leases which expire:</b>	<b>2013 £'000s</b>	<b>2012 £'000s</b>
Within one year	-	-
Within two to five years	293	182
After more than five years	-	111

There were no capital commitments at the year end

**17      Parent undertaking**

The company is a local authority controlled company within the meaning of Part V of the Local Government and Housing Act 1989, being a company under the control of Stockport Metropolitan Borough Council. Copies of the financial statements for Stockport Homes Ltd can be obtained from Finance, Stockport Homes Ltd, 1 St Peter's Square, Stockport, SK1 1NZ.

The Directors consider that, by virtue of the management agreement between the two organisations, Stockport Metropolitan Borough Council is the ultimate controlling party.

**18      Related party transactions**

During the year Stockport Homes Ltd received income from Stockport Metropolitan Borough Council, its parent company, and paid for services provided by Stockport Metropolitan Borough Council. Stockport Homes also borrowed from Stockport Metropolitan Borough Council £1.658m for the organisation's New Build schemes. During the year Stockport Homes Ltd also paid for services provided by Solutions SK Ltd, a wholly owned subsidiary of Stockport Metropolitan Borough Council formed on 1<sup>st</sup> October 2006, and NPS Stockport Ltd, in which Stockport Metropolitan Borough Council acquired a 20% holding on transfer of activities to this organisation part way through the year.

**STOCKPORT HOMES LTD**  
***Directors' Report and financial Statements***  
**31<sup>st</sup> March 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**  
**Continued**

In 2012/13 the management fee and other charges to the Council amounted to £30 880m (£25 985m as at 31<sup>st</sup> March 2012) Outstanding balances at the year end amounted to £1 992m (£2 565m as at 31<sup>st</sup> March 2012)

During the financial period ended 31<sup>st</sup> March 2013, Stockport Metropolitan Borough Council charged Stockport Homes Ltd £3 555m for the provision of support services (£3 412m to 31<sup>st</sup> March 2012) Outstanding balances at the year-end amounted to £459k (£494k as at 31<sup>st</sup> March 2012) There were also £6 823m of housing loan balances outstanding

In 2012/13 Solutions SK Ltd and its subsidiary Waste Solutions SK Limited charged Stockport Homes Ltd £594k for the provision of services related to repairs, maintenance and fleet services (£544k to 31<sup>st</sup> March 2012) Outstanding balances at the year end amounted to £91k (£87k as at 31<sup>st</sup> March 2012) NPS Stockport Ltd charged Stockport Homes Ltd £83k for the provision of services related to repairs, maintenance and management services

(£194k for the year ended 31<sup>st</sup> March 2012) Outstanding balances at the year end amounted to £13k (£11k as at 31 March 2012)

In 2012/13 Stockport Homes Ltd charged schools within Stockport £56,919 in relation to the provision of repairs and maintenance services

Stockport Homes Ltd's bank balances are held by the same bankers as those of Stockport Metropolitan Borough Council, however the Council does not have control of the bank balances of Stockport Homes Ltd

Five of the Board members at any time are also tenants During the financial year to 31 March 2013, the tenants acting as Board members for the full financial year were Mrs Maureen Rowles, Mrs Barbara King, Mr Peter Fury, Mrs Jane Clayton and Mr Colin Lennard These tenants have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefit as other tenants There are no significant rental arrears to report in relation to these tenants as at the year end