

# **Stockport Homes Limited**

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

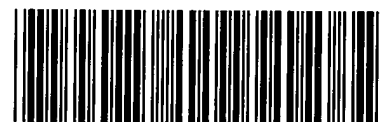
**Company Limited by Guarantee**

**Company Number 04521257**

**Year Ended**

**31 March 2015**

THURSDAY



\*A4CQ9A63\*

A26

30/07/2015

#248

COMPANIES HOUSE

**STOCKPORT HOMES LTD**  
**31<sup>st</sup> March 2015**

<b>CONTENTS</b>	<b>PAGES</b>
Board of Directors, Executive Officers and Professional Advisers	3-4
Directors' Report	5-7
Operating and Financial Review of the Year (incorporating the Strategic Report)	8-27
Statement of Board Members responsibilities	28
Independent Auditor's Report	29-30
Income and Expenditure Account	31
Statement of Total Recognised Surpluses and Deficits	32
Balance Sheet	33
Cash Flow Statement	34-36
Notes to the Financial Statements	37-56

**STOCKPORT HOMES LTD – Company Number 04521257**  
**Directors' Report**  
**31<sup>st</sup> March 2015**

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

Mr R Phillips, Chair	(appointed 23.09.05)
Ms S Ash	(appointed 02.09.13, resigned 03.11.14)
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, resigned 01.09.14)
Mr P Porgess	(appointed 05.07.10, resigned 24.05.13, appointed as co-optee 02.09.13)
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)
Mr T Dotchin	(appointed 01.09.14)
Mrs Jenny Osbourne	(appointed 16.03.15)

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**

Barclays Bank Ltd  
PO Box 190  
1 Park Row  
Leeds  
LS1 5WU

**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 – Company Number 04521257**  
**Directors' Report**  
**31<sup>st</sup> March 2015**

**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 1<sup>st</sup> October 2005. The Director of Finance was appointed to her position on 1<sup>st</sup> 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.

## **DIRECTORS' REPORT**

The Directors present their report and the audited Financial Statements for the year 1 April 2014 to 31 March 2015. 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 11,392 at 31 March 2015. 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 2015, 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 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 is prevalent and well deployed throughout the organisation. The assessor had never awarded all 196 criteria to any organisation in their time assessing against the IIP standards, which is a "fantastic achievement" for Stockport Homes. Stockport Homes will be reassessed against the standard in July 2015. 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 sixth consecutive year. The organisations inclusion in the prestigious list reaffirms Stockport Homes' commitment to being an employer of choice and an even better place to work. 'My Company' was the highest scoring factor which shows that 'Transforming Lives' is more important to employees in their overall engagement and their connection to the values of the organisation.

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.

**STOCKPORT HOMES LTD – Company Number 04521257**

***Directors' Report***

**31<sup>st</sup> March 2015**

In addition, these interventions are designed to enable staff to develop a flexible, adaptable mind-set to cope effectively with organisational change.

**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.

**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 27th July 2015, 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. During 2014, Stockport Council undertook an options appraisal to identify the future delivery model for housing management and maintenance. There was a clear recommendation to continue with Stockport Homes as an ALMO. This recommendation was approved by the Council's Executive in November 2014. A report requesting the approval of a 27 year management agreement, in line with the HRA Business Plan was approved by the Council's Executive on 21<sup>st</sup> July.

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 has agreed that it will ensure that SHL is able to discharge its liabilities for the pensions costs attributable to SHL's past, present and future employees. For 2014/15 the pension funds were valued at a liability value of £15.741m as at 31 March 2015 (liability of £8.061m as at 31 March 2014). The position this year is worse than it was last year, principally due to increased employee numbers, changes in discount rates and life expectancy assumptions.

On 8<sup>th</sup> July 2015, the Government announced a 1% year on year decrease in social housing rents over four years from 2016/17. This is compared to previous rent policy which allowed for annual rental increases of CPI + 1%. This affects the HRA Business Plan and Stockport Homes' own rents. This is significant to the HRA Business Plan, and whilst the Directors are still confident of going concern given the extension of the Management Agreement for 27 years, this could mean pressures on the level of management fee Stockport Homes receives going forward. The impact of this is being assessed and strategies are being enacted to manage this across all aspects of the business.

## **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 27<sup>th</sup> July 2015.



---

Roger Phillips, Chair of the Board

**STOCKPORT HOMES LTD – Company Number 04521257**  
***Operating Financial Review and Strategic Report***  
**31<sup>st</sup> March 2015**

## **OPERATING AND FINANCIAL REVIEW OF THE YEAR**

The Board present the Operating and Financial Review for the year ended 31 March 2015. 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 2014/15 totalled £26.238million.

### **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 11,392 at 31 March 2015. 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 commenced building new build properties in 2009-10 and has been continuing to build and acquire homes since. Stockport Homes now owns a total of 175 properties at the end of March 2015 which includes 85 new build properties built for rent, eight new build properties built for shared ownership, 52 properties acquired through the Government's Mortgage Rescue scheme, six ex Right-to-Buy properties (RTBs), and 24 Empty Homes. Stockport Homes also manage the delivery of the Housing Revenue Account (HRA) new build programme (Council owned properties) and 70 rented units and 33 shared ownership units have achieved practical completion as at March 2015, with a further 4 units under construction (affordable rent). The HRA and Stockport Homes currently have pipeline programmes over the next three years to deliver the schemes allocated by the Homes and Communities Agency as part of the bid round 2015-18, alongside other schemes including opportunities to bid for continuous market engagement grants and to undertake S106 schemes from private sector developers. During 2014/15 Stockport Homes entered into the first contract of this type to deliver 25 homes for shared ownership and eight homes for rent at Offerton Park under a S106 arrangement.

Stockport Homes is continuing to strengthen its asset base by diversifying into new business areas. In 2014/15 it continued to work with schools, care homes and public buildings to deliver maintenance, repairs and capital works management services and delivery of private landlord management services. These works continue to prove successful and Stockport Homes plans to diversify further 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 is continuing to plan for the new build development of a new headquarters, due to be completed in Spring 2017. The Council has approved borrowing of £9.2million via PWLB (Government) borrowing and planning consent has been approved. Works commenced on site in March 2015. This building will be owned by Stockport Homes and continues the organisation's theme



**STOCKPORT HOMES LTD – Company Number 04521257**  
**Operating Financial Review and Strategic Report**  
**31<sup>st</sup> March 2015**

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.

### **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**

### **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 is one year into a three year Business Plan which provides 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:

**STOCKPORT HOMES LTD – Company Number 04521257**  
**Operating Financial Review and Strategic Report**  
**31<sup>st</sup> March 2015**

- 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 2014/15 included reviewing priorities with customers and assessing forthcoming risks. As Stockport Homes continues to grow and diversify, the Management Fee, at £26.238 million, continues to be the largest single element of its £37.573 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 above target and amongst the highest in the country 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 2014/15 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.

### **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, underspends against premises budgets and key variances

During the year, a combination of reserves and borrowing has 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 before the pension liability of £436,000 during 2014/15 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.

**STOCKPORT HOMES LTD – Company Number 04521257**  
**Operating Financial Review and Strategic Report**  
**31<sup>st</sup> March 2015**

Whilst the turnover of commercial activity 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 13 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 13 indicators are supported by 25 measures which help illustrate performance but do not carry targets. Some of these relate to Welfare Reform issues and were monitored in this way since 2013/14.

Of the 13 key performance indicators 11 met targets and seven either improved or maintained performance compared to the previous year. Two indicators saw performance decline on the previous year, but one still achieved the target set and the remaining indicator performed better than the median when compared to comparator organisations. The total number of days lost due to sickness absence per employee was 1.7 days off the target of 6.25 days. This was a challenging target and, while sickness absence did not meet its in-house target, Stockport Homes still performs well when benchmarked against other ALMOs.

<b>Performance indicators monitored at corporate level in 2014-15</b>		
<b>Performance indicator</b>	<b>2014/15 target</b>	<b>2014/15 outturn</b>
% of households with a valid landlord Gas Safety Record	100%	100%
Percentage of properties complying with Legionella (L8) management regime	100%	100%
% of repairs completed right first time	82.0%	86.7%
Overall satisfaction with the quality of service during investment work programmes	96%	98.5%
% of complainants who would use the service again	97.5%	98.1%
Ratio of homelessness preventions to homeless acceptances	5.5:1	4.4:1
Average energy performance rating of properties	84%	84.01%
% estate inspections rated at least "good"	96%	97.32%
Percentage of ASB complainants satisfied with the outcome of their cases	98%	98%

**STOCKPORT HOMES LTD – Company Number 04521257**  
**Operating Financial Review and Strategic Report**  
**31<sup>st</sup> March 2015**

Performance indicators monitored at corporate level in 2014-15		
Performance indicator	2014/15 target	2014/15 outturn
Percentage of 'skills for life' participants experiencing positive outcomes three months after the completion of their courses	97.5%	99.8%
Average time taken to re-let dwellings (all re-lets)	16 days	15 days
Percentage of efficiencies as a proportion of the management fee	3%	3.19%
Total number of days lost due to sickness absence per employee	6.25 days	7.95 days

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 five out of the six indicators and performed better than the median in the sixth indicator. Compared with wider housing organisations, a similar pattern emerges, but Stockport Homes performs more strongly than comparators in terms of its sickness record and is on the cusp of the top quartile in rent collection. Stockport Homes achieved first position among ALMOs for three of the six indicators benchmarked and second position against a further one indicator.

	Performance	All ALMOs		All Housing Organisations	
		Position	Base	Position	Base
Percentage of dwellings with a valid gas safety certificate	100%	1st	27	1st	184
Rent collected as a percentage of rent owed (excluding arrears)	100.06%	4th	18	40th	150
Rent arrears of current tenants as a percentage of rental debit	0.9%	1st	21	4th	168
Percentage of rent lost through dwellings being vacant	0.50%	2nd	21	17th	168
Average number of sick days per employee	7.95 days	10th	21	52nd	149
Average time taken to re-let empty dwellings (standard re-lets)	15 days	1st	22	4th	171

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

## **CAPITAL PROGRAMME**

The 2014/15 financial year was the third year of HRA Self Financing Business Plan with capital programme investments of £11.542million delivered against a budget of £22.769million. The main reason for the underspend against the original budget is the rephasing of works that were originally planned to be completed in partnership with British Gas under the Energy Company Obligation (ECO) funding arrangement. These works will now be completed without ECO funding as the offer from British Gas has reduced such that it is better value for money for Stockport Homes to procure the works directly.

## **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.

**STOCKPORT HOMES LTD – Company Number 04521257**  
***Operating Financial Review and Strategic Report***  
**31<sup>st</sup> March 2015**

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 existing and proposed 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.

In addition to the corporate risk register, there is also a HRA risk register which has been in place since the organisation became self-financing in 2012. This register is specific to the 30 year HRA Business Plan and looks at those risks which could affect the achievement of those objectives or have a negative impact on the assumptions on which the plan is founded, for example around inflation levels or right to buy sales.

The principle of risk management is embedded throughout the organisation. There are a number of ways in which this is maintained and developed:

- By ensuring that risk and opportunity management is a key consideration of the business planning process each year
- By ensuring that leadership forum actively consider and review the quarterly risk update reports and raise any areas of emerging risk to the Assurance Manager
- By having a Business Transformation Group in place. This group meets at least once a quarter and is a cross Directorate group which monitors the implementation of new corporate projects, considers project risk (both known and emerging), resource allocation and delivery of benefits and outcomes. The Assurance Manager is a member of this Group.

#### 2014-15

The 2014-15 risk register detailed the 30 strategic risks which the organisation faced in this financial year. There were ten key risks which the organisation considered to be key risks and these are outlined below:

- Positive, strategic relationships within the Council and local politicians are not maintained
- Significant changes in local and national politics affect the organisation
- 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 is not maximised and does not meet financial aspirations
- 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

**STOCKPORT HOMES LTD – Company Number 04521257**  
**Operating Financial Review and Strategic Report**  
**31<sup>st</sup> March 2015**

2015-16

For the 2015-16 financial year, the risk register has been reviewed and updated to reflect the 27 current risks which the organisation is facing.

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

- The renegotiation of the management agreement has adverse effects on the organisation
- Rent and water income collection rates are not maintained at best in sector levels
- Welfare reform continues to impact upon customers' ability to manage their tenancies
- Universal credit brings additional challenges to customers and the organisation
- Diversification into new work areas brings exposure to new types of market (including any insourcing opportunities) and is not maximised or doesn't break even
- 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, including gas safety, fire safety, legionella and asbestos
- Health and safety obligations to staff aren't fulfilled
- IT systems are not resilient enough and readily available to meet business need and IT support from SMBC is not sufficient

## **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. The co-optees are temporary appointments to ensure stability whilst new Articles of Association are being developed.

Stockport Homes has developed a constructive relationship with the Stockport Homes Member Committee, a cross-party Council body, which monitors and oversees the company's work.

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 personal and collective performance. The PDR work fed into a Governance Improvement Plan incorporating improvements to the way governance is managed at Stockport Homes. Particular emphasis has been placed on ensuring the new Articles will facilitate a Board that will effectively manage the risks and opportunities facing the company.

During 2014/15 the Board undertook training on a range of issues including training in relation to finance and risk management. Board members attend external courses provided by the National Federation of ALMOs, the National Housing Federation and the Northern Housing Consortium, covering changes in the regulatory environment and housing policy issues.

**STOCKPORT HOMES LTD – Company Number 04521257**  
***Operating Financial Review and Strategic Report***  
**31<sup>st</sup> March 2015**

Stockport Homes' Customer Scrutiny Panel (CSP) completed two service reviews during 2014/15:

- a review of customer experience of communications in respect of responsive repairs; and
- a review of financial inclusion.

Results of CSP reviews are reported to Board who are requested to approve management action 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.

## **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):**

Stockport Homes have secured ISO14001 accreditation since 2011 and this has driven many best practices within the organisation in terms of environmental protection. The most recent external audit was conducted in 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. There is currently an interim external review planned for May 2015 with the outcome expected to be announced in June 2015.

### **Energy Advice Service:**

Two fulltime Energy Solution Advisors were appointed in 2013 and during the past 12 months have completed 435 home visits and secured £9,380 in Warm Home Discount payments for customers. In addition the Energy Advice Service has also secured £1,163 in charity grants which have helped some customers clear historic energy debts

### **Renewable Technology Pilots:**

Stockport Homes now have post data information available following on from their first Air Source Heat Pump (ASHP) installation pilots undertaken to two properties in Offerton. The data has identified that the overall electrical consumption had reduced by 59% equating to a cost saving of 30%. The resulting environmental benefits are a reduction in carbon emissions of 59%. These improvements have been achieved whilst also improving the internal temperatures and heat control for the customer. In addition, Stockport Homes reduced the capital investment required for these two properties by £800 - £1,500 per property by replacing the planned standard gas wet systems (and associated infrastructure costs) with a renewable alternative.

### **Energy Management:**

Stockport Homes 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. Stockport Homes are now into their second full year of flexible procurement contracts. The 2015/16 contracts resulted in a 10% decrease for electricity and a 15% decrease for gas on last year's contract rates.

**STOCKPORT HOMES LTD – Company Number 04521257**  
**Operating Financial Review and Strategic Report**  
**31<sup>st</sup> March 2015**

**ECO (Energy Companies obligation):**

During 2013/14 Stockport Homes secured 100% funding from British Gas under their Energy Companies Obligation to deliver a further two additions of districting heating schemes within the housing portfolio. This project saw a programme of fuel switching from electric storage heaters to seven tower blocks in Brinnington and two high rise tower blocks in Offerton. The project has affected over 600 dwellings which now benefit from a biomass district heating and lower energy heating bills. In addition to the heating upgrade, external wall insulation and grade A window frames were installed at the Victoria Park high rise with both district heating schemes now accredited to the Renewable Heat Incentive scheme which provides a revenue to Stockport Homes which is estimated to be in excess of £150k pa for 20 years.

**Biomass Supply Chain Project:**

Officers examined the feasibility of Stockport Homes creating its own biomass company to manage the whole process of biomass production and being self-sufficient with wood fuel. A report was presented to and gained approval from both the Management Team and the Business Development Sub Group earlier this year. Stockport Homes are currently liaising with SMBC in securing a long term lease to a site located in Adswold. The required 9,000 tonnes of timber will be sourced from local authorities and commercial suppliers predominately in the North West. The benefit of taking ownership of the supply chain equates to identified savings in excess of £1.3 million over a 20 year period.

**Operating and Financial Review**

**This section of the report sets out the additional requirements of the 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. Efficiency targets set for 2015/16 have been exceeded. This is explained in the following section. Stockport Homes produces an Annual Report for customers which includes information on value for money in a customer focused way. It is available on the Stockport Homes website -<http://www.stockporthomes.org/main.cfm?type=ANNUALREPORTS>.

*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 £811,707. This represents 3.18 per cent of the management fee and meets the target set for the 2014/15 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.



**STOCKPORT HOMES LTD – Company Number 04521257**  
***Operating Financial Review and Strategic Report***  
**31<sup>st</sup> March 2015**

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. Overall there were net cash outflows from operating activities of £653,000 (2014: £953,000 inflow). To date, cash reserves totalling £1.23million have been invested in initiatives that continue to generate future income streams for the organisation whilst furthering the organisation's objectives. A significant proportion of the reserves position at the 31 March 2015 is made up of projects that are committed to be spent during the coming financial year, or are ear-marked reserves for planned initiatives and projects which will in turn lead to longer term 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 2014/15. 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.

#### *Understanding costs and outcomes*

During 2014/15 detailed business plans were updated for 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 2014/15 financial year was the third 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 2014/15 exceeded the revised 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. Challenges with the business plan continue with increasing right to buys coupled with lower than modelled rent increases. The business plan is continually refreshed to reflect these challenges and the updated business plan will be considered by the Business Development Sub Group at its July 2015 meeting.

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.

**STOCKPORT HOMES LTD – Company Number 04521257**  
**Operating Financial Review and Strategic Report**  
**31<sup>st</sup> March 2015**

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. 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 decreased from 2013-14.

<b>Supporting measures monitored at corporate level in 2014-15</b>	
<b>Performance measure</b>	<b>2014/15 outturn</b>
Satisfaction with communication during investment works	97.7%
Ratio of compliments to complaints	3:1
Average time taken to resolve complaints	8.5 days
Percentage of customers who would recommend the complaints service to a friend	96.1%
The ratio of mutual exchanges to internal transfers	1:3
Downsides as a percentage of all internal transfers	39%
% of vulnerable people who are supported to maintain independent living	97.67%
Number of referrals to Housing Support Officers	543
Number of major adaptations delivered – Stockport Homes properties and disabled facilities grants	325
Percentage of ASB cases that are successfully resolved (no re-representation in 6 months)	95.5%
Number of ASB cases that were re-presented within six months of closing	55
Average time taken to successfully close an ASB case	79 days
% of successfully closed cases that took $\geq 240$ days	4%
Percentage of engaged customers participating in more than one event or training course in the last 12 months	46%
% of rent collected excluding rent arrears	100.06%
Rent arrears of current tenants as a percentage of rental debit	0.90%
Average current rent arrears (£)	£148
Number of tenants with $\geq 7$ weeks arrears	623
Ratio of commercial income to total budgeted income	0.54%
Ratio of cost to time for voids	£2258:15 days
% void loss	0.50%

<b>Supporting measures monitored at corporate level in 2014-15 (cont)</b>	
<b>Performance measure</b>	<b>2014/15 outturn</b>
% of voids with $\geq$ £6,600	3.12%
Ratio of number of voids to total stock	9.80%
Average Responsive Repair Cost (per property per year)	£225
% properties with 15 or more repairs	2.84%

## **2. Accreditations and Awards**

During the 2014/15 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.

#### **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 2014 and met 100 per cent of its criteria for the sixth consecutive time. This looks in depth at issues that are a priority for customers, such as service delivery, timeliness, information, professionalism and staff attitude. As part of the assessment Stockport Homes was graded as 'compliance plus' on two areas of the assessment, around using data on customers to improve services and showing a large number of innovative ways to improve customer access to services.

#### **HouseMark ASB (Anti-Social 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.

### **Quality Assured Scrutiny Accreditation**

In 2014, Stockport Homes became one of only four organisations in the country to achieve the Quality Assured Scrutiny Accreditation from TPAS (Tenant Participation and Advisory Service). This accreditation is a trusted, validated, expert assessment of Stockport Homes' tenant scrutiny arrangements which demonstrates its accountability and commitment to co-regulation.

### **Microgeneration Certification Scheme (MCS)**

This is an internationally recognised quality assurance scheme, supported by the Department of Energy and Climate Change. Stockport Homes initially received this certification during 2013, demonstrating a commitment to consistently installing and maintaining microgeneration technologies to the highest quality.

### **Contractors Health and Safety Assessment Scheme (CHAS)**

This scheme assesses organisational health and safety policies and procedures, and ensures health and safety arrangements are to an acceptable standard. Stockport Homes initially achieved the status this accreditation during 2013.

### **Construction Line**

This is a pre-qualification scheme for suppliers for construction contracts, supported by Government. Stockport Homes achieved accredited supplier status from 2013.

### **Awards**

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

Stockport Homes was included for the sixth year running among the best Public and Third Sector Employers by The Sunday Times and 'Best Companies' in March 2015. 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.

#### **Housing Excellence Awards 2014**

The Housing Excellence Awards highlights and rewards those who are leading the way in the social housing sector. Stockport Homes was named "Social Landlord of the Year- Medium" for its overall approach to supporting customers with the effects of Welfare Reform, alongside its outstanding performance in its "core" housing services.

#### **Housing Heroes 2014**

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. In 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. A volunteer at Stockport Homes 'Penny Lane Pantry' food sharing project was also named "Inspirational Resident of the Year".

#### **APSE (Association of Public Service Excellence) Annual Service Awards 2014**

The APSE Service Awards recognise innovation within service delivery which improves services to local communities and people delivered by local authorities or Housing providers. Stockport Homes won an award in the "Best Service Team: Repairs and Maintenance" category for its Repair 1<sup>st</sup> service, which was commended for its outstanding performance against key indicators and its high levels of customer satisfaction.

#### **TPAS Awards 2014**

The TPAS awards recognise tenants who go the extra mile, examples of landlords and tenants working together and also ideas that showcase what can be achieved when customers are truly involved in delivering housing services. In July, Stockport Homes won the national TPAS award for "Excellence in Digital Engagement" for its 'Digital Heroes' project, which was recognised for its innovative approach in supporting customers to train other customers.

#### **24Housing Magazine Awards 2014**

At the 24Housing Awards in October 2014, Stockport Homes won the "Repairs and Maintenance" award, again for its 'Repairs 1<sup>st</sup>' service. In the 'Welfare Wise' category, Stockport Homes was also "Highly Commended" for its work in supporting customers with the effects of Welfare Reform.

#### **Housing Innovations Awards 2015**

These awards celebrate pioneering spirit and highlight examples of inventive and original schemes and services in the Housing sector. Stockport Homes won in the 'Most Innovative Landlord-Medium' category for demonstrating innovation across the wide range of services it provides to customers, and was also awarded two further awards, "Most Innovative Use of Renewable Technology" for its extensive programme of biomass installations and "Most Innovative In-house Repairs Contractor" for its Repair 1<sup>st</sup> services' achievements over the year.

### **DEVELOPMENT ACTIVITY REVIEW OF THE YEAR**

Stockport Homes continued to develop and expand its housing stock during 2014/15 with a particular focus on developing new homes within the HRA account due to the restrictions imposed on ALMOs bidding for grant by the Homes and Communities Agency (HCA) 2011/15 Affordable Housing Programme.

Stockport Homes continued to act as managing agent on the Stockport Council owned developments and 2014/15 was year four of the four year Affordable Homes Programme for which Stockport Council was allocated £1.3m of grant funding to deliver 56 new homes. During the 2011/15 programme SHL on behalf of SMBC not only delivered the 56 units for which grant was allocated but was able to secure grant for an additional 70 new homes and deliver these units during the period. The total number of new homes built during the 2014/15 programme was therefore 126.

**STOCKPORT HOMES LTD – Company Number 04521257**  
**Operating Financial Review and Strategic Report**  
**31<sup>st</sup> March 2015**

Stockport Homes' property portfolio has increased to 175 units by 31 March 2015 as detailed below:

<b><u>Scheme</u></b>	<b><u>Number of Units</u></b>
Lantern Close	17
Marlhill Court	9
Mendip Court	9
Bideford Road	4
Tame Valley	8
Mortgage Rescue	52
Empty Homes	24
RTB buy-backs	6
Hopes Carr	46
<b>Total</b>	<b>175</b>

New Homes delivered through the Housing Revenue Account total 103 as at 31<sup>st</sup> March 2015 as detailed below;

<b><u>Scheme</u></b>	<b><u>Number of units</u></b>
Sandringham Rd.	6
Willow Avenue	8
Turves Rd.	11
5 Individuals	5
Essex Rd.	18
Peacefield	17
Fir Tree	28
Berlin Rd.	10
<b>Total:</b>	<b>103</b>

### **Essex Road, Brinnington**

This scheme completed in two phases in April and May of 2014. The project consists of 18 family homes for sale on a shared ownership basis. Of the 18 properties 11 are now sold and 7 are still available for sale.

### **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 for rent achieved completion in October 2014.

### **Turves Road, Cheadle Hulme**

This shared ownership scheme achieved completion in July 2014. Demand for the new homes was high and a local allocations policy was introduced in order to ensure a fair allocation process. All properties were sold off plan.

### **Berlin Road, Edgeley**

This 10 unit mixed tenure scheme achieved completion in January 2015. Demand for all 10 homes was high and a local allocations policy had to be introduced in order to ensure a fair allocation process for the 4 homes for sale. All 4 units were sold off plan.

### **Fir Tree, Reddish**

As at 31<sup>st</sup> March 2015, 28 units of this 51 unit mixed tenure scheme had achieved completion. The remaining units will complete in April and May 2015. The demand for the rented units have been high with an average of 96 bids per property. The 15 homes for sale are not due to complete until May 2015 and to date two have been reserved off plan.

### **Mortgage Rescue**

During 2014/15 twelve properties were acquired through the mortgage rescue programme. This brings the total number of properties acquired by SHL through the programme to 52. The Mortgage Rescue Programme has now ended with SHL acquiring the 4<sup>th</sup> highest number of properties amongst Housing Providers within Greater Manchester.

### **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 2014/15 ten properties were acquired, refurbished and let bringing the total number of Empty Homes owned to 24. Phase 1 and 2 of the Empty Homes Programme has now finished and SHL was one of the only Housing Providers to achieve their delivery targets within the programme. A bid for 2 properties has been submitted as part of the Empty Homes Programme Phase 3.

### **HCA Affordable Homes Programme Phase 2**

During the 2014/15 period additional grant funding was secured via the 2015/18 HCA Affordable Homes Programme 2 to deliver 234 new build units for both SHL and SMBC. Funding has been secured to deliver the following programme of schemes:

<b>Scheme</b>	<b>Number of Units</b>
Prospect House, Cheadle Hulme	11
Charles St. Great Moor	93
Blackstone Fields, Offerton	27
Drake Court, Reddish	4
Edwin St. Little Moor	18
Lapwing Lane, Brinnington	10
Truro Avenue, Brinnington	6
Bredbury Curve	24
Bulkeley St. Cheadle Hulme	17
Hexham Close, Offerton	24
<b>Total:</b>	<b>234</b>

An additional pipeline of schemes is also being worked up with the intention of securing funding during the 2015/18 programme. These schemes are as follows:

- Charles Street (additional 20 units)
- Grafton Street (10 units)
- St. Thomas' College (59 units)
- Hopes Carr Phase3 (19 units)
- Bredbury Curve (additional 20 units)

**STOCKPORT HOMES LTD – Company Number 04521257**  
**Operating Financial Review and Strategic Report**  
**31<sup>st</sup> March 2015**

Finally, the team has been working with various private sector developers across the Borough to acquire the homes within their developments which must be delivered as affordable homes to meet planning S106 requirements. During 2014/15 SHL entered into contract with Bellway Homes to deliver 25 homes for shared ownership and 8 homes for rent at Offerton Park in Offerton. The new homes are expected to complete between May 2015 and July 2016.

## **NEIGHBOURHOOD AND ENVIRONMENT ACTIVITY**

Stockport Homes is committed to working in partnerships with customers and key stakeholders sector to ensure the long term sustainability of neighbourhoods. A range of activities and projects have been delivered to address neighbourhood issues such as the environment, community safety, employment, training, health and well-being. These have included new fencing, recycling areas, new and improved children's play areas, IT training and equipment in local community centres, community clean ups and a range of seasonal events and activities.

Through the Funding Strategy, Stockport Homes has successfully worked with customers during the year to secure £354,000 of grant funding and matched resources of £399,000. In addition, 25 community groups have been directly supported to secure grant. The funders have included The Big Lottery, Crisis, Esmée Fairburn, Veolia Environmental Trust, Tinder Foundation, Health Lottery, Transport for Greater Manchester, The Equity Foundation, Forever Manchester, Contour Community Cash and Manchester Airport.

To support physical environmental projects, £400,000 is allocated within the Management Fee to deliver the Estate Improvement Budget to support cleaner, greener and safer neighbourhood projects. In addition £50,000 Stockport Homes Community Fund has been made available to customers to deliver neighbourhood activities, including support to encourage customers to get growing, deliver community events, develop community cafes, provide materials for sports and music events, and run trips for older customers.

## **CAPITAL STRUCTURE AND TREASURY POLICY**

To protect Stockport Homes from adverse movements in interest rates, Stockport Homes secures the cost of its long term borrowing through fixed rate loans. As at 31<sup>st</sup> March 2015 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 2015 was £9.955m. The current borrowing facility via Stockport Council is £15.035m, and a report seeking an extension to the facility to £45.135m over the next five years will be presented to the Council's Executive in June 2015.

The principal falls due for payment in:

	2014/15 £000	2013/14 £000
0-1 year	271	637
1-2 years	303	202
2-5 years	973	650
More than 5 years	8,408	6,276
<b>Total</b>	<b>9,955</b>	<b>7,765</b>

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

## **STATEMENT OF INTERNAL CONTROL**

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



**STOCKPORT HOMES LTD – Company Number 04521257**  
***Operating Financial Review and Strategic Report***  
**31<sup>st</sup> March 2015**

Whilst no system can provide absolute assurance or eliminate all risks, the organisation 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 places 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.
- 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.

**STOCKPORT HOMES LTD – Company Number 04521257**  
**Operating Financial Review and Strategic Report**  
**31<sup>st</sup> March 2015**

## **INDEPENDENT ASSURANCE**

The internal audit function at Stockport Homes is provided by PricewaterhouseCoopers (PwC). During 2014-15, six internal audits were conducted; a summary of the findings is presented below. In addition to core compliance auditing, 2014-15 saw the introduction of project assurance work being delivered by PwC in relation to the new head office project.

<b>Internal Audit</b>	<b>Rating</b>	<b>Recommendations *</b>
Health and Safety	Low	None
Information Governance	Medium	2 x medium, 1 x low
Risk Management	Low	2 x advisory
Core Financial Controls	Low	3 x low
New Business Processes for Third Party Works	Low	2 x low
Caretaking Stores (advisory audit)	No rating as was an advisory piece of work. An action plan has been developed.	

\* 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.

The HQ project assurance work was an assessment of the approach to project management based around the 12 elements of programme and project management excellence methodology. Examples of areas reviewed are governance arrangements, risk management, project planning, financing and quality management. 7 of the 12 areas were assessed as being fully integrated and 5 areas were assessed as being structured but with room for improvement. An action plan has been developed and approved.

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:

- Performance 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.

## **APPOINTMENT OF AUDITORS**

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

**STOCKPORT HOMES LTD – Company Number 04521257**  
***Operating Financial Review and Strategic Report***  
**31<sup>st</sup> March 2015**

**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 27<sup>th</sup> July 2015.

**STATEMENT OF COMPLIANCE**

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



**Roger Phillips, Chair of the Board**

## STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

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

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

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

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

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

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

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

31<sup>st</sup> March 2015

**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 2015 which comprise the income and expenditure account, the balance sheet, the statement of total recognised surpluses and deficits, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

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

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

***Opinion on financial statements***

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2015 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.

31<sup>st</sup> March 2015

*Independent Auditors' Report to Members of Stockport Homes Ltd.*

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board member and or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

Hamid Ghafoor (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Liverpool  
United Kingdom  
Date 29/07/2015

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

**STOCKPORT HOMES LTD – Company Number 04521257**  
**Strategic Report, Directors' Report and Financial Statements**

**INCOME AND EXPENDITURE ACCOUNT FOR THE  
YEAR ENDED 31 MARCH 2015**

	Notes	2015 £'000s	2014 £'000s
<b>Turnover</b>	2	<b>37,573</b>	<b>37,189</b>
Less: Operating cost		(37,194)	(36,613)
<b>Operating surplus</b>	4	<b>379</b>	<b>576</b>
Interest receivable and similar income	5	35	26
Net interest (deficit) on pension	7	269	(140)
Interest payable and similar charges	5	(329)	(296)
<b>Surplus on ordinary activities before taxation</b>		<b>354</b>	<b>166</b>
Tax on surplus on ordinary activities	6	(80)	(38)
<b>Surplus on ordinary activities after taxation</b>		<b>274</b>	<b>128</b>
Transfer to/from resources		-	-
<b>Retained surplus for the year</b>		<b>274</b>	<b>128</b>

All amounts relate to continuing activities.

**STOCKPORT HOMES LTD – Company Number 04521257**  
**Strategic Report, Directors' Report and Financial Statements**

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS  
FOR THE YEAR ENDED 31 MARCH 2015**

	Notes	2015 £'000s	2014 £'000s
Reported surplus for the year		274	128
Actuarial loss in pension plan	7	(7,518)	(406)
Total recognised deficits for the financial period		(7,244)	(278)

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


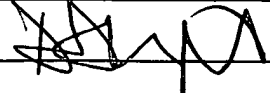


BALANCE SHEET FOR THE  
YEAR ENDED 31 MARCH 2015

		2015	Restated 2014
	Notes	£'000s	£'000s
<b>Fixed assets</b>			
Housing Property			
Cost less Depreciation	8	17,409	13,539
Less Social Housing and other Grant	8	(7,004)	(5,736)
Other tangible assets	8	493	192
		<u>10,898</u>	<u>7,995</u>
<b>Current assets</b>			
Stock and Work in Progress	9	1,381	183
Debtors	10	4,089	4,315
Investments	11	2,000	3,000
Cash at bank and in hand	12	<u>2,423</u>	<u>2,276</u>
		9,893	9,774
<b>Creditors amounts falling due within one year</b>	13	(5,025)	(4,994)
<b>Net current assets</b>		<u>4,868</u>	<u>4,780</u>
<b>Total assets less current liabilities</b>		<u>15,767</u>	<u>12,775</u>
<b>Creditors amounts falling due after one year</b>	14	(9,684)	(7,128)
<b>Net assets before pension liability</b>		<u>6,083</u>	<u>5,647</u>
<b>Provisions for liabilities</b>			
Pension liability	7	(15,741)	(8,061)
<b>Total Liabilities</b>		<u>(9,658)</u>	<u>(2,414)</u>
<b>Capital and Reserves</b>			
Revenue reserve	17	(9,658)	(2,414)
<b>Total Liabilities</b>	17	<u>(9,658)</u>	<u>(2,414)</u>

These financial statements were approved and authorised for issue by the Board of Directors on 27 July 2015

Signed on behalf of the Board of Directors

Roger Phillips, Chair of the Board

David Wright, Chair of BDSG

CASH FLOW STATEMENT FOR THE  
YEAR ENDED 31 MARCH 2015

	2015 £'000	2014 (restated) £'000
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>		
Operating surplus	379	576
FRS17 net deficit	431	474
Depreciation	269	226
FRS 17 past service loss/(gain)	-	5
Movement in stocks	(1,198)	(8)
Movement in debtors	71	(993)
Movement in creditors	(605)	673
<b>Net cash (outflow)/ inflow from operating activities</b>	<b>(653)</b>	<b>953</b>
<b>Cash flow statement</b>		
Net cash inflow/ (outflow) from operating activities	(653)	953
Return on investments & servicing of finance (note 1)	(294)	(270)
Capital expenditure and financial investment (note 2)	(2,417)	(1,761)
Taxation (note 3)	(45)	(19)
<b>Net cash outflows before the use of liquid resources and financing</b>	<b>(3,409)</b>	<b>(1,097)</b>
<b>Use of liquid resources</b>		
Purchase of Investments	-	(3,000)
Sale of Investments	1,000	-
<b>Net cash inflows/ (outflows) from use of liquid resources</b>	<b>1,000</b>	<b>(3,000)</b>
<b>Financing</b>		
Loan advances received	2,796	630
Loan principal repayments	(240)	(168)
Loan redemption repayments	-	-
<b>Net cash inflow from financing</b>	<b>2,556</b>	<b>462</b>
<b>Increase/ (Decrease) in cash in the year</b>	<b>147</b>	<b>(3,635)</b>

**CASH FLOW STATEMENT FOR THE  
YEAR ENDED 31 MARCH 2015**

**Reconciliation of net cash flow to  
movement in net funds (note 4)**

	<b>2015</b>	<b>2014</b>
		<b>(restated)</b>
	<b>£,000</b>	<b>£,000</b>
Increase/ (Decrease) in the year	<b>147</b>	<b>(3,635)</b>
Debt in the year	<b>(2,556)</b>	<b>(462)</b>
Investments	<b>(1,000)</b>	<b>3,000</b>
Net funds at 31 March 2014	<b>(1,852)</b>	<b>(755)</b>
<b>Net funds at 31 March 2015</b>	<b><u>(5,261)</u></b>	<b><u>(1,852)</u></b>

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE CASHFLOW STATEMENT**

	2015		2014	
	£'000	£'000	£'000	£'000
<b>NOTE 1 TO</b>				
<b>CASH FLOW STATEMENT</b>				
<b>Gross cash flows</b>				
Returns on investments and servicing of finance				
Interest received	35		26	
Interest paid	(329)		(296)	
		(294)		(270)
<b>NOTE 2 TO</b>				
<b>CASH FLOW STATEMENT</b>				
<b>Capital expenditure and financial investment</b>				
Acquisition and construction of properties	(3,660)		(3,059)	
Purchase of other fixed assets	-		-	
Capital grants received	1,243		1,257	
Sale of properties	-		41	
		(2,417)		(1,761)
<b>NOTE 3 TO</b>				
<b>CASH FLOW STATEMENT</b>				
Taxation paid	(45)		(19)	
		(45)		(19)
<b>NOTE 4 TO</b>				
<b>CASH FLOW STATEMENT</b>				
	2014	Cash	2015	
	£'000	Flows	£'000	
		£'000		
Cash in hand and at bank	2,276	147	2,423	
Investments	3,000	(1,000)	2,000	
Bank loan > 1 year	(7,128)	(2,556)	(9,684)	
Total	(1,852)	(3,409)	(5,261)	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2015**

**1 Principal accounting policies**

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

**Accounting Policy – Basis of Accounting**

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

**Going concern**

The financial statements have been prepared on a going concern basis. The Company's Balance Sheet shows a net liability of £9.658million. This includes the deficit on pensions under Financial Reporting Standard 17 of £15.741million. The Council has agreed that it will ensure that Stockport Homes Ltd is able to discharge its liabilities for the pensions costs attributable to SHL's past, present and future employees. Net assets before FRS17 are £6.083 million. The Directors can confirm that the management agreement for providing housing services was renewed in October 2015 for a further twenty seven years following approval of the revised agreement by the Council's Executive on 21<sup>st</sup> July.

On 8<sup>th</sup> July 2015, the Government announced a 1% year on year decrease in social housing rents over four years from 2016/17. This is compared to previous rent policy which allowed for annual rental increases of CPI + 1%. This affects the HRA Business Plan and Stockport Homes' own rents. This is significant to the HRA Business Plan, and whilst the Directors are still confident of going concern given the extension of the Management Agreement for 27 years, this could mean pressures on the level of management fee Stockport Homes receives going forward. The impact of this is being assessed and strategies are being enacted to manage this across all aspects of the business.

**Turnover**

Turnover represents management fee receivable for services provided in the normal course of business, net of VAT and other sales related taxes, rental income receivable, service charge income receivable and other income receivable. 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.

Development costs to date on the new Head Office project have been capitalised and are classified as assets under construction.

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:

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

- 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 be accounted for separately and depreciated over its individual useful economic life. Expenditure relating to the subsequent replacement or renewal of components is capitalised as incurred.

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

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

**Impairment**

Stockport Homes' housing stock is reviewed for impairment at the end of each financial year on a scheme by scheme basis. There is no impairment indicated for the year ending 31 March 2015.

**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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2015**

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2015**

**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.

**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 – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**2      Turnover**

Stockport Homes Ltd's principal source of income (70% 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:

<b>Note A</b>		<b>2014/15</b>			<b>2013/14</b>	
	<b>Turnover</b>	<b>Operating</b>	<b>Operating</b>	<b>Turnover</b>	<b>Operating</b>	<b>Operating</b>
	<b>£'000</b>	<b>Costs</b>	<b>Surplus</b>	<b>£'000</b>	<b>Costs</b>	<b>Surplus</b>
		<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
Social Housing Lettings (Note B)	895	538	357	687	415	272
	<b>895</b>	<b>538</b>	<b>357</b>	<b>687</b>	<b>415</b>	<b>272</b>
<b>Other Social Housing Activities</b>						
Management Fee from Stockport MBC	26,238	25,833	405	24,944	24,209	735
Income from customers and miscellaneous	5,197	5,003	194	3,890	3,820	70
Supporting People grants	346	346	-	484	484	-
Charges to Capital Programme	4,064	4,064	-	6,482	6,482	-
Water Initiative	833	979	(146)	702	724	(22)
Pension Loss	-	431	(431)	-	474	(474)
<b>Sub Total</b>	<b>36,678</b>	<b>36,656</b>	<b>2</b>	<b>36,502</b>	<b>36,193</b>	<b>309</b>
Past service cost on pension	-	-	-	-	5	(5)
<b>Total</b>	<b>37,573</b>	<b>37,194</b>	<b>379</b>	<b>37,189</b>	<b>36,613</b>	<b>576</b>

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**Note B**

	<b>2014/15 General Needs Housing £'000</b>	<b>2013/14 General Needs Housing £'000</b>
<b>Income</b>		
Rent Receivable net of service charge income	819	648
Service Charge Income	44	39
Other Revenue	30	-
Bad Debt reduction in provision	2	-
<b>Turnover from social housing</b>	<b>895</b>	<b>687</b>
<b>Expenditure</b>		
Management	59	51
Service Charge Costs	44	39
Maintenance	72	39
Major Repairs Expenditure	-	-
Bad Debts Charge	-	5
Depreciation of Housing Stock	247	205
Cost of Goods Sold of Shared Ownership Schemes	-	9
Other Costs	116	67
<b>Total Expenditure</b>	<b>538</b>	<b>415</b>
<b>Operating Surplus on Social Housing Lettings</b>	<b>357</b>	<b>272</b>

**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 £2,179 in the year to 31 March 2015 (£2,400 in the twelve months to 31 March 2014).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2015**

**Executive Officers' emoluments**

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

	2015 £'000	2014 £'000
Aggregate emoluments - Executive Officers	448	427
Aggregate Pension Contributions - Executive Officers	54	71
	502	498
Emoluments Paid to the Highest Paid Executive Officer	141	120
Pension contributions – Highest Paid Executive Officer	-	20
	141	140

The Chief Executive is the highest paid Executive Officer.

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 2014
£60,000	-	£70,000	-
£70,001	-	£80,000	1
£80,001	-	£90,000	1
£90,001	-	£100,000	1
£100,001	-	£110,000	-
£110,001	-	£120,000	-
£120,001		£140,000	-
£140,001	-	£150,000	1

**Average number of persons employed**

	2015	2014
Operations	257	237
Repairs and Maintenance	147	147
Administration	109	92
	513	476

	2015 £'000	2014 £'000
Staff costs during the period (including Directors)		
Wages and salaries	13,103	12,226
Social security costs	933	888
Pension costs	1,981	1,687
Post Service debit( note 7)	-	-
	16,017	14,801

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

<b>4</b>	<b><u>Operating surplus</u></b>	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
	The operating surplus is after charging:		
	Depreciation	269	226
	Rentals under operating leases	1,015	842
	Auditors' remuneration - audit	13	13
	- non-audit services	2	2
		2	2

**5** **Interest payable and receivable**

Interest of £329k on the borrowing for the New Build completed schemes was payable during the year to 31 March 2015 (£296k during the financial year to 31 March 2014). Interest due on Treasury activities during the year 31 March 2015 was £35k (£26k during the financial year to 31 March 2014).

<b>6</b>	<b><u>Tax on surplus on ordinary activities</u></b>	<b>2015</b> <b>£'000s</b>	<b>2014</b> <b>£'000s</b>
	United Kingdom corporation tax	80	38
	<b>Factors affecting tax charge for year</b>		
	Surplus on ordinary activities before tax	810	785
	Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% adjusted for small companies marginal relief	178	157
	Effects of:		
	Non taxable income and deductions	(98)	(119)
		80	38

**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 2015 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
- Actual payroll information up to the latest available date

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2015**

- Employer and employee contributions up to the latest available date and payroll data if available (in order to estimate contribution income and pensionable payroll for the accounting period)
- Actual split of Fund assets as at the latest available date
- Actual Fund returns provided up to the latest available date
- The bid market value of Fund assets as at the latest available date, and
- Any new early retirements from 1 April 2014 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 2015 % p.a.	Medium 31 Mar 2015 % p.a.	Long 31 Mar 2015 % p.a.	31 Mar 2014 % p.a.
Pension Increase Rate	2.1%	2.4%	2.5%	2.8%
Salary Increase Rate*	3.25%	3.55%	3.65%	3.9%
Expected Return on Assets	3.1%	3.2%	3.3%	5.9%
Discount Rate	3.1%	3.2%	3.3%	4.3%

At 31<sup>st</sup> March 2015, the long term pay growth assumption is RPI plus 0.25% p.a. An additional allowance has also been made for promotional salary increases.

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

Year Ended:	31 Mar 2015 % p.a.	31 Mar 2014 % p.a.
Equities	5.7%	6.6%
Bonds	2.7%	3.8%
Property	3.9%	4.8%
Cash	2.6%	3.7%

Mortality assumptions - life expectancy is based on the Fund's Vita Curves 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:

Year Ended:	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 Vita Curves. The allowances for future life expectancies at age 65 are shown below:

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	year of birth, medium cohort and

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2015**

31 March 2011	1% p.a. minimum improvements from 2010 Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	1% p.a. minimum improvements from 2010 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:

<b>Year Ended:</b>	<b>31 Mar 2015 £(000)</b>	<b>31 Mar 2014 £(000)</b>
Equities	32,718	27,450
Bonds	7,619	6,481
Property	2,689	2,287
Cash	1,793	1,906
<b>Total</b>	<b>44,819</b>	<b>38,124</b>

The above asset values as at 31 March 2015 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 low 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 values.

The amounts recognised in the Balance Sheet are as follows:

<b>Year Ended:</b>	<b>31 Mar 2015 £(000)</b>	<b>31 Mar 2014 £(000)</b>
Fair Value of Employer Assets	44,819	38,124
Present Value of Funded Liabilities	(60,560)	(46,185)
Net (Under)/Overfunding in Funded Plans	(15,741)	(8,061)
Present Value of Unfunded Liabilities	-	-
Unrecognised Past Service Cost	-	-
<b>Net (Liability)</b>	<b>(15,741)</b>	<b>(8,061)</b>
Amount in the Balance Sheet		
Liabilities	15,741	8,061
Assets		
<b>Net Asset / (Liability)</b>	<b>(15,741)</b>	<b>(8,061)</b>

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2015**

The amounts recognised in the Profit or Loss are as follows:

<b>Year ended:</b>	<b>31 March 2015</b>		<b>31 March 2015</b>		<b>31 March 2014</b>		<b>31 March 2014</b>
	<b>£ (000)</b>		<b>% of pay</b>		<b>£ (000)</b>		<b>% of pay</b>
Current Service Cost*	2,415		21.3%		2,144		21.6%
Interest Cost	2,040		18.0%		1,730		17.4%
Expected Return on Employer Assets	(2,309)		(20.4%)		(1,590)		(16.0%)
Past Service Cost/ Gain	-		-		5		0.1%
Losses / (Gains) on Curtailments and Settlements	-		-		-		-
<b>Total</b>	<b>2,146</b>		<b>18.9%</b>		<b>2,289</b>		<b>23.1%</b>
Actual return on Plan Assets	<b>4,542</b>				<b>2,224</b>		

\*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:

<b>Year Ended:</b>	<b>31 Mar 2015 £(000)</b>	<b>31 Mar 2014 £(000)</b>
<b>Opening Defined Benefit Obligation</b>	<b>46,185</b>	<b>37,361</b>
Current Service Cost	2,415	2,144
Interest Cost	2,040	1,730
Contributions by Members	742	646
Actuarial Losses/	9,750	4,864
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	(572)	(565)
<b>Closing Defined Benefit Obligation</b>	<b>60,560</b>	<b>46,185</b>

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

<b>Year Ended:</b>	<b>31 Mar 2015 £(000)</b>	<b>31 Mar 2014 £(000)</b>
<b>Opening Fair Value of Employer Assets</b>	<b>38,124</b>	<b>30,325</b>
Expected Return on Assets	2,309	1,590
Contributions by Members	742	646
Contribution by the Employer	1,984	1,670
Contributions in respect of Unfunded Benefits	-	-
Actuarial Gains/(Losses)	2,232	4,458
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Unfunded Benefits Paid	-	-
Benefits Paid	(572)	(565)
<b>Closing Fair Value of Employer Assets</b>	<b>44,819</b>	<b>38,124</b>

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

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

<b>Year Ended:</b>	<b>31 Mar 2015</b>	<b>31 Mar 2014</b>
Equities	73%	72%
Bonds	17%	17%
Property	6%	6%
Cash	4%	5%

Amounts for the current and previous accounting periods:

<b>Year Ended:</b>	<b>31 Mar 2015</b>	<b>31 Mar 2014</b>
	<b>£(000)</b>	<b>£(000)</b>
Fair Value of Employer Assets	44,819	38,124
Present Value of Defined Benefit Obligation	(60,560)	(46,185)
(Deficit) / Surplus	(15,741)	(8,061)
Experience Gains / (Losses) on Assets	2,232	4,458
Experience Gains / (Losses) on Liabilities	217	(5,145)

Amounts for the current and previous accounting periods:

<b>Year Ended:</b>	<b>31 Mar 2013</b>	<b>31 Mar 2012</b>	<b>31 Mar 2011</b>
	<b>£(000)</b>	<b>£(000)</b>	<b>£(000)</b>
Fair Value of Employer Assets	30,325	25,158	23,714
Present Value of Defined Benefit Obligation	(37,361)	(29,533)	(24,886)
(Deficit) / Surplus	(7,036)	(4,375)	(1,172)
Experience Gains / (Losses) on Assets	2,295	(1,255)	802
Experience Gains / (Losses) on Liabilities	19	(142)	697

The amount recognised in the Statement of Total Recognised Surpluses and Deficits is a loss of £7,518k (2014 loss of £406k )

The best estimate for employers contributions for the year to 31 March 2016 is approximately £2.177k. This has been prepared on the new FRS102 basis.



**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**8 Tangible Fixed Assets**

	Completed Housing Properties		Housing under Construction			Other Assets			
	For Rent £000	For shared ownership £000	For Rent £000	For shared ownership £000	Sub-total £000	Computer assets £000	PV Panels £000	Head Office £000	Total £000
<b>Cost</b>									
At 1 April 2014	13,463	417	78	-	13,958	95	173	-	14,226
Additions	2,568	-	356	1,194	4,118	-	-	322	4,438
<b>At 31 March 2015</b>	<b>16,031</b>	<b>417</b>	<b>434</b>	<b>1,194</b>	<b>18,076</b>	<b>95</b>	<b>173</b>	<b>322</b>	<b>18,664</b>
<b>Depreciation</b>									
At 1 April 2014	401	18	-	-	419	67	11	-	497
Charge for year	240	8	-	-	248	14	7	-	269
<b>At 31 March 2015</b>	<b>641</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>667</b>	<b>81</b>	<b>18</b>	<b>-</b>	<b>766</b>
<b>Cost less Depreciation</b>									
<b>At 31 March 2015</b>	<b>15,390</b>	<b>391</b>	<b>434</b>	<b>1,194</b>	<b>17,409</b>	<b>15</b>	<b>156</b>	<b>322</b>	<b>17,902</b>
At 31 March 2014	13,062	399	78	1,194	17,409	15	156	322	13,731

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

<b>Social Housing Grant</b>	<b>Completed Housing Properties</b>		<b>Housing under construction</b>		<b>Sub-total £000</b>	<b>Computer assets £000</b>	<b>Other Assets</b>		<b>Total £000</b>
	<b>For Rent £000</b>	<b>For shared ownership £000</b>	<b>For Rent £000</b>	<b>For shared ownership £000</b>			<b>PV Panels £000</b>	<b>Head Office £000</b>	
As at 31 March 2014	4,672	288	-	-	4,960	-	-	-	4,960
Additions	943	-	95	-	1,268	-	-	-	1,268
<b>At 31 March 2015</b>	<b>5,615</b>	<b>288</b>	<b>95</b>	<b>230</b>	<b>6,228</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,228</b>
Other grant									
At 1 April 2014	776	-	-	-	776	-	-	-	776
<b>At 31 March 2015</b>	<b>776</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>776</b>
<b>Net Book Value</b>									
<b>At 31 March 2015</b>	<b>8,999</b>	<b>103</b>	<b>339</b>	<b>964</b>	<b>10,405</b>	<b>15</b>	<b>156</b>	<b>322</b>	<b>10,898</b>
At 31 March 2014	7,614	111	78	-	7,803	29	163	-	7,995

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

All properties owned by Stockport Homes are owned on a freehold basis with the exception of 14 properties which were purchased on a leasehold basis. The total net book value of the leasehold properties as at 31<sup>st</sup> March 2015 is £980k.

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:-

	2015	2014
	£000	£,000
<b>Expenditure on works to existing properties</b>		
Amount capitalised	2,602	2,237
Amount charged to income and expenditure account for maintenance	72	39
	<u>2,674</u>	<u>2,276</u>

**Land owned**

Stockport Homes have been transferred freehold and leasehold land. This is held at net book value.

	2015	2014
	£000	£000
<b>9 <u>Stocks and Work in Progress</u></b>		
Raw materials and consumables	191	183
Shared ownership stock	1,190	-
	<u>1,381</u>	<u>183</u>

	2015	2014
	£000	£000
<b>10 <u>Debtors</u></b>		
Due from Stockport MBC and its subsidiaries	2,431	2,870
Trade Debtors	582	511
Other debtors	335	120
Prepayments and accrued income	741	814
	<u>4,089</u>	<u>4,315</u>

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

<b>11 <u>Investments</u></b>	<b>2015 £000</b>	<b>Restated 2014 £000</b>
Cash in a fixed term deposit account	2,000	3,000
	<u>2,000</u>	<u>3,000</u>

<b>12 <u>Cash</u></b>	<b>2015 £000</b>	<b>Restated 2014 £000</b>
Cash at bank	2,423	2,276
	<u>2,423</u>	<u>2,276</u>

The prior year balance has been restated to reclassify the cash held in a fixed term savings account.

<b>13 <u>Creditors: amounts falling due within one year</u></b>	<b>2015 £000</b>	<b>2014 £000</b>
Due to Stockport MBC and its subsidiaries	1,173	1,305
Trade Creditors	1,073	1,551
Corporation tax	73	39
Other taxation and social security	317	299
Other creditors	486	519
Accruals and deferred income	1,904	1,281
	<u>5,025</u>	<u>4,994</u>

<b>14 <u>Creditors: amounts falling due after one year</u></b>	<b>2015 £000</b>	<b>2014 £000</b>
Housing loans (due to Stockport MBC)	9,684	7,128
	<u>9,684</u>	<u>7,128</u>

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

Housing loans (due to Stockport MBC continued)	2015	2014
	£000	£000
In 1 to 2 years	303	202
2 to 5 years	973	650
5 years or more	8,408	6,276
Total	<u>9,684</u>	<u>7,128</u>

<b>The housing loans are currently on fixed rates of interest</b>			
Scheme	Interest Rate	Loan Term	Amount outstanding as at 31.03.2015
			(£)
Lantern Close (2010)	4.80%	30 years	940,083
Marlhill Close (2011)	4.02%	20 years	469,190
Mendip Close (2011)	5.37%	40 years	0
Bideford Road (2011)	4.78%	40 years	259,141
Tame Valley (2011)	3.74%	20 years	97,818
Covent Garden (2013)	3.92%	40 years	2,280,512
Mortgage Rescue Phase 1(2012)	5.31%	30 years	764,612
MR / EH Phase 2 (2013)	2.54%	16 years	1,428,052
MR / EH Phase 3 (2013)	4.15%	23 years	1,564,375
MR / EH Phase 4 (2014)	2.58%	12 years	522,059
Fir Tree (2014)	3.96%	30 years	677,186
Offerton Park (2015)	2.95%	20 years	268,778
Prospect House (2015)	2.90%	17 years	683,070
Total			9,954,876

The Mendip Close principal outstanding of £442,440 as at 31<sup>st</sup> 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 borrowing for the Fir Tree scheme (15 shared ownership units and 4 affordable rented units in Reddish) has now be fully drawn down.

The Mortgage Rescue / Empty Homes phase 4 has drawn down £522,059 in relation to properties which were acquired during 2014/15. The remaining £620,179 will be drawn down during 2015-16 and 2016-17.

Offerton Park, a S106 scheme with 33 units (mix of shared ownership and affordable rent) has £567,051 still to draw down over 2015-16.

Prospect House in Cheadle (11 units for shared ownership) has £75,805 of borrowing still to draw down during 2015-16.

**15 SHG Received and Receivable as at 31<sup>st</sup> March 2015**

SHG received into the bank as at 31<sup>st</sup> March 2015 is £6,136,709 relating to completed assets. Furthermore, £91,405 has been accrued as outstanding SHG receivable as at 31<sup>st</sup> March 2015 which is in relation to an Empty Homes property purchased in 2013-14, SHG accrued on the Fir Tree scheme and SHG accrued on the Prospect House scheme.

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**16     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
<b>Number of Dwellings Properties as at 1<sup>st</sup> April 2014</b>	<b>152</b>	<b>19</b>	<b>11,376</b>	<b>76</b>
Sales via Right To Buy	-	-	(57)	-
Acquisitions of Properties	23	-	-	-
New Build Schemes Completed	-	-	72	(72)
New Build Schemes Commenced	-	11		-
Transfer to SMBC	-	-	-	-
Addition to Stock	-	-	1	-
<b>Number of Dwellings Properties as at 31st March 2015</b>	<b>175</b>	<b>30</b>	<b>11,392</b>	<b>4</b>

**17     Reconciliation of movement in reserves**

**2015                      2014**  
**£000                      £000**

**The closing value of reserves comprises of**

Revenue reserves b/f excluding FRS 17 pension liability	<b>5,647</b>	<b>4,900</b>
FRS 17 Pension liability reserves b/f	<b>(8,061)</b>	<b>(6,417)</b>
Surplus for the year	<b>274</b>	<b>128</b>
Reserves relating to FRS 17 Pension Liability	<b>(7,518)</b>	<b>(1,025)</b>
<b>Closing value of reserves 31/03/2015</b>	<b><u>(9,658)</u></b>	<b><u>(2,414)</u></b>

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**18      Commitments**

At 31 March 2015 the company was committed to making the following payments during the next year, in respect of non-cancellable operating leases:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Motor Vehicles:</b>		
<b>Leases which expire:</b>		
Within one year	<b>155</b>	<b>143</b>
Within two to five years	<b>781</b>	<b>243</b>
After more than five years	<u>-</u>	<u>-</u>
<b>Land &amp; Buildings:</b>		
<b>Leases which expire:</b>		
Within one year	<u>-</u>	<u>-</u>
Within two to five years	<b>566</b>	<b>283</b>
After more than five years		

There were no capital commitments at the year end.

**19      Parent undertaking**

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

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

**20      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 took out new borrowing from Stockport Metropolitan Borough Council during the year of £2.846m for the organisation's New Build schemes. During the year Stockport Homes Ltd also paid for services provided by Solutions SK Ltd, a wholly owned subsidiary of Stockport Metropolitan Borough Council formed on 1<sup>st</sup> October 2006, and NPS Stockport Ltd, in which Stockport Metropolitan Borough Council acquired a 20% holding on transfer of activities to this organisation.

**STOCKPORT HOMES LTD – Company Number 04521257**  
**31<sup>st</sup> March 2015**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

In 2014/15 the management fee and other charges to the Council amounted to £34.942m (£35.063m as at 31<sup>st</sup> March 2014). Outstanding balances at the year-end amounted to £2.431m (£2.870m as at 31<sup>st</sup> March 2014).

During the financial period ended 31<sup>st</sup> March 2015, Stockport Metropolitan Borough Council charged Stockport Homes Ltd £1.486m for the provision of support services (£3.957m to 31<sup>st</sup> March 2014). Outstanding balances at the year-end amounted to £1.131m (£525k as at 31<sup>st</sup> March 2014). There were also £9.955m of housing loan balances outstanding.

In 2014/15 Solutions SK Ltd and its subsidiary Waste Solutions SK Limited charged Stockport Homes Ltd £456k for the provision of services related to repairs, maintenance and fleet services (£518k to 31<sup>st</sup> March 2014). Outstanding balances at the year-end amounted to £41k (£144k as at 31<sup>st</sup> March 2014). Carrillion charged Stockport Homes Ltd £40k for the provision of services related to repairs, maintenance and management services (£64k for the year ended 31<sup>st</sup> March 2014).

In 2014/15 Stockport Homes Ltd charged schools within Stockport £363k (£164k for the year ended 31<sup>st</sup> March 2014) in relation to the provision of repairs and maintenance services.

As at 31 March 2015, 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 2015, the tenants acting as Board members for Stockport Homes Ltd were Mrs Mrs Jane Clayton, Mrs Jo Hague, Mrs Christine Woolridge Ms Sue Ash and Mr Thomas Dotchin. 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 2015, Mrs Christine Woolridge, Mr Thomas Dotchin and Mrs Jo Hague continued to act as Board Members. There are no significant rental arrears to report in relation to these tenants as at the year end.