

Stockport Homes Limited

Financial Statements

Company Limited by Guarantee

Company Number 04521257

Year Ended

31 March 2014

SATURDAY



A3GTHWQJ

A12

20/09/2014

#176

COMPANIES HOUSE

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

| CONTENTS | PAGES |
|---|--------------|
| Directors' Report | 3-7 |
| Operating and Financial Review of the Year (incorporating the Strategic Report) | 8-26 |
| Statement of Board Members responsibilities | 27 |
| Independent Auditor's Report | 28-29 |
| Income and Expenditure Account | 30 |
| Statement of Total Recognised Surpluses and Deficits | 31 |
| Balance Sheet | 32 |
| Cash Flow Statement | 33-34 |
| Notes to the Financial Statements | 35-53 |

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

DIRECTORS' REPORT

BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND PROFESSIONAL ADVISERS

| | |
|-----------------------------------|--|
| Mr R Phillips, Chair | (appointed 23.09.05) |
| Ms S Ash | (appointed 02.09.13) |
| Mr D Beckett, | (appointed 01.12.10) |
| Mr J Bowker | (appointed 29.09.08) |
| joint Deputy-Chair from 02.09.13) | |
| Mrs J Clayton | (appointed 20.09.10, resigned 19.05.14) |
| Mrs C Corris | (appointed 23.09.05, resigned 09.05.11, reappointed 19.05.11, resigned 24.05.13, appointed as co-optee 02.09.13) |
| Mr P Fury | (appointed 18.11.09, resigned 02.09.13) |
| Councillor T Grundy | (appointed 21.08.12, resigned 24.05.13) |
| Mrs B King | (appointed 21.09.09, resigned 16.12.13) |
| Mr C Lennard | (appointed 20.09.10, resigned 02.09.13) |
| Mr P Porgess | (appointed 05.07.10, resigned 24.05.13, appointed as co-optee 02.09.13) |
| Ms MT Rowles, | |
| Vice-Chair, until 02.09.13 | (appointed 29.09.08, resigned 16.12.13) |
| Mrs A Vine | (appointed 21.06.12, resigned 24.05.13, appointed as co-optee 02.09.13) |
| Mr D Wright, | |
| joint Deputy-Chair from 02.09.13 | (appointed 15.10.07) |
| Mrs J Hague | (appointed 19.05.14) |
| Mrs C Woodridge | (appointed 15.05.14) |

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
Financial Statements
31st March 2014

DIRECTORS' REPORT (CONTINUED)

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

EXECUTIVE OFFICERS

| | |
|-----------------|---|
| Helen McHale | Chief Executive |
| Sandra Coleing | Director of Corporate Services |
| April Higson | Director of Neighbourhoods and Support |
| Mark Hudson | Director of Technical and Commercial Services |
| Carmel Chambers | Director of Finance |

With the exception of the Director of Finance, the four permanent executive officers were appointed to their positions on 1st October 2005. The Director of Finance was appointed to her position on 1st April 2013.

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 and the Leadership Forum, comprising executive officers and heads of service, who meet every six weeks.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

DIRECTORS' REPORT (CONTINUED)

The Directors present their report and the audited Financial Statements for the year 1 April 2013 to 31 March 2014. 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.

The Operating and Financial Review follows this report. This incorporates the Strategic Report which includes the following:

- A fair review of the business;
- A description of the principal risks and uncertainties;
- An analysis of the development, performance and position of the business; and
- A summary of the key performance indicators.

PRINCIPAL ACTIVITIES

The Company's principal activity is to manage and maintain the stock of properties owned by Stockport Metropolitan Borough Council including the management of the capital programme for the build and modernisation of the properties which numbered 11,346 at 31 March 2014. This is covered in further detail in the strategic report.

EMPLOYEE INVOLVEMENT

Stockport Homes is a medium sized organisation with an establishment of 556.5 full time equivalent posts at 31 March 2014, 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 People & Organisational Development (OD) team focuses on the eight factors defined by the Best Companies methodology, enabling the service to increase employee engagement through the implementation of the People & OD 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 in 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. Stockport Homes will be reassessed against the standard in July 2014. An initial desktop review has been completed by the People & OD Team and the outcome is expected to be positive.

Stockport Homes has been listed as a 'Best Companies Top 100 Place to work in the Not-For-Profit Sector' for a fifth consecutive year. The organisations 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 and social 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 'Resilience' workshops will be delivered throughout the organisation to increase levels of personal resilience, providing tools to cope effectively with pressures and stress and help to eliminate 'negative' thinking. In addition, these interventions are designed to enable staff to develop a flexible, adaptable mind-set to cope effectively with organisational change.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

DIRECTORS' REPORT (CONTINUED)

EQUALITY AND DIVERSITY

Stockport Homes is committed to fairness and equality for individuals. This commitment applies to all aspects of employment and is applied through a range of employment policies to ensure that the organisation adheres to its legal obligations in employment, provides a workplace that is free from discrimination and provides equal access to learning and development. Stockport Homes continuously strives to be an inclusive employer, ensuring that everyone has an equal opportunity to gain employment and the workforce represents the local communities in which it serves. Continuous review and monitoring of employment policies and practices are undertaken to ensure they are applied fairly and equally across the organisation and promote good relations and best practice.

ENVIRONMENTAL ACTIVITY

This section sets out the environmental and energy efficiency activity undertaken by Stockport Homes over the past financial year.

Environmental Management System (EMS):

The company's EMS underwent a full system audit May 2013 which involved two days of intensive audits examining all part of the EMS documentation. Stockport Homes passed this audit and can continue with the SGS logo for the ISO14001:2004 standard for a further three years.

SHIFT (Sustainable Homes Index For Tomorrow):

Stockport Homes joined a cohort of housing providers under AGMA (Association of Greater Manchester Authorities) to have an assessment carried out by an external auditor to examine the company's environmental impact in terms of the services offered as well as the housing stock managed. In late 2013 Stockport Homes were awarded GOLD status in which Stockport Homes is the only housing provider in Greater Manchester to hold this level of accreditation and one of only three organisations in the country.

Energy Advice Service:

Two new fulltime Energy Solution Advisors were appointed in 2013 and have completed 257 customer visits, eight CHARIS grants of which five are pending and three have been approved (valued around £3,000 in total), and 39 Warm Home Discount Grants (£5,000 in total).

Voltage Power Optimisation (VPO):

27 sites across Stockport Homes electricity portfolio are now fitted with VPO which was delivered through the capital programme at a cost of £200,000. This is now resulting in an average saving of 13% on the electricity budget at these sites (a value of around £26,000 per year).

Energy Management:

Stockport Homes have are delivering facilities management services to 37 schools which includes the provision of energy management services. The school clients along with Stockport Homes own energy portfolio have moved into a flexible procurement route to buy their energy requirements.

ECO (Energy Companies obligation):

Stockport Homes have secured 100% funding to provide upgrades to the heating systems at Beaver & Voewood as well as the seven tower blocks in Brinnington. These upgrades include the removal of electric storage heaters which are replaced with biomass district heating solution. Phase two of the ECO project which concentrates on improving the efficiency of the housing stock in Offerton is still being negotiated with British Gas.

Renewable Technology Pilots:

Stockport Homes have completed the first of their Air Source Heat Pump (ASHP) pilots to two properties in Offerton. Officers are currently monitoring the data to assess the outcomes, it is expected this will be available later in 2014. **Biomass Supply Chain Project:**

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

DIRECTORS' REPORT (CONTINUED)

Officers have started work to examine the feasibility of Stockport Homes creating its own biomass company to manage the whole process of biomass production and being self-suppliant with wood fuel. A report is expected to be presented to the Management Team in 2014.

FINANCIAL RISK MANAGEMENT AND UNCERTAINTY

Stockport Homes' approach to financial risk management is outlined in detail in the Operating and Financial Review (OFR). Business Development Sub Group monitors key financial risk indicators throughout the year through a range of reports incorporating budget monitoring, risk management and treasury management. Detailed annual budgets are prepared and approved by Board with actual performance measured monthly to allow management to make key decisions promptly against any emerging risks.

GOING CONCERN

At its meeting on 1 September 2014, 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 the housing services was renewed in October 2009 and expires in October 2015. The Council are currently undertaking a review of future options for the delivery of housing services post October 2015 which Stockport Homes are fully involved with. Two options are being considered by tenants, an evaluation of criteria which will see either retention of the ALMO or revert ownership of the ALMO back to the Council post October 2015. The process is advancing well and a final decision will be made by the Council's Executive on 11 November 2014. Evidence to date from customer surveys shows 77% of customers surveyed want the ALMO to continue, and major asset plans such as the new Head Office building are progressing. The Board are therefore feeling encouraged that a favourable outcome for the ALMO can be achieved to continue post 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. Stockport MBC is a guarantor within the pension admission agreement. For 2013/14 the pension funds were valued at a liability value of £8.061m as at 31 March 2014 (liability of £7.036m as at 31 March 2013). The position this year is worse than it was last year, principally due to changes in discount rates and the impact of the 2013 pension valuation.

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 1 September 2014.



Roger Phillips, Chair of the Board

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

OPERATING AND FINANCIAL REVIEW OF THE YEAR

The Board present the Operating and Financial Review for the year ended 31 March 2014. The Operating and Financial Review and Strategic Report have 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.

STRATEGIC REPORT

Nature of the business

Stockport Homes Limited is an Arms Length Management Organisation or ALMO. This means that while the Council established the company and is the single shareholder, 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 2013/14 totalled £24.944 million.

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 11,346 at 31 March 2014. Stockport Homes Limited manages the allocation of homes and works on behalf of Stockport Council to fulfil a number of their statutory responsibilities including preventing homelessness, managing private sector renewals and disabled adaptations and provision of sheltered housing.

Stockport Homes is also proactive in the development and acquisition of housing stock, both as a registered provider and also on behalf of the Council as a development partner.

Stockport Homes completed the first new build scheme of 17 units during 2009-10 and has been continuing to build and acquire homes since. Stockport Homes now owns a total of 152 properties at the end of March 2014 which includes 85 new build properties built for rent, eight new build properties built for shared ownership, 40 properties acquired through the Government's Mortgage Rescue scheme, five ex Right-to-Buy properties (RTBs), and 14 Empty Homes. In April 2013 46 two bedroomed flats at Hopes Carr in the town centre were completed. Stockport Homes also manage the delivery of the Housing Revenue Account (HRA) new build programme (Council owned properties) and 31 rented units have achieved practical completion as at March 2014, with a further 76 units under construction (mix of shared ownership and affordable rent). During January 2014 the HCA prospectus for the 2015-18 bid round was announced and this detailed that both Stockport Council and Stockport Homes are eligible to bid for grant, as such Stockport Homes are working up a pipeline programme for the delivery of new homes to be owned by Stockport Council (HRA) and Stockport Homes Ltd. Allocations will be announced during July 2014 and the first funded schemes will be on site from March 2015.

Stockport Homes is continuing to strengthen its asset base by diversifying into new business areas. In 2013/14 it commenced working with schools, care homes and public buildings to deliver maintenance, repairs and capital works management services and delivery of private landlord management services. The first year has proved successful and Stockport Homes plans to continue to diversify in order to create cross efficiencies for core service delivery. This is the focus of the three year Business Plan which is outlined in more detail below.

Stockport Homes has recently received approval to borrow £9.2million from the Council via PWLB (Government) borrowing to finance the new build development of a new Headquarters. Works will commence towards the end of 2014/15 with an anticipated completion date of March 2016.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

STRATEGIC REPORT (continued)

This building will be owned by Stockport Homes and continues the organisation's theme of longer term invest-to-save initiatives, as well as increasing more modern working practice opportunities and facilities for customers and staff.

Since Stockport Homes was set up, it has continued to excel, grow and diversify through the acquisition of new services, more efficient ways of working and working closely in partnership with Stockport Council and its family of companies. Stockport Homes prides itself on delivering excellent, value for money services to its customers and has won many accolades and awards that are testament to this achievement, many of which are highlighted further on in this report.

Stockport Homes has a 10 year management agreement with Stockport Council which expires in October 2015. The future options for delivery of the housing service in Stockport are currently being reviewed by the Council with a decision expected in November 2014. Two options are being formally considered, these being continuing with Stockport Homes as an ALMO or winding up the ALMO with the Council delivering housing services directly. There is a Project Board that meets regularly comprising both the Chief Executives of Stockport Council and Stockport Homes senior officers. The Project Board is supported by a working group comprising officers from both organisations and an independent tenant advisor. Customer consultations will take place over the summer.

Vision, Mission and Aims

Stockport Homes continues to explore new business opportunities and is innovating in order to support the Council in the achievement of its 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.

Stockport Homes' Vision, Mission and Aims were developed in consultation with customers, staff and Board Members. They are designed to guide the organisation through the changing environment in which it operates and to help it assist in delivering the Council's objectives:

Vision:

To deliver the best services to customers 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**
- **Develop our thriving, safe and sustainable neighbourhoods, maximising our contribution to meeting housing need**
- **Involve the Board, customers and staff 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**

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

STRATEGIC REPORT (continued)

Delivery of Vision, Mission and Aims through strategic, financial and business planning

Delivery of the aims is managed through an effective business planning framework. Annual Business Planning commences with strategic planning sessions with both the Board and the Leadership Forum to shape priorities. Detailed actions to support the achievement of the key aims are developed and set out in the annually produced Service Improvement Plan which is owned by teams through the PDR process. Progress against the Service Improvement Plan is regularly reviewed with updates being provided to Stockport Homes Management Team, Leadership Forum and the Business Development Sub Group. An annual Delivery Plan is produced and approved by the Council which sets out the key strategic actions that will support the achievement of the aims.

Stockport Homes has recently developed a three year Business Plan to provide a high level overview of the strategic direction of the company over this time period. The aims outlined above are supported by a number of high level actions which will be delivered by:

- Continually improving existing services – through learning from customer engagement, satisfaction data and performance information;
- Expanding the scope of new business through expanding commercial activity and actively seeking opportunities to work with partners;
- Using commercial surpluses to deliver social and financial inclusion, training and worklessness initiatives to help sustain communities and improve life chances;
- Strategically planning for the future by reviewing and appraising company structures, ICT infrastructure and new ways of working.

Financial planning

Quality financial management and planning are a key priority for the organisation and Stockport Homes continues to have a strong track record in this area. It recognises that robust financial planning enables the best use of money by ensuring services are delivered in the most cost effective and efficient way. Each year a detailed budget is set that supports the Delivery Plan and Service Improvement Plan objectives. Budget setting for 2013/14 included reviewing priorities with customers and assessing forthcoming risks. As Stockport Homes continues to grow and diversify, the Management Fee, at £24.944 million, continues to be the largest single element of its £37.189 million turnover. However, other income streams are continuing to grow including rental income from owned properties and increasingly income for third party works.

Stockport Homes continues to work in a financially challenging environment including year on year efficiency savings within the Management Fee alongside additional pressures resulting from Welfare Reform, such as increased void repair costs. Stockport Homes is responsible for the collection of council housing rental income and collection rates have remained on target despite the challenges of Welfare Reform due to a strong focussed approach on debt prevention and early intervention in arrears cases.

Stockport Homes is responsible for the management and maintenance of the Council's 30 year Housing Revenue Account (HRA) Business Plan. The plan was updated during 2013/14 to reflect the financial impacts of increased right to buys, changes in government rental policy and interest rate changes. Close monitoring and management enable the impact of varying factors to be assessed, leading to assurance over the affordability of future capital stock investment requirements and management fee requirements.

It is testimony to Stockport Homes strong financial control framework and robust governance structure that it continues to generate efficiencies and financial surpluses for investment back into service delivery.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

STRATEGIC REPORT (continued)

Performance and Financial monitoring and reporting

Financial performance

Stockport Homes produces comprehensive monthly management accounts to maintain effective financial control. The accounts include projected year end forecasts each month alongside comprehensive commentaries of variances.

The Company has remained within overall budget throughout the financial year, with the year end surpluses in line with forecast expectations. Key budget variances related to staffing underspends arising from business restructuring and some vacant posts, and repairs and maintenance variances arising from lower demand for public sector adaptations offset by increased void costs due to Welfare Reform.

During the year a combination of reserves and borrowing have continued to be utilised to increase the Company's property portfolio, with the number of owned properties now standing at 152.

Overall there has been an increase in the net asset value of £747,000 during 2013/14 (excluding FRS 17) due to the effective and efficient financial management of the company. The increase in revenue reserves will be designated to finance future projects and invest-to-save initiatives that will continue to generate ongoing savings for customers.

During 2013/14 Stockport Homes has embarked on a programme of diversification into commercial activities, including provision of repairs, maintenance and capital improvement services to schools, public buildings and care homes. Whilst the turnover in relation to the management fee is relatively small, it has the potential to grow in the coming years and it is the organisation's aspiration to do so.

Further diversification and asset growth will be experienced in the coming years as Stockport Homes completes its new Headquarters.

The continued growth and diversification of the Company are set out in the Company's three year Business Plan. The financial governance implications of this period of change are set out in a three year Corporate Finance Strategy that was approved by the Board in March 2014. This strategy provides a clear structure and action plan to financially support and enable the on-going developments during this period of growth and diversification, which is crucial to the ongoing financial governance arrangements and has enabled the Board to focus and set out a clear plan to ensure this governance remains in place.

High level performance and other key statistics

Stockport Homes monitors performance against hundreds of indicators and measures. Its corporate performance report, however, focuses on nine key performance indicators which demonstrate the health of the business. The targets set against these indicators all represent performance among the top ten per cent of comparator organisations. These nine indicators are supported by 22 measures which help illustrate performance but do not carry targets. Some of these relate to Welfare Reform issues and were monitored in this way for the first time in 2013/14 to establish baseline performance data in an area of high risk to the business, where it was unclear how extensively Welfare Reform would impact.

Of the nine key performance indicators eight met targets. The total number of days lost due to sickness absence per employee was 0.71 days off the target of 5.75 days. This was a challenging

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

STRATEGIC REPORT (Continued)

target and, while sickness absence did not meet its in-house target, Stockport Homes still performs well when benchmarked against other ALMOs (5th out of 19 ALMOs).

| Performance indicators monitored at corporate level in 2013-14 | | |
|---|-----------------------|------------------------|
| Performance indicator | 2013/14 target | 2013/14 outturn |
| % of households with a valid landlord Gas Safety Record | 100% | 100% |
| % of repairs completed right first time | 99.0% | 99.2% |
| Overall satisfaction with the Repairs Service | 97.5% | 97.5% |
| % of complainants who would use the service again | 95.0% | 96.90% |
| Ratio of homelessness preventions to homeless acceptances | 13.1 | 17.1 |
| Overall satisfaction with the Investment Works | 95.5% | 95.6% |
| % estate inspections rated at least "good" | 96% | 96% |
| Average time taken to re-let dwellings (all re-lets) | 16 | 15.3 |
| Total number of days lost due to sickness absence per employee | 5.75 | 6.46 |

There are six Stockport Homes' corporate indicators for which year end benchmark data is available. Compared with other ALMOs Stockport Homes is in the top quartile for four out of the six indicators and is on the cusp of top quartile for a fifth. Compared with wider housing organisations, the same pattern emerges, but Stockport Homes performs more strongly than comparators in terms of its sickness record.

The lowest performance against both ALMOs and other housing organisations is on 'rent collected as a percentage of rent owed (excluding arrears)'. This indicator favours organisations with large arrears because there is scope to recover more in a poorly performing organisation. Stockport Homes has a low arrears base and this is not a cause for concern. In particular, it should be noted that rent collection increased from 99.61 per cent last year to 99.87 per cent which is an excellent achievement given the Welfare Reform impacts.

Stockport Homes achieved first position among ALMOs for three of the six indicators benchmarked and second position against a further one indicator.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

STRATEGIC REPORT (continued)

| | Performance | All ALMOs | | All Housing Organisations | |
|--|-------------|-----------------|------|---------------------------|------|
| | | Position | Base | Position | Base |
| Gas safety certificate | 100% | 1 st | 21 | 1 st | 138 |
| HMPI 210 - Rent collected as a percentage of rent owed (excluding arrears) | 99.87% | 5 th | 13 | 47 th | 91 |
| HMPI 220 - Rent arrears of current tenants as a percentage of rental debit | 1.02% | 2 nd | 15 | 11 th | 104 |
| BV 69 - Percentage of rent lost through dwellings being vacant | 0.52% | 1 st | 16 | 13 th | 104 |
| BV 12 - Average number of sick days per employee | 6.46 days | 5 th | 19 | 23 rd | 111 |
| HMPI38 - Average time taken to re-let empty dwellings (all re-lets) | 15.3 days | 1 st | 8 | 2 nd | 65 |

Further indicators that are monitored at a corporate level are included in the Operational Report.

CAPITAL PROGRAMME

The 2013/14 financial year was the second year of HRA Self Financing Business Plan with capital programme investments of £10.971million delivered against a budget of £15.926million. Following the successful partnering with British Gas in 2012/13 on the £9.5million CESP programme, Stockport Homes again brokered a further two year partnership with British Gas to take advantage of Energy Company Obligation (ECO) funding, which continues into 2014/15 and will see British Gas paying for the installation of biomass district heating systems at Victoria Park and all the Brinnington high rise blocks. The main reason for the underspend against the original budget is the rephasing of these works to 2014/15 due to a longer period needed to agree contract terms with British Gas for the Offerton phase of the works.

There have been some complications following the Government's Autumn Statement in relation to ECO which has resulted in a significant reduction in the offer from British Gas for phase two, the delivery of external wall insulation for around 1,000 non-traditional properties throughout the Borough. Negotiations are ongoing. The value of works undertaken on the Council's housing stock by British Gas so far through this arrangement is currently estimated at £10million.

The overall HRA capital programme for 2013/14 also involved the construction of 56 new build units under the Government's Affordable Homes scheme. The first tranche of these schemes completed in September 2013, with the second tranche completing in April and May 2014.

STOCKPORT HOMES LTD

Financial Statements

31st March 2014

OPERATING AND FINANCIAL REVIEW

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

This section of the strategic report sets out the Company's approach to risk management alongside an evaluation of key strategic risks.

The organisation has a Risk Management Strategy in place and produces a corporate risk register on an annual basis. This approach enables the organisation to manage risk and embrace opportunities, and therefore deliver the strategic objectives of the organisation. Each year, Stockport Homes assesses the internal and external operating environment and identifies those risks which could affect business performance. This exercise is carried out as part of the business planning process.

By ensuring that consideration of risk is an integral part of business planning, the organisation ensures that it fully takes account of its operating context and is self-aware in terms of the risks which may affect its performance. The risk register describes the risk, the potential consequences if it was realised and the actions that have been put into place to mitigate and manage the risk. In addition, the register outlines new risk control actions which are to be delivered within the financial year and who is responsible for delivery.

The corporate risk register is approved by the Board and then both the Leadership Forum and the Business Development Sub-Group are provided with a quarterly update report. This report describes progress against delivery of risk control actions and identifies any new or emerging risks which the organisation needs to take account of.

There is a Risk Working Group which meets on a quarterly basis and contains risk champions from each Directorate. This group ensure that risk is embedded within the organisation, provide information about new or emerging risks and assist with delivery of the Risk Management Strategy.

2013-14

The 2013-14 risk register detailed the 28 strategic risks which the organisation faced in this financial year. There were nine key risks which the organisation considered to be key risks and these are outlined below:

- Failure to maintain positive strategic relationships with the Council and local politicians to provide an environment in which the ALMO can prosper and ensure the ALMO's work is supported
- Partners ability to continue to deliver services which dovetail with Stockport Homes' and support the organisation's work
- Failure to prepare for and support customers through Welfare Reform and Universal Credit changes, which adversely affects the organisation and demand for stock
- Failure to collect rent and water charges due
- Failure to deliver a fit for purpose new HQ with identified financial resources and timescales
- Health and Safety strategic risks, encompassing gas safety, fire safety, legionella, contractor competency and employee health and safety
- ICT Systems failures impact upon service availability
- Managing a reduction in existing funding to support vulnerable customers combined with the risks presented by implementation of a payment by results model
- PV Panels fail to generate the expected level of income

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

STRATEGIC REPORT (continued)

2014-15

For the 2014-15 financial year, the risk register has been reviewed and updated to reflect 30 current risks which the organisation is facing.

There are ten key risks which the organisation faces and these are outlined below:

- Positive, strategic relationships within the Council and local politicians are not maintained
- Local elections in May 2014 result in a political restructure within the Council
- Options appraisal produces negative outcome for Stockport Homes
- Rent and water income collection rates are not maintained at best in the sector levels
- Welfare reform continues to impact upon customers' ability to manage their tenancies
- The introduction of universal credit brings additional challenges to customers and the organisation
- Diversification into new work areas
- New head office is not delivered to agreed budget
- New head office is not delivered to agreed timescales
- Health and safety obligations to customers aren't fulfilled, particularly around life critical areas including gas safety, fire safety & legionella

The Options Appraisal for future delivery models is currently appraising retention of the ALMO against housing services returning to the Council. Board are feeling positive that the evidence and customer views collated to date demonstrate a strong case for retention of the ALMO.

CORPORATE GOVERNANCE

The Board of Stockport Homes 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.

The Board consists of voluntary members including tenants, independent members and co-optees. In May 2013 the Council decided to stop making nominations to the company's Board. This coincided with an existing commitment to review the Board's size and is being taken forward through a review of the Memorandum and Articles of Association. In the meantime three co-optees have been appointed to ensure stability during the transition period.

The Council has created a new internal committee, the Stockport Homes Member Committee, to monitor and oversee the company's work. Stockport Homes has worked with the Council to shape the committee's terms of reference.

Stockport Homes has a Management Team which is led by the Chief Executive, supported by four 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 meets four times per year to make decisions concerning the strategic direction of the organisation. The Board is supported by 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.

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

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

STRATEGIC REPORT (continued)

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 2013/14 the Board undertook training on a range of issues including financial training and value for money. Board members have also attended Customer Hubs to experience first-hand how customers are involved in shaping the services provided by Stockport Homes.

Stockport Homes' Customer Scrutiny Panel (CSP) completed two service reviews during 2013/14: a review of the Caretaking Service and of the customer's experience of communication during investment works. Results of CSP reviews are reported to Board who are requested to approve management plans to meet CSP recommendations for improvement.

Board also receives a CSP Annual Report that demonstrates how the activity of the CSP contributes to Stockport Homes meeting its co-regulatory responsibilities. The report summarises how customer scrutiny:

- Is led by customers and supported by the organisation,
- Allows customers the opportunity to participate, contribute and challenge,
- Influences the strategic direction of Stockport Homes,
- Results in a positive impact on tenants.

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 31st March 2014 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 2014 was £7.765m. On 2nd April 2013 the borrowing facility via Stockport Council of £15.035m was extended for a further three years.

The principal falls due for payment in:

| | 2014 £000 | 2013 £000 |
|-------------------|--------------|--------------|
| 0-1 year | 637 | 158 |
| 1-2 years | 202 | 164 |
| 2-5 years | 650 | 528 |
| More than 5 years | 6,276 | 5,973 |
| Total | 7,765 | 6,823 |

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

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

VALUE FOR MONEY

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

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/or Leadership Forum, and the Business Development Sub Group. The organisation maintains an efficiency log to capture both cashable and non-cashable efficiencies. Recent examples of efficiencies recorded include changing the way that the responsive repairs service is delivered, introducing more efficient ways of working in the concierge and caretaking teams and the early repayments made against prudentially borrowed loans. 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 £755,095. This represents 3.05 per cent of the management fee and meets the target set for the 2013/14 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 £954,000. Cash reserves totalling £350,000 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 2014 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 2013/14. Interest yield however remained relatively low during the period due to the ongoing difficult global economic conditions.

Performance management and Scrutiny

The Management Team and Leadership Forum 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.

STOCKPORT HOMES LTD

Financial Statements

31st March 2014

OPERATING AND FINANCIAL REVIEW

Understanding costs and outcomes

During 2013/14 detailed business plans were updated for Repair 1st, Concierge, Carecall, Social Lettings and Caretaking and long-term financial viability models are in place for all New Build schemes. A programme of service charge reviews is in place to understand the drivers of charges and seek efficiencies and improved value for customers.

The 2013/14 financial year was the second 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 2013/14 exceeded the business plan forecast performance due to strong voids and rent recovery performance despite the challenges of Welfare Reform and increased right to buys, 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 the Management Team, Leadership Forum and the Business Development Sub Group. This supports the understanding of linkages between costs and outcomes.

OPERATIONAL REVIEW OF THE YEAR

The following section gives an overview of the operational performance of the company. The key performance information is contained earlier within the strategic report. This section sets out a more detailed explanation of performance against key performance indicators, followed by a review of the various accreditations received by the organisation during the year.

In order to monitor rent collection in the context of Welfare Reform, the two main rent collection measures were mapped against 'best case' and 'worst case' scenarios. Because of Stockport Homes' effective management of rent collection and associated work such as money advice and rehousing, these critical indicators remained close to 'best case scenario' levels which were equivalent to performance pre-Welfare Reform. This shows that the organisation successfully prevented the build up of significant additional arrears relating to Welfare Reform. Rehousing and void figures indicate that the number of moves increased compared to the previous years.

| Supporting measures monitored at corporate level in 2013-14 | |
|---|-----------------|
| Performance measure | 2013/14 outturn |
| Average time taken to respond to a complaint | 6.09 days |
| % of complaints that took >10 days to close | 0.7% |
| The ratio of mutual exchanges to internal transfers | 1:3 |
| Downsized as a percentage of all internal transfers | 58% |
| % of vulnerable people who are supported to maintain independent living | 100% |
| Average time taken to successfully close an ASB case | 97 days |
| % of successfully closed cases that took ≥240 days | 9.9% |
| % ASB cases who were satisfied that the ASB had been resolved (victim) | 98.37% |

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

| Performance measure (Continued) | 2013/14 outturn |
|---|------------------------|
| % of rent collected excluding rent arrears | 99.87% |
| Current Arrears (£) | £494,183 |
| FTA's in year (no. of accounts) | 1664 |
| FTA's in year (£) | £738,716 |
| Stockport Homes owned properties | £14,153 |
| TA Arrears (£) | £17,616 |
| Rent arrears of current tenants as a percentage of rental debit | 1.02% |
| Average current arrears | £160.34 |
| % of tenants in arrears with ≥ 7 weeks arrears | 34.4% |
| % void loss | 0.52% |
| average void cost | £2,962 |
| % of voids with \geq £6,600 | 5.52% |
| Average Responsive Repair Cost (per property per year) | £225 |
| % of properties with ≥ 18 repairs | 1.78% |

2.

Accreditations and Awards

During the 2013/14 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

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

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. This will be retained for three years. Stockport Homes continues to be an IIP Champion, after resubmitting good practice data on an annual basis.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

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 2013 and met 100 per cent of its criteria for the sixth 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 (AntiSocial Behaviour) Accreditation

Stockport Homes achieved this three year accreditation for the second time in December 2013. It 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.

Positive About Disabled People

Stockport Jobcentre Plus has awarded the "Two Ticks Disability Symbol" to Stockport Homes for the eighth 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' Supporting People funded services have retained their status as accredited providers. Periodic inspections take place to support this process and one is expected during 2014.

Awards

The Sunday Times Top 100 Public Sector and Best Companies Awards

Stockport Homes was included for the fifth year running among the best Public and Third Sector Employers by The Sunday Times and 'Best Companies' in March 2014. 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.

National Federation of ALMO's Awards 2013

These awards celebrate achievements in housing management, community regeneration and tenant involvement. Stockport Homes won the "Championing Financial Inclusion" award for delivering services to disadvantaged or low income residents as well as encouraging inclusivity to help all residents manage in difficult economic times. Stockport Homes developed projects to help residents better manage their money and finances through training and advice services, innovative practices and by working with partner organisations.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

Housing Heroes 2013

These awards aim to ensure those 'unsung heroes' of the housing world are recognised and rewarded for their contribution in making housing such a vibrant and caring sector. On 24th June, Stockport Homes' was awarded "Maintenance Team of the Year". The award was for Stockport Homes' Repair 1st team which was commended for its strong commitment to corporate social responsibility as well as to service delivery. The team ethos is based on the spirit of delivering the best service possible, for the best value, and working with partners to deliver much more than just repairs.

SHIFT (Sustainable Homes Index For Tomorrow) Awards 2013

The Government sponsored SHIFT assessment (Sustainable Homes Index For Tomorrow), allows organisations to establish a benchmark of their environmental performance. Measurement looks at: energy efficiency in offices and homes; water use; preparation for floods; use of materials; and engaging with residents on environmental issues. Stockport Homes was awarded the "Best Newcomer" award for achieving a "Gold" standard at its first attempt. Stockport Homes also won the award for "Best Performance in Existing Homes" for performance in reducing CO2 emissions and improving water efficiency.

National Carbon Action Network Awards 2013

These recognise achievement in reducing carbon emissions and fuel poverty and Stockport Homes was the North West regional winner of the award. This recognised its installation programme of solar photovoltaic panels on over 1,930 properties and biomass boilers on district heating schemes. These have led to reduced energy bills for customers.

Housing Innovations Awards 2014

These awards celebrate pioneering spirit and highlight examples of inventive and original schemes and services in Housing. Stockport Homes was awarded the 'Most Innovative Medium Sized Landlord' category for demonstrating innovation across the wide range of services it provides to customers, and was also awarded "Most Innovative Refurbishment Project" for the work done in transforming the Mottram Street neighbourhood.

DEVELOPMENT ACTIVITY REVIEW OF THE YEAR

Stockport Homes continued to develop and expand its housing stock during 2013/14 with 46 flats completing at Hopes Carr and the acquisition of 16 properties under Mortgage Rescue / Empty Homes and ex RTBs. The properties have been funded by a combination of grant, prudential borrowing and reserves funding.

Stockport Homes continues to act as managing agent on the Stockport Council owned developments and 2013/14 was year three of the four year Affordable Homes Programme for which Stockport Council was allocated £1.3m of grant funding to deliver 56 new homes. 31 of the 56 units have achieved a practical completion within the year and the remaining units are scheduled to complete during 2014/15. A start on site has also been achieved within 2013/14 for 11 shared ownership units at Turves Road in Cheadle, 10 mixed tenure units at Berlin Road in Edgeley and 32 affordable rented units at the Fir Tree scheme in Reddish.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

Stockport Homes' property portfolio has increased to 152 units by 31 March 2014 as detailed below:

| Scheme | Number of Units |
|---|------------------------|
| Lantern Close | 17 |
| Marhill Court | 9 |
| Mendip Court | 9 |
| Bideford Road | 4 |
| Tame Valley | 8 |
| Mortgage Rescue (phase 1) | 18 |
| Mortgage Rescue / Empty Homes / Ex RTBs (phase 2) | 25 |
| Mortgage Rescue / Empty Homes / Ex RTBs (phase 3) | 16 |
| Hopes Carr | 46 |
| Total | 152 |

Hopes Carr (Covent Garden), Town Centre

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 and Old Primary Close (Peacefield), Marple

This scheme completed in two phases November 2013 and January 2014. The scheme delivers 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 is owned by Stockport Council.

Friston Close (Willow Avenue), Cheadle Hulme

This scheme completed in October 2013. The project includes eight family houses for affordable rent. The project is HCA grant funded through the 2011-15 programme and the units are owned by the Council.

Sandringham Road, Cheadle Hulme

This project completed during September 2013 and comprises five family houses and one wheelchair accessible bungalow for affordable rent. The project is HCA grant funded through the 2011-15 programme and the units are owned by the Council.

Essex Road, 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 two phases in April and May 2014 and the completed units will come under the ownership of the Council as part of the HCA 2011-15 programme.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

Five individual properties, Woodley and Heaton Moor

Initially the scheme consisted of seven individual properties to complete the 56 units allocated by the HCA Affordable Homes Programme 2011-15 under Stockport Council's ownership. The scheme is revised to five individual properties due to some issues identified within the surveys. The remaining grant for the two units within the programme has been allocated to the Fir Tree scheme and the Berlin Road scheme. This scheme is anticipated to complete in January 2015.

Turves Road, Cheadle Hulme

In October 2013 this scheme for 11 shared ownership units started on site. Originally this was approved as a Stockport Homes owned scheme, however during the year the HCA allocated grant funding for all of the 11 units and therefore this has been re-allocated to Stockport Council's ownership in order to deliver the scheme. The anticipated completion date is July 2014.

Berlin Road, Edgeley

This scheme was previously allocated to another Registered Provider (RP) that subsequently could not deliver and so an opportunity arose for Stockport Council to deliver this grant funded scheme. The site is a former church site and comprises 10 units which will be a mix of shared ownership and affordable rents in Edgeley. The scheme is due for completion in March 2015.

Fir Tree, Reddish

Stockport Homes, on behalf of Stockport Council, have managed to secure slippage funding which had been allocated to other RPs that have been unable to spend it, to the value of £620,000 in grant to help to deliver this project. The scheme comprises a total of 51 units and the 32 grant funded affordable rented units will fall under Stockport Council's ownership. The remaining 19 units will consist of four affordable rented units and 15 shared ownership units which will be owned by Stockport Homes.

Mortgage Rescue

During 2013/14 seven properties were acquired through the mortgage rescue programme. This brings the total number of properties acquired through the Mortgage Rescue programme to 40. All properties acquired are owned by Stockport Homes.

Empty Properties

Stockport Homes has been allocated £600,000 in capital grant funding from the HCA through rounds 1 and 2 of the Empty Homes Programme to acquire and refurbish 24 properties over a three year period. During 2013/14 six properties were acquired, refurbished and let bringing the total number of Empty Homes owned to 14. Acquired properties are owned by Stockport Homes.

Spend to Save Acquisitions

The acquisition of three former RTB properties took place during 2013/14 and these were financed from reserves. This brings the total number of ex RTBs acquired and owned by Stockport Homes to five properties.

Pipeline Schemes 2014-2018

On 27th January 2014 the Homes and Communities Agency (HCA) issued guidance for housing providers in relation to the Affordable Homes Programme 2015-18. The guidance confirmed that both Stockport Council and Stockport Homes are eligible to bid for grant. Proposed Stockport Homes schemes will be funded by a mix of grant and borrowing. In July it was confirmed that Stockport Homes have been successful in bidding for £1.43m grant for 60 properties which will

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

require prudential borrowing of £4.7m. Stockport Council have been awarded £4.025m grant for 161 properties requiring £14.1m borrowing and £0.8m conversion income. Stockport Homes are acting again as the development agent on behalf of Stockport Council to deliver their programme. The first funded scheme will envisage a start on site from March 2015.

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 parking and recycling areas, children and young people projects, access and IT improvements to local community hubs, community clean-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.

STATEMENT OF INTERNAL CONTROL

The Board accept their ultimate responsibility for ensuring the company has in place a robust system of internal control.

Whilst no system can provide absolute assurance or eliminate all risks, the Company has adopted a system that is appropriate to the work that it undertakes and the environments in which it operates, in order to provide reasonable assurance that:

- key business objectives and targets will be delivered
- financial and operational information is reliable
- proper accounting records are maintained
- assets are safeguarded against unauthorised use, loss or disposal

The system of internal controls includes the following key elements:

- Governance Scheme of Delegation setting out the powers and duties of the non-executive and executive Directors. Alongside this exists terms of reference for the two sub-groups and a code of conduct for Board members. The Board and sub-groups receive regular reports outlining the delivery of objectives and outcomes.
- Risk Management Strategy which describes the framework by which risk and opportunity management takes place within the organisation. An annual risk register is developed setting out the key organisational risks and the actions to mitigate those risks.
- Internal Audit provides independent assessment and assurance over key business processes and controls. The internal audit plan is risk based.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

- External Audit provides an independent examination of the financial statements prepared by the organisation and auditors are given the opportunity to meet with Board Members without officers present to allow them to raise any concerns directly
- Strategic and Business Planning Process which includes the thirty year HRA Business Plan, the three year corporate Business Plan and the annual Delivery Plan.
- Development of New Business is undertaken following a thorough appraisal of new initiatives and a defined process for authorisation.
- Monthly management accounts ensure that management have oversight of expenditure, budgeting and forecasting. Financial information is presented to the Board and sub-group on a quarterly basis. This process ensures that any significant variances are investigated and any necessary management action taken to ensure objectives are delivered to budget.
- Financial Regulations, a staff Scheme of Delegation and Contract Procedure Rules outline the parameters by which expenditure can be undertaken by officers, clearly identifying segregation of duties and the financial approvals required.
- Treasury Management Policy ensures return on investments is in line with company requirements and that only those institutions offering adequate security as defined in the Treasury Management Practices are utilised.
- Performance Management Framework which sets out targets and outcomes expected to be delivered over the year and provides regular monitoring reports to Board outlining achievement against plans and any remedial activity required.
- Recruitment, Retention and Development of Staff ensures that the organisation is led by experienced and knowledgeable individuals and that services can be delivered by qualified and experienced officers.
- Insurance Policies provide cover for a range of losses and eventualities to protect and safeguard company assets.
- Policies and procedures are in place to guide and direct officers. Policies around whistle blowing, fraud and bribery exist.
- Customer Scrutiny Panel and a Customer Feedback Service ensure the organisation is continually monitoring the customer experience and seeking ways in which to improve and strengthen processes.

INDEPENDENT ASSURANCE

The internal audit function at Stockport Homes is provided by PricewaterhouseCoopers (PwC). During 2013-14, eight internal audits were conducted; a summary of the findings is presented below:

| Internal Audit | Rating | Recommendations * |
|--|--------|--------------------------|
| Health and Safety (including legionella) | Low | 1x medium |
| Arrears Management | Low | 1 x low |
| Allocations | Low | 1 x advisory |
| Core Financial Controls | Low | None |
| Rechargeable Repairs | Medium | 4 x medium |
| Responsive Repairs and Stores Management | Low | 3 x low |
| IT General Controls | Low | 1 x low and 1 x advisory |
| Business Continuity Planning | Low | 2 x low and 1 x advisory |

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

In addition to the work undertaken by PwC, Stockport Council undertook two internal audits of functions for which they have ultimate responsibility. These two audits formed part of Stockport

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

OPERATING AND FINANCIAL REVIEW

Council's Internal Audit Plan and covered Housing Rents and Tenancy Fraud. Details are provided below:

| Internal Audit | Rating | Recommendations ** |
|----------------|-----------------------|---|
| Housing Rents | Substantial assurance | 1 x priority 1, 1 x priority 2 and 2 x priority 3 |
| Tenancy Fraud | Moderate assurance | 2 x priority 1, 3 x priority 2 and 2 x priority 3 |

** A priority 1 recommendation is one where there are serious weaknesses in controls that lead to a high risk of error in the area under review. A medium priority recommendation is one where there are weaknesses in controls that increase the risk of error, or where there is scope for considerable improvements in efficiency. A low level recommendation means that there are weaknesses that individually have no major impact, but where in the auditor's opinion the recommendations represent best practice or where the process could benefit from improved controls or greater efficiency.

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 will continue to use its borrowing facility with Stockport MBC to finance the purchase of suitable housing stock. In addition, it will be extensively used to deliver the outcomes of the 2015 – 2018 HCA bid round for new build development.

The Operating and Financial Review (including the Strategic Report) was approved by the board on 1 September 2014 and signed on its behalf by:



Roger Phillips, Chair of the Board

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

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 board members 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 company and of the surplus or deficit of the company 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 company 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 company'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 company'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
Financial Statements
31st March 2014

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 2014 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 company'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 company'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 company and the company'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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 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

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board member and or board 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 4/09/2014

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

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014

| | Notes | 2014 £'000s | 2013 £'000s |
|---|-------|-------------------|---------------------|
| Turnover | 2 | 37,189 | 33,936 |
| Less: Operating cost | | (36,613) | (32,624) |
| Operating surplus | 4 | <u>576</u> | <u>1,312</u> |
| Interest receivable and similar income | 5 | 26 | 29 |
| Net interest (deficit) on pension | 7 | (140) | (6) |
| Interest payable and similar charges | 5 | (296) | (167) |
| Surplus on ordinary activities before taxation | | <u>166</u> | <u>1,168</u> |
| Tax on surplus on ordinary activities | 6 | (38) | (21) |
| Surplus on ordinary activities after taxation | | <u>128</u> | <u>1,147</u> |
| Transfer to/from resources | | - | - |
| Retained surplus for the year | | <u><u>128</u></u> | <u><u>1,147</u></u> |

All amounts relate to continuing activities.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2014

| | Notes | 2014 £'000s | 2013 £'000s |
|--|-------|----------------|----------------|
| Reported surplus for the year | | 128 | 1,147 |
| Actuarial loss in pension plan | 7 | (406) | (2,558) |
| Total recognised deficits for the financial period | | (278) | (1,411) |

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

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

BALANCE SHEET
AT 31 MARCH 2014

| | Notes | 2014 £'000s | 2013 £'000s |
|--|-------|----------------|----------------|
| Fixed assets | | | |
| Housing Property | | | |
| Cost less Depreciation | 8 | 13,539 | 11,869 |
| Less Social Housing and other Grant | 8 | (5,736) | (5,201) |
| Other tangible assets | 8 | 192 | 213 |
| | | <u>7,995</u> | <u>6,881</u> |
| Current assets | | | |
| Stock and Work in Progress | 9 | 183 | 216 |
| Debtors | 10 | 4,315 | 4,279 |
| Cash at bank and in hand | | <u>5,276</u> | <u>5,911</u> |
| | | 9,774 | 10,406 |
| Creditors amounts falling due within one year | 11 | (4,994) | (5,721) |
| Net current assets | | <u>4,780</u> | <u>4,685</u> |
| Total assets less current liabilities | | <u>12,775</u> | <u>11,566</u> |
| Creditors amounts falling due after one year | 12 | (7,128) | (6,666) |
| Net assets before pension liability | | <u>5,647</u> | <u>4,900</u> |
| Provisions for liabilities | | | |
| Pension liability | 7 | (8,061) | (7,036) |
| Total Liabilities | | <u>(2,414)</u> | <u>(2,136)</u> |
| Capital and Reserves | | | |
| Revenue reserve | 15 | (2,414) | (2,136) |
| Total Liabilities | 15 | <u>(2,414)</u> | <u>(2,136)</u> |

These financial statements were approved and authorised for issue by the Board of Directors on 1 September 2014

Signed on behalf of the Board of Directors



Roger Phillips
Chair

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

**CASH FLOW STATEMENT FOR THE
YEAR ENDED 31 MARCH 2014**

| | 2014 £'000s | 2013 £'000s |
|---|----------------|----------------|
| Reconciliation of operating surplus to net cash inflow from operating activities | | |
| Operating surplus | 576 | 1,312 |
| FRS17 net deficit | 474 | 97 |
| Depreciation | 226 | 116 |
| FRS 17 past service loss/(gain) | 5 | - |
| Movement in stocks | (8) | (10) |
| Movement in debtors | (993) | 493 |
| Movement in creditors | 673 | (6) |
| Net cash inflow/(outflow) from operating activities | 953 | 2,002 |
| Cash flow statement | | |
| Net cash inflow/ (outflow) from operating activities | 953 | 2,002 |
| Return on investments and servicing of finance (note 1) | (270) | (138) |
| Capital expenditure and financial investment (note 2) | (1,761) | (3,333) |
| Taxation (note 3) | (19) | (2) |
| Net cash outflow before the use of liquid resources and financing | (1,097) | (1,471) |
| Financing | | |
| Loan advances received | 630 | 3,391 |
| Loan principal repayments | (168) | (65) |
| Loan redemption repayments | - | (222) |
| Net cash inflow from financing | 462 | 3,104 |
| (Decrease)/ Increase in cash in the year | (635) | 1,633 |
| Reconciliation of net cash flow to movement in net funds (note 4) | | |
| (Decrease)/Increase in the year | (635) | 1,633 |
| Debt in the year | (462) | (3,105) |
| Net funds at 31 March 2013 | (755) | 717 |
| Net funds at 31 March 2014 | (1,852) | (755) |

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE CASHFLOW STATEMENT

| | 2014 | | 2013 | |
|---|-------------------------|-------------------------|-------------------------|---------|
| | £'000s | £'000s | £'000s | £'000s |
| NOTE 1 TO CASH FLOW STATEMENT | | | | |
| Gross cash flows | | | | |
| Returns on investments and servicing of finance | | | | |
| Interest received | 26 | | 29 | |
| Interest paid | (296) | | (167) | |
| | | (270) | | (138) |
| NOTE 2 TO CASH FLOW STATEMENT | | | | |
| Capital expenditure and financial investment | | | | |
| Acquisition and construction of properties | (3,059) | | (3,962) | |
| Purchase of other fixed assets | - | | (217) | |
| Capital grants received | 1257 | | 624 | |
| Sale of properties | 41 | | 222 | |
| | | (1,761) | | (3,333) |
| NOTE 3 TO CASH FLOW STATEMENT | | | | |
| Taxation paid | (19) | | (2) | |
| | | (19) | | (2) |
| NOTE 4 TO CASH FLOW STATEMENT | | | | |
| | At 31.3.13 £'000s | Cash Flows £'000s | At 31.3.14 £'000s | |
| Cash in hand and at bank | 5,911 | (635) | 5,276 | |
| Bank loan > 1 year | (6,666) | (462) | (7,128) | |
| Total | (755) | (1,097) | (1,852) | |

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1 Principal accounting policies

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

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 £2.414m. This includes the deficit on pensions under Financial Reporting Standard 17 of £8.061m. Stockport MBC is a guarantor within the pension admission agreement. Net current assets before FRS17 are £5.65m. The Directors can confirm that the management agreement for providing housing services was renewed in October 2009 until October 2015. The Options Appraisal for future delivery models is currently appraising retention of the ALMO against housing services returning to the Council. Board are feeling positive that the evidence and customer views collated to date demonstrate a strong case for retention of the ALMO.

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.

Where a housing property comprises two or more major components with substantially different useful economic lives, each component is 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.

STOCKPORT HOMES LTD**Financial Statements****31st March 2014****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

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 2014.

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 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.

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.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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 |
| • Homelessness debtors | 75% of homelessness prevention fund debtors |
| • 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 been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

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 | 2013/14 | | | 2012/13 | | |
|--|----------------------------|---------------------------------------|---|----------------------------|---------------------------------------|---|
| | Turnover £000's | Operating Costs £000's | Operating Surplus £000's | Turnover £000's | Operating Costs £000's | Operating Surplus £000's |
| Social Housing Lettings (Note B) | 687 | 415 | 272 | 641 | 470 | 171 |
| | 687 | 415 | 272 | 641 | 470 | 171 |
| Other Social Housing Activities | | | | | | |
| Management Fee from Stockport MBC | 24,944 | 24,209 | 735 | 24,514 | 23,477 | 1,037 |
| Income from customers and miscellaneous | 3,890 | 3,820 | 70 | 4,750 | 4,674 | 76 |
| Supporting People grants | 484 | 484 | - | 686 | 686 | - |
| Charges to Capital Programme | 6,482 | 6,482 | - | 2,570 | 2,570 | - |
| Water Initiative | 702 | 724 | (22) | 775 | 650 | 125 |
| Pension Loss | - | 474 | (474) | - | 97 | (97) |
| Sub Total | 36,502 | 36,193 | 309 | 33,295 | 32,154 | 1,141 |
| Past service cost on pension | - | 5 | (5) | - | - | - |
| Total | 37,189 | 36,613 | 576 | 33,936 | 32,624 | 1,312 |

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

2 Turnover (continued)

Note B

| | 2013/14 General Needs Housing £000's | 2012/13 General Needs Housing £000's |
|---|---|---|
| Income | | |
| Rent Receivable net of service charge income | 648 | 346 |
| Service Charge Income | 39 | 4 |
| Other Revenue Grants | - | - |
| Sales of Shared Ownership Schemes | - | 288 |
| Bad Debt reduction in provision | - | 3 |
| Turnover from social housing | 687 | 641 |
| Expenditure | | |
| Management | 51 | 27 |
| Service Charge Costs | 39 | 4 |
| Maintenance | 39 | 20 |
| Major Repairs Expenditure | - | - |
| Bad Debts Charge | 5 | - |
| Depreciation of Housing Stock | 205 | 105 |
| Impairment of Housing Stock | - | - |
| Cost of Goods Sold of Shared Ownership Schemes | 9 | 270 |
| Other Costs | 67 | 44 |
| Total Expenditure | 415 | 470 |
| Operating Surplus / (Deficit) on Social Housing Lettings | 272 | 171 |

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 £2,400 the year to 31 March 2014 (£3,422 in the twelve months to 31 March 2013).

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

3 Information regarding Directors and employees (continued)

Executive Officers' emoluments

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

| | 2014 £'000s | 2013 £'000s |
|--|----------------|----------------|
| Aggregate emoluments - Executive Officers | 427 | 403 |
| Aggregate Pension Contributions - Executive Officers | 71 | 56 |
| | <u>498</u> | <u>459</u> |
| Emoluments Paid to the Highest Paid Executive Officer | 120 | 120 |
| Pension contributions – Highest Paid Executive Officer | 20 | 19 |
| | <u>140</u> | <u>139</u> |

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

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 | 1 |
| £70,001 | - | £80,000 | 1 |
| £80,001 | - | £90,000 | 2 |
| £90,001 | - | £100,000 | - |
| £100,001 | - | £110,000 | - |
| £110,001 | - | £120,000 | 1 |

Average number of persons employed

| | 2014 | 2013 |
|-------------------------|------------|------------|
| Operations | 237 | 239 |
| Repairs and Maintenance | 147 | 104 |
| Administration | 92 | 90 |
| | <u>476</u> | <u>433</u> |

Staff costs during the period (including Directors)

| | 2014 £'000s | 2013 £'000s |
|------------------------------|----------------|----------------|
| Wages and salaries | 12,226 | 10,757 |
| Social security costs | 888 | 788 |
| Pension costs | 1,687 | 1,417 |
| Post Service debit (note 7) | - | - |
| | <u>14,801</u> | <u>12,962</u> |

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

| | | | |
|----------|--|------------------------------|------------------------------|
| 4 | <u>Operating surplus</u> | 2014 £'000s | 2013 £'000s |
| | The operating surplus is after charging: | | |
| | Depreciation | 226 | 116 |
| | Rentals under operating leases | 842 | 679 |
| | Auditors' remuneration - audit | 13 | 12 |
| | - non-audit services | 2 | 2 |

5 **Interest payable and receivable**

Interest of £296k on the borrowing for the New Build completed schemes was payable during the year to 31 March 2014 (£167k during the financial year to 31 March 2013). Interest due on Treasury activities during the year 31 March 2014 was £26k (£29k during the financial year to 31 March 2013).

| | | | |
|----------|---|------------------------------|------------------------------|
| 6 | <u>Tax on surplus/(deficit) on ordinary activities</u> | 2014 £'000s | 2013 £'000s |
| | United Kingdom corporation tax | 38 | 21 |
| | Factors affecting tax charge for year | | |
| | Surplus on ordinary activities before tax | 785 | 1,168 |
| | Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% adjusted for small companies marginal relief | 157 | 280 |
| | Effects of: | | |
| | Non taxable income and deductions | (119) | (259) |
| | | 38 | 21 |

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 2013. Results from this valuation have been rolled forward to 31 March 2014 using approximate methods. The roll-forward allows for:

- Changes in financial assumptions
- Additional benefit accrual
- Actual pension increase orders
- 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 2013
- 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

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

7 Pensions (continued)

- 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 2013 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:

| Year Ended: | Short 31 Mar 2014 % p.a. | Medium 31 Mar 2014 % p.a. | Long 31 Mar 2014 % p.a. | 31 Mar 2013 % p.a. |
|---------------------------|---|--|--|-----------------------------------|
| Pension Increase Rate | 2.6% | 2.8% | 2.9% | 2.8% |
| Salary Increase Rate* | 3.7% | 3.9% | 4.0% | 4.6% |
| Expected Return on Assets | 5.9% | 5.9% | 5.0% | 5.1% |
| Discount Rate | 4.1% | 4.3% | 4.3% | 4.5% |

*salary increases are assumed to be 1.0% p.a until 31 March 2015 reverting to the long term assumption shown thereafter.

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

| Year Ended: | 31 Mar 2014 % p.a. | 31 Mar 2013 % p.a. |
|--------------------|-------------------------------|-------------------------------|
| Equities | 6.6% | 5.7% |
| Bonds | 3.8% | 3.5% |
| Property | 4.8% | 3.9% |
| Cash | 3.7% | 3.0% |

Mortality assumptions - life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|--------------------|--------------|----------------|
| Current Pensioners | 21.4 Years | 24 Years |
| Future Pensioners* | 24 Years | 26.6 Years |

* Future pensioners are assumed to be 45 as at the last formal valuation date, 31 March 2013.

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:

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

7 Pensions (continued)

| Year Ended: | Prospective Pensioners | Pensioners |
|--------------------|---|---|
| 31 March 2013 | 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 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 |

The fair value of employer assets were:

| Year Ended: | 31 Mar 2014 £(000) | 31 Mar 2013 £(000) |
|--------------------|-------------------------------|-------------------------------|
| Equities | 27,450 | 21,835 |
| Bonds | 6,481 | 5,155 |
| Property | 2,287 | 1,516 |
| Cash | 1,906 | 1,819 |
| Total | 38,124 | 30,325 |

The above asset values as at 31 March 2014 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 -0.38% to the Employer's mid market value asset share as at 31 March 2014.

The amounts recognised in the balance sheet are as follows:

| Year Ended: | 31 Mar 2014 £(000) | 31 Mar 2013 £(000) |
|--|-------------------------------|-------------------------------|
| Fair Value of Employer Assets | 38,124 | 30,325 |
| Present Value of Funded Liabilities | (46,185) | (37,361) |
| Net (Under)/Overfunding in Funded Plans | (8,061) | (7,036) |
| Present Value of Unfunded Liabilities | - | - |
| Unrecognised Past Service Cost | - | - |
| Net (Liability) | (8,061) | (7,036) |
| Amount in the Balance Sheet (Liabilities)/Assets | 8,061 | 7,036 |
| Net (Liability) | (8,061) | (7,036) |

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

7

Pensions (continued)

The amounts recognised in the income and expenditure account are as follows:

| Year ended: | 31 March 2014 | 31 March 2014 | 31 March 2013 | 31 March 2013 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | £ (000) | % of pay | £ (000) | % of pay |
| Current Service Cost* | 2,144 | 21.6% | 1,502 | 17.3% |
| Interest Cost | 1,730 | 17.4% | 1,454 | 16.7% |
| Expected Return on Employer Assets | (1,590) | (16.0%) | (1,448) | (16.7%) |
| Past Service Cost/ Gain | 5 | 0.1% | - | - |
| Losses / (Gains) on Curtailments and Settlements | - | - | - | - |
| Total | 2,289 | 23.1% | 1,508 | 17.3% |
| Actual return on Plan Assets | 2,224 | | 3,749 | |

*The Service cost figures include an allowance for administration expenses of 0.2% of payroll. Changes in the present value of the defined benefit obligation are as follows:

| Year Ended: | 31 Mar 2014 £(000) | 31 Mar 2013 £(000) |
|---|-------------------------------|-------------------------------|
| Opening Defined Benefit Obligation | 37,361 | 29,533 |
| Current Service Cost | 2,144 | 1,502 |
| Interest Cost | 1,730 | 1,454 |
| Contributions by Members | 646 | 568 |
| Actuarial Losses/ | 4,864 | 4,853 |
| Past Service Costs / | 5 | - |
| Losses / (Gains) on Curtailments | - | - |
| Liabilities Extinguished on Settlements | - | - |
| Liabilities Assumed in a Business Combination | - | - |
| Exchange Differences | - | - |
| Estimated Unfunded Benefits Paid | - | - |
| Estimated Benefits Paid | (565) | (549) |
| Closing Defined Benefit Obligation | 46,185 | 37,361 |

Changes in the fair value of plan assets are as follows:

| Year Ended: | 31 Mar 2014 £(000) | 31 Mar 2013 £(000) |
|---|-------------------------------|-------------------------------|
| Opening Fair Value of Employer Assets | 30,325 | 25,158 |
| Expected Return on Assets | 1,590 | 1,448 |
| Contributions by Members | 646 | 568 |
| Contribution by the Employer | 1,670 | 1,405 |
| Contributions in respect of Unfunded Benefits | - | - |
| Actuarial Gains/(Losses) | 4,458 | 2295 |
| Assets Distributed on Settlements | - | - |
| Assets Acquired in a Business Combination | - | - |
| Exchange Differences | - | - |
| Unfunded Benefits Paid | - | - |
| Benefits Paid | (565) | (549) |
| Closing Fair Value of Employer Assets | 38,124 | 30,325 |

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

7 Pensions (continued)

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

| Year Ended: | 31 Mar 2014 | 31 Mar 2013 |
|--------------------|--------------------|--------------------|
| Equities | 72% | 72% |
| Bonds | 17% | 17% |
| Property | 6% | 5% |
| Cash | 5% | 6% |

Amounts for the current and previous accounting periods:

| Year Ended: | 31 Mar 2014 | 31 Mar 2013 |
|---|--------------------|--------------------|
| | £(000) | £(000) |
| Fair Value of Employer Assets | 38,124 | 30,325 |
| Present Value of Defined Benefit Obligation | (46,185) | (37,361) |
| (Deficit) / Surplus | (8,061) | (7,036) |
| Experience Gains / (Losses) on Assets | 4,458 | 2,295 |
| Experience Gains / (Losses) on Liabilities | (5,145) | 19 |

Amounts for the current and previous accounting periods:

| Year Ended: | 31 Mar 2012 | 31 Mar 2011 | 31 Mar 2010 |
|---|--------------------|--------------------|--------------------|
| | £(000) | £(000) | £(000) |
| Fair Value of Employer Assets | 25,158 | 23,714 | 20,376 |
| Present Value of Defined Benefit Obligation | (29,533) | (24,886) | (31,087) |
| (Deficit) / Surplus | (4,375) | (1,172) | (10,711) |
| Experience Gains / (Losses) on Assets | (1,255) | 802 | 4,288 |
| Experience Gains / (Losses) on Liabilities | (142) | 697 | - |

The amount recognised in the Statement of Total Recognised Surpluses and Deficits is a loss of £406k (2013 loss of £2.558m)

The best estimate for employers contributions for the year to 31 March 2015 is approximately £1,772,000.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

8 Tangible Fixed Assets

| | Completed Housing Properties | | Housing under Construction | | Other Assets | | |
|-------------------------------|------------------------------|---------------------------------|----------------------------|---------------------------------|----------------------------|-------------------|---------------|
| Cost | For Rent £000 | For shared ownership £000 | For Rent £000 | For shared ownership £000 | Computer assets £000 | PV Panels £000 | Total £000 |
| At 1 April 2013 | 8,553 | 408 | 3,081 | 41 | 95 | 174 | 12,352 |
| Additions | 1,739 | 9 | 168 | - | - | - | 1,916 |
| Transfer to completed | 3,171 | - | (3,171) | - | - | - | - |
| Transfer to stock | - | - | - | - | - | - | - |
| Transfer to SMBC | - | - | - | (41) | - | - | (41) |
| Disposals | - | - | - | - | - | - | - |
| At 31 March 2014 | 13,463 | 417 | 78 | - | 95 | 174 | 14,227 |
| Depreciation | | | | | | | |
| At 1 April 2013 | 204 | 10 | - | - | 52 | 4 | 270 |
| Charge for year | 197 | 8 | - | - | 14 | 7 | 226 |
| At 31 March 2014 | 401 | 18 | - | - | 66 | 11 | 496 |
| Cost less Depreciation | 13,062 | 399 | 78 | - | 29 | 163 | 13,731 |
| At 31 March 2014 | | | | | | | |

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

8 Tangible Fixed Assets (Continued)

| | | | | | | | |
|-----------------------------|--------------|------------|--------------|-----------|-----------|------------|---------------|
| | <u>8,349</u> | <u>398</u> | <u>3,081</u> | <u>41</u> | <u>43</u> | <u>170</u> | <u>12,082</u> |
| At 31 March 2013 | | | | | | | |
| Social Housing Grant | | | | | | | |
| At 1 April 2013 | 4,137 | 288 | - | - | - | - | 4,425 |
| Additions | 535 | - | - | - | - | - | 535 |
| Transfer to Completed | - | - | - | - | - | - | - |
| At 31 March 2014 | <u>4,672</u> | <u>288</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,960</u> |
| Other grant | | | | | | | |
| At 1 April 2013 | - | - | 776 | - | - | - | 776 |
| Additions | - | - | - | - | - | - | - |
| Transfer to Completed | 776 | - | (776) | - | - | - | - |
| At 31 March 2014 | <u>776</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>776</u> |
| Net Book Value | | | | | | | |
| At 31 March 2014 | <u>7,614</u> | <u>111</u> | <u>78</u> | <u>-</u> | <u>29</u> | <u>163</u> | <u>7,995</u> |
| At 31 March 2013 | 4,212 | 110 | 2,305 | 41 | 43 | 170 | 6,881 |

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

8 Tangible Fixed Assets (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 31st March 2014 is £583k.

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

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

| | 2014 | 2013 |
|--|--------------|--------------|
| | £000 | £000 |
| Expenditure on works to existing properties | | |
| Amount capitalised | 2,237 | 4,566 |
| Amount charged to income and expenditure account for maintenance | 39 | 20 |
| | <u>2,276</u> | <u>4,586</u> |

Land owned

Stockport Homes have been transferred freehold and leasehold land as at 31 March 2014 from Stockport Council at nil consideration.

| | 2014 | 2013 |
|---|------------|------------|
| | £000 | £000 |
| 9 <u>Stocks and Work in Progress</u> | | |
| Raw materials and consumables | 183 | 175 |
| Shared ownership stock | - | 41 |
| | <u>183</u> | <u>216</u> |

| | 2014 | 2013 |
|---|--------------|--------------|
| | £000 | £000 |
| 10 <u>Debtors</u> | | |
| Due from Stockport MBC and its subsidiaries | 2,870 | 2,703 |
| Trade Debtors | 511 | 463 |
| Other debtors | 120 | 263 |
| Prepayments and accrued income | 814 | 850 |
| | <u>4,315</u> | <u>4,279</u> |

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

| | 2014 | 2013 |
|--|--------------|--------------|
| 11 Creditors: amounts falling due within one year | £000 | £000 |
| Due to Stockport MBC and its subsidiaries | 1,305 | 662 |
| Trade Creditors | 1,551 | 1,319 |
| Corporation tax | 39 | 21 |
| Other taxation and social security | 299 | 255 |
| Other creditors | 519 | 583 |
| Accruals and deferred income | 1,281 | 2,881 |
| | <u>4,994</u> | <u>5,721</u> |

| | 2014 | 2013 |
|---|--------------|--------------|
| 12 Creditors: amounts falling due after one year | £000 | £000 |
| Housing loans (due to Stockport MBC) | 7,128 | 6,666 |
| | <u>7,128</u> | <u>6,666</u> |

| | | |
|--------------------|-------|-------|
| In 1 to 5 years | 851 | 692 |
| In 5 years or more | 6,277 | 5,974 |

| The housing loans are currently on fixed rates of interest | | | |
|---|---------------|-----------|--|
| Scheme | Interest Rate | Loan Term | Amount outstanding as at 31.03.2014 |
| | | | (£) |
| Lantern Close | 4.80% | 30 years | 959,402 |
| Marlhill Close | 4.02% | 20 years | 489,824 |
| Mendip Close | 5.37% | 40 years | 442,440 |
| Bideford Road | 4.78% | 40 years | 261,845 |
| Tame Valley | 3.74% | 20 years | 101,886 |
| Covent Garden | 3.92% | 40 years | 2,306,524 |
| Mortgage Rescue Phase 1 | 5.31% | 30 years | 778,192 |
| MR / EH Phase 2 | 2.54% | 16 years | 1,512,133 |
| MR / EH Phase 3 | 4.15% | 23 years | 912,285 |
| Total | | | 7,764,531 |

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

12 Creditors: amounts falling due after one year (continued)

Stockport Homes has £695,190 of loans to draw down from Stockport Metropolitan Borough Council in relation to properties falling under EH / MR Phase 3 which are due to be purchased in the early part of 2014-15.

The Turves Road scheme ownership has transferred to Stockport Council during 2013-14 and as a result the borrowing for this scheme has not been drawn down by Stockport Homes. All of the costs falling under assets under construction for this scheme have been transferred to Stockport Council during the year.

The Mendip Close principal outstanding of £442,440 as at 31st March 2014 was repaid in full during April 14. A payment of £467,440 has been made to Stockport Council to repay the principal plus a £25,000 early redemption fee. The principal has been classified within the statutory accounts as repayable within one year.

The Fir Tree scheme in Reddish achieved a start on site during March 14 and the associated Stockport Homes borrowing of £993,532 will be drawn down over 2014-15 and 2015-16.

13 SHG Received and Receivable as at 31st March 2014

SHG received into the bank as at 31st March 2014 is £4,894,231 relating to completed assets. Furthermore, £65,665 has been accrued as outstanding SHG receivable as at 31st March 2014 in relation to a Mortgage Rescue property purchased in 2013-14.

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 | Completed | Assets Under Construction |
| Number of Dwellings Properties as at 1st April 2013 | 90 | 57 | 11,422 | 49 |
| Sales via Right To Buy | - | - | (82) | - |
| Acquisitions of Properties | 16 | - | - | - |
| New Build Schemes Completed | 46 | (46) | 31 | (31) |
| New Build Schemes Commenced | - | 19 | | 47 |
| Transfer to SMBC | - | (11) | - | 11 |
| Addition to Stock | - | - | 5 | - |
| Number of Dwellings Properties as at 31st March 2014 | 152 | 19 | 11,376 | 76 |

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

| | 2014 | 2013 |
|---|-------|-------|
| | £000s | £000s |
| 15 <u>Reconciliation of movement in reserves</u> | | |

The closing value of reserves comprises of

| | | |
|---|-----------------------|-----------------------|
| Revenue reserves | 5,647 | 4,900 |
| Reserves relating to FRS 17 Pension Liability | (8,061) | (7,036) |
| Closing value of reserves | <u>(2,414)</u> | <u>(2,136)</u> |

During 2013/14, £350k of cash generated from revenue reserves was utilised to invest in fixed assets that will generate future returns for the Company.

16 Commitments

At 31 March 2014 the company was committed to making the following payments during the next year, in respect of non-cancellable operating leases:

| | 2014 £'000s | 2013 £'000s |
|-----------------------------|----------------|----------------|
| Motor Vehicles: | | |
| Leases which expire: | | |
| Within one year | 143 | 39 |
| Within two to five years | 243 | 347 |

| | 2014 £'000s | 2013 £'000s |
|------------------------------|----------------|----------------|
| Land & Buildings: | | |
| Leases which expire: | | |
| Within one year | - | - |
| Within two to five years | 283 | 293 |
| After more than five years | | |

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.

STOCKPORT HOMES LTD
Financial Statements
31st March 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

17 Parent undertaking (continued)

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 £1.109m 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 1st October 2006, and NPS Stockport Ltd, in which Stockport Metropolitan Borough Council acquired a 20% holding on transfer of activities to this organisation.

In 2013/14 the management fee and other charges to the Council amounted to £35.063m (£30.880m as at 31st March 2013). Outstanding balances at the year end amounted to £2.870m (£2.703m as at 31st March 2013).

During the financial year ended 31st March 2014, Stockport Metropolitan Borough Council charged Stockport Homes Ltd £3.957m for the provision of support services (£3.555m to 31st March 2013). Outstanding balances at the year-end amounted to £525k (£459k as at 31st March 2013). There were also £7.765m of housing loan balances outstanding.

In 2013/14 Solutions SK Ltd and its subsidiary Waste Solutions SK Limited charged Stockport Homes Ltd £518k for the provision of services related to repairs, maintenance and fleet services (£594k to 31st March 2013). Outstanding balances at the year end amounted to £144k (£91k as at 31st March 2013). NPS Stockport Ltd charged Stockport Homes Ltd £64k for the provision of services related to repairs, maintenance and management services (£83k for the year ended 31st March 2013). There were zero outstanding balances at the year end (£13k as at 31 March 2013).

In 2013/14 Stockport Homes Ltd charged schools within Stockport £164k (£57k for the year ended 31st March 2013) in relation to the provision of repairs and maintenance services.

As at 31 March 2014, Stockport Homes Ltd's bank balances were 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 2014, the tenants acting as Board members for were Mrs Maureen Rowles, Mrs Barbara King, Mr Peter Fury, Mrs Jane Clayton, Ms Sue Ash 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. At 31 March 2014, Mrs Jane Clayton and Ms Sue Ash continued to act as Board Members. There are no significant rental arrears to report in relation to these tenants as at the year end.