

Stockport Homes Limited

Company Limited by Guarantee
Financial Statements

Year ended 31 March 2023

Company Number: 04521257

Social Housing Provider registered with the
Regulator of Social Housing, number: 4619

Stockport Homes Limited

Report and Financial Statements for the year ended 31 March 2023

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Stockport Homes Limited

Executives and advisors for the year ended 31 March 2023

Board of management

Jenny Osbourne, Chair
Priti Butler
Robin Burman
Alistair Chapman (appointed 28 September 2022)
Maria Earl (appointed 28 September 2022)
Nasrin Fazal (appointed 28 September 2022)
Peter Fitzhenry (retired 28 September 2022)
Lorraine Gill (resigned 19 February 2023)
Josephine Hague
Sarah Keenan (retired 28 September 2022)
Kenneth Lee
Stephen Partridge
Christine Woolridge

Executive management

Helen McHale	Chief Executive
Sandra Coleing	Assistant Chief Executive
Simon Welch	Director for SKylight & Customer Services
John Bowker	Executive Director of Operations
Carmel Chambers	Executive Director of Resources

Registered office
Stockport Homes Ltd
Cornerstone
2 Edward Street
Stockport
Cheshire
SK1 3NQ

Principal Solicitors
Stockport MBC
Town Hall
Edward Street
Stockport
SK1 3XE

Auditors
Beever and Struthers
One Express
1 George Leigh St
Manchester
M4 5DL

Bankers
Barclays Bank Limited
PO Box 190
Leeds
LS1 5WU

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2023 (*continued*)

The Directors present their report and the audited Financial Statements for the year 1 April 2022 to 31 March 2023. The report and accompanying statements have been compiled in line with the Statement of Recommended Practice (SORP) for registered social housing providers (2018). Stockport Homes complies with the revised NHF Excellence in Governance Code for members which ensures the highest standards of corporate governance. These Financial Statements include the results of Stockport Homes Limited and its subsidiary companies: Three Sixty SHG Limited, Viaduct Partnerships Limited and SKYlight Proud to be Part of SHG (previously known as Foundations Stockport). Collectively these companies are branded as Stockport Homes Group, 'SHG'.

Principal activities and review of business

The Company's principal activity is to manage and maintain the stock of properties owned by Stockport Metropolitan Borough Council, ('the Council'), including the management of the capital programme for the build and modernisation of the properties, and the properties owned by Stockport Homes itself. In total 12,493 properties were managed or owned at 31 March 2023. This is covered in further detail in the strategic report.

Qualifying third party indemnity provisions

The company has no qualifying third party indemnity provisions in place for the directors of Stockport Homes Limited.

Compliance with Governance and Financial Viability Standard

Stockport Homes operates within the Regulator of Social Housing's Regulatory Framework for Social Housing in England. Stockport Homes is classed as a 'small provider' within the Regulatory Framework as it currently owns less than 1,000 social housing homes. There is a requirement in the Regulatory Framework for the Board to set out compliance with the 'Governance and Financial Viability Standard'. Stockport Homes undertook a compliance assessment on the full Regulatory Framework to ensure it works in line with best practice in the sector. The assessment was provided to the Board and it confirmed that Stockport Homes complies with the requirements of the Regulatory Framework for Social Housing in England. As part of this assessment, compliance with the NHF Code of Governance was reviewed and confirmed by the Board as at 31 March 2023.

Going concern

At its meeting on 17 July 2023, the Board of Stockport Homes Limited ('SHL') approved the statement that in their opinion, Stockport Homes Limited 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 the Council to pay Management Fees in return for delivery of housing management and maintenance services, as prescribed in the 27 year Management Agreement that was approved by the Council's Executive on 21st July 2015.

The financial statements have been prepared on a going concern basis. The company's Balance Sheet shows a net asset position which includes pension assets required under FRS 102, though the pension scheme has previously been reported in a liability position in recent years. Should pension liabilities arise, the Council has agreed within the Management Agreement that it will ensure that SHL is able to discharge its liabilities for the pension costs attributable to Stockport Homes' past, present and future employees. For 2022/23 the pension funds were valued at an asset value of £20.192m as at 31 March 2023 (liability of £26.393m as at 31 March 2022).

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2023 (*continued*)

Assessment of the effectiveness of internal control

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

Whilst no system can provide absolute assurance or eliminate all risks, SHG 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 aims, 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:

- A Governance Scheme of Delegation which sets out the powers and duties of the Non-Executive and Executive Directors. The Governance Scheme of Delegation also sets out the powers and duties at a subsidiary Board level. Alongside this exists Terms of Reference for the three Committees and a code of conduct for all Board Members. The Board(s) and Committees receive regular reports outlining the delivery of objectives and outcomes.
- A Risk Management Strategy is in place which describes the framework by which risk and opportunity management takes place across the company. A suite of annual risk registers are developed, setting out the key corporate and Subsidiary level risks and the actions to mitigate those risks. A Risk Appetite has also been developed to inform decision making.
- Internal Audit provides an independent assessment and assurance over key business processes and management controls. The internal audit plan is risk based and updated each year to reflect current areas of risk / audit requirement. The plan is agreed with the Audit and Risk Committee and all audit reports are presented to that Committee. Board Members have the opportunity to meet with the Internal Auditors without officers being present. Where internal audit reports relate to Subsidiary Board functions, they are also made aware of the assurance provided by internal audit. A key component of the internal audit function is to ensure recommendations raised to better manage risk are implemented in a timely manner. There are processes in place to ensure this happens and is reported back to the Audit and Risk Committee.
- External Audit provides an independent examination of the financial statements prepared by Stockport Homes, 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, a five year Delivery Plan 2021 - 2026, the three year SHG Business Plan 2023-26, and thirty year SHG financial plan. Updates to these are presented to Board on a periodic basis. These documents are supplemented by other Business Plans, Strategies and Policies to ensure aims and objectives are delivered.
- Development of new business is undertaken following a thorough appraisal of new initiatives, assessment of risk, production of a cost benefit analysis and a defined process for approval. An approach to approving new business opportunities has been approved by Board and is built into the Financial Scheme of Delegation.
- Production of monthly management accounts ensures that senior management have oversight of expenditure, budgeting and forecasting. Financial information is presented to the Board (including Subsidiary Boards) and the Audit and Risk Committee on a quarterly basis. This process ensures that

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2023 *(continued)*

any significant variances are investigated, and any necessary management action taken to ensure objectives are delivered to budget.

- Financial Regulations, a Financial 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. These are kept up to date as the business evolves and grows.
- A Treasury Management Strategy ensures adequate return on investments are obtained and that only those institutions offering adequate security as defined in the Treasury Management Practices are utilised. Reports are presented to the Audit and Risk Committee to provide assurance over treasury arrangements.
- A Performance Management Framework which sets out targets, measures and outcomes expected to be delivered over the year. Regular performance reports are provided to the Board outlining achievement against key measures, performance indicators and strategic plans, along with any remedial activity required. Benchmarking is also undertaken to compare performance against peers.
- The People and Organisational Development Strategy recognises the importance of recruitment, retention and development of staff. The strategy ensures that SHG 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, liabilities and eventualities to protect and safeguard company assets. Additional cover is put into place as required by the growth and expansion being undertaken by the business. Processes are in place to ensure SHG is able to properly defend claims that arise.
- A range of policies and procedures are in place to guide and direct officers in specific activities. Policies around money laundering, whistle blowing, fraud and bribery exist for staff to follow in the course of their day to day duties.
- A Customer Voice and Influence Strategy is in place to ensure customers are at the heart of service design and decision making. The 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.

Board Members' responsibilities

The Board Members are responsible for preparing the strategic report and 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 in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Board Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the organisation and of the surplus or deficit of the organisation 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 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and

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Report of the Board of Management for the year ended 31 March 2023 *(continued)*

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the organisation will continue in business.

The Board Members are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board Members are 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 2018.

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

Auditors

All of the current Board Members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Board Members are not aware of any relevant audit information of which the auditors are unaware.

A resolution for the appointment of Beever and Struthers as auditors of the Company was passed at the Annual General Meeting on 28 September 2022.

By order of the Board



Jenny Osbourne
Chair of the Board

Date: 17 July 2023

Stockport Homes Limited

Strategic report for the year ended 31 March 2023 (*continued*)

The Board present the Strategic Report for the year ended 31 March 2023.

The Strategic Report has been compiled in line with best practice as outlined in the Statement of Recommended Practice (SORP) for Registered Social Housing Providers (2018). Stockport Homes has continued to operate efficiently, pro-actively and effectively within the terms of the Management Agreement with the Council.

This is the seventh year that Stockport Homes has operated as a group entity. For branding purposes, Stockport Homes Group ('SHG') is adopted to reflect the umbrella role needed over the separate entities within the Group, however the parent company remains Stockport Homes Limited ('SHL').

Statement by the Board Members in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The Board Members consider that they have acted in good faith, in the way most likely to promote the success of the organisation for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act). Stockport Homes identifies its main stakeholders as: its parent company Stockport MBC; its customers, employees and suppliers; and its regulatory body, the Regulator of Social Housing. The following paragraphs summarise how the Directors have fulfilled their duties in this regard, and in doing so have regarded (amongst other matters):

The likely consequences of any decision in the long term

Delivery of the organisations aims is managed through an effective business planning framework, where the consequences of decisions over the long term are considered. A five year Delivery Plan governs service delivery, and three year Business Plan outlines principles for transformation and growth. These are supported by a thirty-year financial plan to ensure the long-term financial health of the organisation, which is stress tested against a range of scenarios and key risks. Progress against these plans is reviewed regularly, with updates being provided to Stockport Homes' Wider Leadership Team, its Board and the parent Council. In addition to this, a Programme Board is in place, which is chaired by the Executive Director of Resources, and considers major change initiatives and associated resources, and a Business Transformation Group consisting of senior managers, which supports the delivery of key corporate projects.

The interests of the organisation's employees

Stockport Homes recognises that its 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 (see pages 23-25).

The need to foster the organisation's business relationships with suppliers, customers and others

Stockport Homes places relationships with its customers at the heart of its strategic aims, and recognises that the success of these relationships are key to its success. Customers are engaged at every level of decision making and wider consultation is used to support service development and improvement. These relationships are fostered in a number of ways, including: customer representation on the Board, a customer scrutiny panel who monitor front line services, and a Customer Voice and Influence Strategy with five ambitious aims which place customers, wider community engagement and accountability at the heart of all activity.

In relation to suppliers, a Procurement Strategy is in place which outlines the strategic aims in relation to procurement. The overarching vision for procurement is: *"to ensure that our resources are spent in a responsible, compliant and efficient manner to deliver the very best services to our customers"*. This is supported by six procurement aims which together ensure that positive relationships are created, developed and sustained with suppliers and contractors. Stockport Homes also take part in the annual "Meet the Buyer" event which is organised by STAR Procurement (a shared procurement service delivered by Stockport, Trafford, Tameside and Rochdale Councils).

Stockport Homes Limited

Strategic report for the year ended 31 March 2023 (*continued*)

The impact of the organisation's operations on the community and environment

Stockport Homes recognises its role as an anchor institution within the borough of Stockport and its reach into, and impact on, local communities. Provision of quality, affordable accommodation and developing thriving and sustainable communities is the organisation's core purpose, with decisions on how Stockport Homes can support and shape communities considered within a wide range of strategies and plans including the Customer Voice and Influence Strategy, the Age Friendly Strategy, Homelessness Strategy, and Social Investment Strategy.

Stockport Homes' Climate Change Strategy (CCS) sets out the organisation's five year plan to cut carbon emissions through increased energy efficiency and low carbon technologies. Through its Asset Management Strategy, the organisation continues to be active in the delivery of low carbon technology through projects such as Homes as Energy Systems and Social Housing Decarbonisation Funds; though it is clear that there are challenges ahead in achieving the Greater Manchester Combined Authority's target of net carbon zero by 2038. Further work throughout 2023 will include a review of the current CCS targets. The Climate Change Strategy is split into three sections: Our Homes, Our Customers and Our Operations to show how the environmental agenda fits within all aspects of the organisation.

The desirability of the organisation maintaining a reputation for high standards of business conduct

As a registered social housing provider, regulated by the Regulator of Social Housing (RSH), and an ALMO of Stockport MBC, Stockport Homes desires to maintain the highest standards of conduct. Stockport Homes complies with the RSH's Regulatory Standards and is proactive in ensuring it does so (see page 4). The organisation's desire to maintain its reputation is demonstrated in Stockport Homes' robust approach to governance, complying with the NHF Code of Governance 2020, which ensures the highest standards of corporate governance. The organisation's policies and procedures are designed to comply with relevant laws and regulations, with non-financial KPI's set to monitor key areas of compliance (see pages 17-19) and a range of policies around money laundering, whistle blowing, fraud and bribery exist for staff to follow in the course of their day to day duties.

Stockport Homes is committed to supporting human rights, including preventing slavery and human trafficking in all of its business activities. More information on this can be found within Stockport Homes' Modern Slavery Statement available on its website: <https://www.stockporthomes.org/about-us/open-and-transparent/modern-slavery-act/>

The need to act fairly as between members of the organisation

There is clear framework in place to manage arrangements between members of the organisation. This includes Articles of Association for the company and its subsidiaries, and an Intra-Group Agreement which sets out roles, responsibilities and processes for dispute resolution. A long-term Management Agreement is in place between Stockport Homes and the Council which also sets out roles and responsibilities.

Principal decisions

During the year, a number of principal decisions were made by the Board, which were material to the activities of the organisation or key stakeholder groups. In making the following principal decisions, the Board considered their responsibilities listed above, with regards s172, along with the outcomes of stakeholder engagement. These principal decisions included:

- Approval of new Aims for Stockport Homes
- Approval of a new Business Plan for 2023-26
- Approval of the Asset Management Strategy for 2023-28
- Approval of the Treasury Management Strategy for 2022-27
- Approval of service charges for 2023-24
- Approval of rent increases (SHL owned stock) for 2023-24, in line with the Government's rent increase cap, and recommending HRA rent increases to the Council
- Approval to join the 'Building a Safer Future Charter' to demonstrate Stockport Homes commitment to building safety

Stockport Homes Limited

Strategic report for the year ended 31 March 2023 (*continued*)

- Approval of a Partnerships and Collaboration Register
- Appointment of three new Board members (one Independent & two Stakeholder)

Objectives and strategies to achieve those objectives

Mission and Aims

Through the group structure, 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 but setting principles by which providers should structure their service delivery models. As part of the co-regulatory approach, SHG has a Customer Scrutiny Panel who are actively engaged in monitoring and scrutinising front-line services and reporting their findings to Board. The organisation feels its Mission and Aims are flexible and outcome-focused and 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' Mission and Aims 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:

Mission

One Team - Transforming Lives

Group Aims

- Deliver excellent customer service, driven by customer feedback and experience
- Provide safe, sustainable homes in neighbourhoods where communities can thrive
- Contribute to making Stockport fairer by reducing inequality, poverty and supporting customers in all aspects of their lives
- Maximise the impact of resources through growth, efficiency, and business transformation
- Work collaboratively, influencing locally, regionally, and nationally to achieve more
- Be an inclusive great place to work, where our values shine through everyone and everything we do

Stockport Homes Aims:

- Engage customers and communities
- Provide comfortable, affordable homes
- Deliver thriving, safe and sustainable neighbourhoods
- Support the Council to meet its aims in Stockport

Three Sixty SHG Aims

- Provide a high quality, innovative service resulting in an exceptional customer experience;
- Generate a profit which is used to deliver real social value;
- Be an employer of choice, attracting and retaining the best talent;

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Strategic report for the year ended 31 March 2023 (*continued*)

- Reduce the inequality that exists within construction and society at large;
- Deliver low carbon and environmental best practice through all operations

Viaduct Partnerships Aims

- Maximise opportunities to build homes across all tenures, using any available funding, with a focus on affordable housing
- Maximise social value in the supply chain by creating local jobs and good quality apprenticeships
- Engage local people in development strategies and design
- Invest surpluses from work done in Stockport into providing more homes

SKylight Aims

- Supporting people into employment, relieving poverty, relieving food poverty and developing digital skills,
- Supporting customers in local communities and delivering support services to help people live independently,
- Empowering communities to develop networks of support including targeted work with people who may experience more disadvantage including people with disabilities, from BME communities and those with complex needs,
- Working in partnership to reduce demand on statutory services, and
- Supporting the development of the third sector, ensuring additional resources and services are secured

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

Delivery of the SHG aims is managed through an effective business planning framework. A five-year Delivery Plan governs service delivery, and a three year Business Plan outlines general principles for transformation and growth. These are supported by a thirty-year financial plan. An annual planning cycle governs the delivery against each plan. This involves strategic planning sessions with both the SHG Board and the Wider Leadership Team. Progress against these plans is reviewed regularly, with updates being provided to Stockport Homes Wider Leadership Team, its Board and the Council.

The broad objectives of the Delivery Plan are also reviewed jointly with the Council in its third year to ensure its key strategic aims remain relevant. The current Delivery Plan is for 2021-26 and has been approved by the Stockport Homes Board and the Council.

Business model

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, Stockport Homes operates independently from it on day-to-day matters. Under a 27 year Management Agreement with the Council, Stockport Homes Limited receives a Management Fee to carry out the business of managing and maintaining the housing stock on behalf of the Council. The Management Fee and associated charges for 2022/23 totalled £30.711 million (2021/22: £30.094 million).

Stockport Homes has established three subsidiary Companies. Three Sixty SHG and Viaduct Partnerships are limited by shares, with Stockport Homes Limited as the sole corporate shareholder. SKylight Proud to be part of SHG is a Registered Society limited by shares. It was originally formed in December 2018 as

Stockport Homes Limited

Strategic report for the year ended 31 March 2023 (*continued*)

Foundations Stockport Limited, but in August 2022 was renamed. Stockport Homes and SKylight Board Members are the shareholders.

Three Sixty SHG Limited (Three Sixty) is primarily a construction and maintenance company, established to deliver core elements of the Housing Revenue Account (HRA) capital programme in a cost effective way whilst maximising social value. Since its inception, Three Sixty's service offer has expanded to include repairs and maintenance services and the insourcing of key workstreams. Its latest Business Plan sets out its aspirations for further growth, including the attainment of new external customers. 2022/23 has seen the achievement of a number of these aspirations, which is reflected in the growth in turnover to £23.1m from £17.7m the previous year.

Viaduct Partnerships Limited (Viaduct) is a development company that enables the development of new build homes for rental or sale purposes to be delivered in a cost efficient way, thereby freeing up more resources for investment. During 2022/23, 270 units were in progress via Viaduct Partnerships, with turnover for the financial year of £5.0m, compared to £8.4m in the previous year.

SKylight Proud to be part of SHG (SKylight) is a charitable Community Benefit Society registered with the Financial Conduct Authority and Companies House. SKylight was formed to deliver more social inclusion and health related initiatives for the Stockport community. A number of projects are underway within SKylight in line with its charitable aims, and the company continues to grow, with turnover of £4.4m in 2022/23, increased from £2.1m the previous year.

Principal activities

The Company's principal activities are to manage and maintain the stock of housing properties owned by the Council, and the properties owned by Stockport Homes itself. In total 12,493 properties were managed or owned at 31 March 2023. This includes both the management of the capital programme for the modernisation of the properties, and delivery of core works within this. Stockport Homes manages the allocation of homes and works on behalf of the 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 ever since. Stockport Homes now owns a total of 815 properties at the end of March 2023 (see page 49 for further details). The majority of the acquired properties have been part-subsidised with grant funding from schemes such as Mortgage Rescue, Empty Homes or the Affordable Homes Programme. Shared owners continue to fully or partially staircase out, with associated grant being added to the Recycled Capital Grant Fund. A further 208 new homes are under construction as at March 2023.

Stockport Homes also manages the delivery of the Housing Revenue Account (HRA) new build programme (Council owned properties) which currently has a total of 230 new build units within its ownership, comprising of 170 rented units and 60 shared ownership units. Shared owners continue to fully or partially staircase out, with associated grant being added to the Recycled Capital Grant Fund. A further 16 new homes are under construction as at March 2023, which will sit within the HRA once completed.

A pipeline of future projects is being worked up which will be delivered using Stockport Homes' loan facility or within the Council's HRA. New homes will be a mixture of tenures, including shared ownership, social or affordable rent. Stockport Homes has joined the JV North Consortia to bid for capital grant funding from Homes England and has, as part of JV North, signed a grant funding agreement with Homes England for the Affordable Homes Programme 2021-26. Grant allocations committed to under the previous programme 2016-21 will be delivered over the next 2 years.

Stockport Homes continues to strengthen its position by effectively using its core skills to grow into related business areas, both within Stockport Homes Limited and through its subsidiary companies. In 2022/23 it began delivering security services to the Council and external parties, and continued to

Stockport Homes Limited

Strategic report for the year ended 31 March 2023 (*continued*)

deliver: maintenance, repairs and capital works management services to schools and public buildings; private landlord management services; and a number of projects which are focussed on the charitable objectives of SKylight. These works continue to prove successful, and Stockport Homes will continue to seek opportunities to deliver new services in the most resource effective way.

Since Stockport Homes was set up, it has continued to grow and develop through the acquisition of new services, more efficient ways of working and working closely in partnership with the 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.

Development and performance during the financial year and financial position at the year end

Financial planning

Quality financial management and planning are a key priority for the Group, 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. A thirty year Group financial plan is in place which aligns with strategic objectives, and is stress tested against a range of scenarios and key risks. Each year a detailed budget is set that supports the Delivery Plan and Business Plan objectives. Budget setting for 2023/24 included reviewing priorities with customers, particularly in light of the ongoing cost of living crisis, and assessing forthcoming risks, with the budget being stress tested against these risks across a range of scenarios. As Stockport Homes continues to grow and diversify, the Management Fee and associated charges, at £30.711 million, continues to be the largest single element of its £65.025 million turnover. However, other income streams are continuing to grow including rental income from owned properties and increasingly income for third party works. In addition, the impact of the group structure significantly increases its overall turnover.

Stockport Homes continues to work in a financially challenging environment including providing year on year efficiency savings within the Management Fee, alongside ongoing pressures resulting from macro-economic factors and Welfare Reform. Stockport Homes is responsible for the collection of council housing rental income as well as its own income streams. During 2022/23, the Money Advice team supported 2,281 customers to obtain additional income totalling over £7.2m. The team continues to provide intensive support to all new UC claimants during the first 6 weeks of their claim. Support starts from the point of Stockport Homes being made aware of a new claim, to the claimant receiving their first UC payment. During 2022/23, the team supported 690 UC claimants. Out of the UC cases who engaged with the team, 87% received their first payment and paid as requested. Overall rent arrears levels at year-end were well below tolerances set at the start of the year. There were 41 fewer accounts in arrears compared to 12 months earlier and overall rent arrears reduced in cash terms by over £48,000 despite the on-going cost-of-living crisis and the number of UC claimant numbers increasing by 12%.

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 2022/23 and demonstrates a sustainable model going forward can be achieved. Close monitoring and management, and agile asset management decision-making, 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.

Financial performance

During 2022/23 Stockport Homes continued its strategy to ring-fence recurrent efficiencies to future cash flows, and a clear commitment to achieve at least 3% efficiencies in year. The purpose of this is to ensure that Stockport Homes continues on a strong financial footing in a challenging and changing financial environment.

As for many organisations, the economic environment during 2022/23 has presented a number of challenges, with high inflation across a number of key cost areas, and the ongoing cost of living crisis. These challenges have resulted in a number of outcomes, much of which is outside of the control of the organisation, which

Stockport Homes Limited

Strategic report for the year ended 31 March 2023 (*continued*)

have adversely impacted upon financial performance during the year, including: higher than expected increases in the costs of delivering services; financial pressures on external contractors resulting in delays in the development programme, with less properties built during the year than expected and hence less properties able to be sold; challenges in progressing new development schemes as a result of rising construction costs and borrowing costs, which are not offset by rental income or government grant increases; high repairs demand and increased costs, including the organisation's ongoing robust approach to tackling damp, mould and condensation.

All of these factors have adversely affected the financial performance for the year, with the overall financial operating outcomes for 2022/23 (before pension accounting valuation adjustments) not meeting the original budgeted expectations. Budgets and financial plans beyond 2022/23 have been revised in light of these economic pressures and robustly stress tested for further pressures beyond base assumptions. Future financial performance remains expected to improve, as the organisation continues its business and digital transformation journey which will result in future efficiencies, and significant areas that did not meet expectations within 2022/23 are expected to be timing differences rather than long-term adverse impacts.

Overall, the net asset value before the pension provision has increased by £0.67m due to the effective and efficient financial management of the organisation. The outlook for 2023/24 remains positive, as financial benefits previously expected to be achieved within 2022/23 are expected to be gained within 2023/24. This expected increase in available resources will contribute towards the strong financial footing of Stockport Homes into the longer term and will be designated to finance future projects and invest-to-save initiatives that will continue to generate ongoing savings for customers.

Though an overall operating deficit is reported for the Group, this is primarily the result of the annual actuarial valuation for accounting purposes of the GMPF defined benefit pension scheme. In 2022/23 this has resulted in additional costs of £4.675m recognised within operating costs in the Statement of Comprehensive Income, and hence results in an overall operating deficit being reported. These costs do not result in future cash outflows and are not the basis for determining SHG's employers pension contributions, which have recently been reviewed by GMPF following the triennial pension valuation, and have been set at reduced levels from previously. Before the inclusion of these costs, due to the strong operating performance of the organisation in light of the challenges faced, the Group has achieved an operating surplus of £0.67m. The overall GMPF pension provision recognised for accounting purposes has improved to an asset of £20.192 million at March 2023, from a liability of £26.393m the previous year, and contributes to an overall net asset position reported in the Statement of Financial Position.

It is Stockport Homes' strong financial control framework and robust governance structure that has enabled it to continue to generate efficiencies and financial surpluses for investment back into service delivery during challenging operational conditions.

Financial monitoring and reporting

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 against budgets.

Though the Group has not achieved the budgeted expectations for the year, an overall surplus (before pension accounting valuation adjustments) has been achieved. Key budget variances for the year related to less property sales surpluses as a result of delays in the development programme in building the properties, higher repairs and other operating costs, and less surpluses achieved from construction operations. Further expansion and asset growth is expected in the coming years.

The continued growth and transformation of SHG is set out in the Group's three year Business Plan, 2023 - 2026, and in the business plans of its subsidiary companies. The financial governance implications of this period of change are set out in a three year Corporate Finance Strategy 2020 - 2023. 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.

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Strategic report for the year ended 31 March 2023 (*continued*)

Future prospects

The Board of Stockport Homes considers that the Company has strong and sound future prospects. This is demonstrated by the following:

- Strong and effective governance arrangements;
- A sound financial planning framework which demonstrates a robust and healthy financial outlook in the short, medium and long term. This is supported by a 30 year Group financial plan, which is stress tested against a range of key strategic risks and scenarios;
- A clear strategic direction to grow and transform the business as set out in the Group's three year Business Plan, 2023 - 2026;
- Continued strong performance of key indicators such as rent collection and void turnaround which has contributed to mitigating key financial risks arising from changes in government policy;
- A healthy level of available cash and a proven track record of generating efficiencies for re-investment into invest to save initiatives that generate additional resources;
- The continued delivery of the principle activities related to the management of the Council's housing stock, which represents Stockport Homes' largest source of income;
- The ongoing demand for the provision of social housing and home ownership which is not expected to decrease in the longer term.

Principal risks and uncertainties

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

SHG has a Risk Management Strategy in place and a suite of risk registers are produced on an annual basis. These include a corporate risk register, a HRA risk register and a risk register for each of the subsidiaries: Three Sixty, SKYlight and Viaduct.

This approach enables SHG to manage risk and embrace opportunities, and therefore deliver agreed strategic objectives. Each year, Stockport Homes assesses the internal and external operating environment and identifies those risks and opportunities which could affect business performance and achievement of agreed objectives. This exercise is carried out as part of the business planning process and ensures the current operating environment is rigorously assessed to inform the risk management framework at SHG.

The risk registers describe the risk, the potential consequences if that risk was realised, the ongoing assurance being obtained around that risk, and the actions that have been agreed to be put into place to mitigate and manage the risk further.

The risk registers also outline existing and proposed risk control actions which are to be delivered within the financial year and who is responsible for delivery. A member of Senior Leadership Team is responsible for each individual risk to ensure that there is strategic leadership of risk management.

The suite of risk registers are approved by individual subsidiary Boards (as applicable) and the SHG Board, with the Audit and Risk Committee reviewing them all prior to Board approval being sought. Subsequent quarterly risk update reports are then provided to Senior Leadership Team, relevant subsidiary Boards and the Audit and Risk Committee. The Audit and Risk Committee are tasked with scrutinising and challenging the organisation's approach to managing risk throughout the financial year. Risk update reports describe progress against delivery of risk control actions, highlight any exceptions and identify any new or emerging risks which SHG needs to take account of. Where necessary, the agreement to changes to any risk scores is

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Strategic report for the year ended 31 March 2023 (*continued*)

reported via this process as well. SHG Board receive an overview of risk on a quarterly basis via the CEO Report.

One of the risk registers which is produced is the HRA risk register, which is shared with the Council. This has been in place since the start of 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 the self-financing Business Plan or have a negative impact on the assumptions on which the plan is founded, for example around the Government's rent policy, inflation levels or the volume of Right to Buy sales.

The Three Sixty, SKyLight and Viaduct risk registers contain risks (and mitigation actions) which are specific to that particular subsidiary company and its strategic aims, objectives and Business Plans. The subsidiary risk registers are approved by the subsidiary Board as well as SHG Board and are monitored quarterly by the subsidiary Board and the Audit and Risk Committee.

Risk management is embedded throughout SHG. There are a number of ways in which this is maintained and developed:

- By having a SHG Risk Management Strategy and action plan to further develop risk management within the company
- By having an embedded risk management framework that ensures a culture exists which gives due consideration to risk and opportunity facing SHG
- By ensuring that risk and opportunity management is a key consideration of the business planning process each year
- By holding risk workshops on an annual basis with each Directorate Management Team
- By ensuring that Senior Leadership Team are part of the quarterly risk reporting process, consider risk in their service areas and actively raise any areas of emerging risk to the Head of Assurance
- By setting out an agreed risk appetite for SHG and its subsidiary companies and embedding this into decision making
- By ensuring that all Board reports have considered the related risks and provided explanations of how they will be managed, as necessary
- By ensuring that all Business Plans within the company consider and identify key risks to their successful achievement.

Strategic risks in 2022-23

For the 2022-23 financial year, the corporate risk register was reviewed and updated to reflect the corporate risks which SHG was facing.

The key strategic risks were agreed as:

- SHG is not able to meet the requirements of the new Building Safety legislation (delivery and cost)
- Health and safety obligations to customers aren't fulfilled, including gas safety, electrical safety, fire safety, legionella, lift safety and asbestos
- Health and safety obligations to colleagues across SHG aren't fulfilled

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- Positive, strategic relationships / approaches to partnership working are not maintained with the Council (at both officer and political level) and other key local partners / third sector organisations across Greater Manchester (GM)
- SHG does not deliver excellent customer service and does not deliver customer expectations around accountability
- SHG is not adequately prepared for the requirements of the Regulator for Social Housing (RSH) when it becomes a large provider (1,000+ units owned by Stockport Homes) and the emergence of periodic inspection
- Growth, diversification and insourcing is not executed as planned (strategic drift happens) and does not maximise opportunities to generate efficiencies / surpluses
- Income collection, available cash resources and stress testing are insufficient to deliver and sustain SHG and its strategic ambitions
- SHG is unable to attract, recruit and retain a diverse range of employees and leaders with the appropriate skills and talents to meet SHG's current and future aspirations

Financial and non-financial key performance indicators

Stockport Homes monitors performance against hundreds of indicators and measures. Its corporate performance report, however, focuses on 16 key performance indicators, which demonstrate the health of the business. The targets set against these indicators represent Stockport Homes' ambition to improve on the previous year's performance. These 16 indicators are supported by 2 measures that do not have targets and provide a broader illustration of performance across Stockport Homes.

Key performance indicators, measuring both cost and quality, are regularly reported to the Senior Leadership Team, Wider Leadership Team and the Board. This supports a wholistic understanding of the relationship between costs and outcomes. Performance against the indicators is also regularly reported to the Customer Monitoring Group and Stockport Council Member Committee. In addition to these reports, SHG collaborated with customers to design a set of service expectations that reflect what customers value the most in their interactions with SHG services. The service expectations are focused on the perspective of customers and cover the themes of 'Your Home', 'Your Voice', and 'Your Neighbourhood'. The results are published twice a year on the Stockport Homes website <https://www.stockporthomes.org/service-expectations/>

To monitor rent collection in the context of the cost-of-living crisis and continued roll out of Universal Credit, the two main rent collection measures are mapped against monthly 'targets' and 'worst case' scenarios. Stockport Homes' effective management of rent collection and associated work, such as money advice, has resulted in rent collection and rent arrears performing significantly better than targets set for both these critical indicators. This shows that the organisation is working hard to successfully prevent the build-up of significant additional arrears, despite pressures on household budgets and the increase in the number of customers in receipt of Universal Credit.

Of the 16 key performance indicators, 12 met targets, 2 were slightly outside of their year-end target, but remained within an acceptable tolerance and 2 were out of tolerance. Full commentary on performance is provided in the year-end performance report presented to the Board.

Performance indicators monitored at corporate level in 2022/23

Performance indicator	2022/23 target	2022/23 outturn
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Percentage of properties and communal areas with a valid gas safety certificate (excluding leasehold)	100%	100%
Percentage of properties and communal areas with a satisfactory electrical installation certificate	100%	100%
Percentage of compliant Fire Risk Assessments	100%	100%
Percentage of fire-safety follow-on actions completed within timescale per Fire Risk Assessment	100%	99.48%
Percentage of passenger lifts that have had a thorough examination completed within the last six months	100%	100%
Percentage of communal areas with a valid water risk assessment	100%	100%
Percentage of communal areas with asbestos materials that have been periodically re-inspected in line with the agreed inspection frequency (12 or 24 months)	100%	100%
Percentage of ASB complainants satisfied with the outcome of their case	98.5%	96.61%
Satisfaction with the repair	98%	99.13%
Percentage of repairs completed at the first visit	95%	98.53%
Rent collected as a percentage of rent due	99.03% (conservative estimate)	100.48%
Rent arrears as a percentage of rental debit	2.18% (conservative estimate)	1.95%
Average time taken to re-let empty dwellings (all re-lets)	11 days	16.4 days
Availability of core IT systems	99.75%	99.49%
Percentage of estate inspections rated at least 'good'	98%	98.91%
Average days lost due to sickness per employee	5.75 Days	5.2 Days

There are seven Stockport Homes corporate indicators for which performance can be benchmarked against other social housing organisations, which is carried out through Housemark. The position at the end of March 2023 is outlined in the table below.

Overall, Stockport Homes compares very well both against ALMOs and in wider comparison against all housing providers. Throughout 2022/23, performance remained within the top quartile for the majority of the benchmark indicators.

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Strategic report for the year ended 31 March 2023 (continued)

In particular, Stockport Homes has continued to perform highly in relation to the percentage of dwellings void and available to let and remains a top performer for satisfaction with repairs and the overall service SHG provides.

Performance at March 2023	Performance	English LA & ALMOs	Whole Sector
		Top quartile	Top quartile
Percentage of homes with a valid gas safety certificate	100%	99.97%	100%
Percentage of domestic properties with EICR certificates up to five years old	100%	100%	99.8%
Number of non-emergency repairs completed per 1,000 units	253.6	206.3	242.1
Satisfaction with repairs (transactional)	99.13%	93.4%	92.8%
Percentage of dwellings vacant but available to let	0.05%	1.18%	0.98%
Percentage of tenants satisfied with the overall service their landlord provides (perception) - in month	98.5%	84.6%	81.8%

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 2022/23 have been exceeded. This is explained in more detail 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. In addition customers can find out more about value for money or make suggestions on Stockport Homes' approach through the website - <http://www.stockporthomes.org/about-us/how-we-are-doing/value-for-money/>.

Robust approach to Value for Money

Stockport Homes has a Value for Money Strategy that was approved by the Board on 15 March 2021. It is a three-year strategy, running from 2021 to 2024. The Strategy sets out three key priority areas. This is underpinned by an action plan that will support the delivery of the strategy objectives. Regular meetings are held with budget managers to discuss value for money and the Strategy and Policy Team works to classify efficiencies in-year. The organisation understands the difference between value for money efficiencies and budget reductions. It keeps an efficiency log to capture both cashable and non-cashable efficiencies. Recent examples of value for money efficiencies recorded include: promoting our mutual exchange service, saving over £200,000 in void costs; a new £26,000 rebate from a new decoration contract; recycling and refurbishing stairlifts, saving over £14,000. All of these initiatives and others have maximised efficiencies that are now available to be reinvested into service delivery.

Optimising Return on Assets

Efficiencies realised at year end amount to £1,337,052. This represents 4.35 per cent and meets the target set for the 2022/23 financial year of three per cent. This approach continues to demonstrate the

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Strategic report for the year ended 31 March 2023 (*continued*)

commitment and expertise of Stockport Homes in delivering and evidencing value for money as has been the case in recent years.

Year	Value for money efficiencies as a percentage of management fee	Value
2016/17	4.91 per cent	£1,374,557
2017/18	4.38 per cent	£1,213,631
2018/19	9.12 per cent	£2,554,187
2019/20	6.42 per cent	£1,825,981
2020/21	5.94 per cent	£1,719,001
2021/22	9.29 per cent	£2,795,288
2022/23	4.35 per cent	£1,337,052

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 before pensions adjustments. Overall, there were net cash inflows from operating activities of £8,943,000 (2022: £4,667,000 inflow). Cash reserves have been invested in initiatives 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 2023 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 continue to manage its finances to ensure future operations and services to customers are not compromised. This approach to maximising returns is demonstrated through the services delivered through Stockport Homes' group structure. By delivering services through its subsidiaries: Three Sixty SHG Limited, Viaduct Partnerships Limited, and SKylight Proud to be Part of SHG, financial efficiencies and wider benefits are achieved, which contribute towards the future delivery of the Group's objectives.

Stockport Homes continued to make the best use of available cash resources by making short-term investments, within the Treasury Management Policy parameters, during 2022/2023. These resulted in higher returns than in recent years as a result of the increases seen in the Bank of England base rate during the year.

Stockport Homes is committed to delivering social value, not just financial savings, through services and procurement to optimise the outcomes achieved from the resources invested. Social value refers to the economic, environmental, and social benefits created for our customers and the community. A wide range of services across Stockport Homes deliver social value, reflecting the organisation's mission to transform lives. During 2022/23 it has continued to review its approach to social value in procurement to ensure it gains the most benefit from contracts. Stockport Homes work closely with and regularly attend the Stockport Social Value Steering Group, to develop common social value procurement goals across the borough, which complements the approach developed in conjunction with Greater Manchester Housing Providers. The approach to social value measurement is being developed as part of the Value for Money Strategy 2021/24 and briefing sessions have been held for the Board. Further development and new recording and reporting systems are expected to be implemented in 2023/24.

Performance management and Scrutiny

The Senior Leadership and the Wider Leadership Team continue 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 of achieving a comprehensive understanding of the organisation's threats and opportunities going forward.

Services are also subject to scrutiny by the Customer Scrutiny Panel (CSP). In 2022-23, this has resulted in a number of recommendations to improve the value for money of service delivery to customers. Membership of the Panel is open to all tenants and leaseholders of Stockport Homes and customers can apply to join

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the panel or see the outcomes of previous reviews on Stockport Homes' website: <http://www.stockporthomes.org/about-us/how-we-are-doing/customer-scrutiny-panel/>.

The Panel completed two service reviews during 2022-23 in relation to the Homechoice (choice based lettings) and damp, mould and condensation, resulting in recommendations which will be implemented by the services involved. Results of CSP reviews are reported to the Board who are requested to approve management action plans to meet CSP recommendations for improvement.

Understanding costs and outcomes

Stockport Homes has continued to consistently out-perform the key financial assumptions within the HRA Business Plan which has been increasingly difficult, due to continued cost pressures, the ability of many customers to pay has reduced and as housing policy changes take effect. Stockport Homes and the Council continue to jointly seek to mitigate the impact of this by working together to ensure sustainable budgets for the HRA going forward, combining maximum efficiency targets with continually looking at how things can be done differently to maintain and supplement core services.

Stockport Homes has continued to address the impact on its own business through a combination of making efficiencies and growing its commercial income. Most notably, since 2016 it has moved towards a Group Structure, with three subsidiary companies now fully established. Viaduct Partnerships is a Development Company that works in partnership with the Council to increase the supply of affordable housing within the Borough. Three Sixty is a construction and maintenance services company, delivering investment and repairs & maintenance works on the Council's housing stock in a cost effective and socially valuable way. SKyLight was established in December 2018 and uses its charitable status to bring a range of benefits into the Stockport Borough.

Overall Stockport Homes' priorities will continue to be the provision of high-quality management, maintenance and support services to core customers, and advantage will be taken over the next three years of its entrepreneurial culture to grow and transform the business in-line with its approved Business Plan. Including generating non-rental income. This will include bidding for new contracts which support core customers in ways beyond its traditional remit. Stockport Homes' sound financial planning and management tools ensure it has visibility at all times of available resources and future investment opportunities. The organisation's ethos will remain to invest in the short term, where it can, in initiatives that will bring efficiencies in the medium or longer term.

Stockport Homes manage the HRA Business Plan and much of its operational activity, such as minimising rent arrears, which significantly impacts on the health and success of the HRA. An updated HRA Business Plan was presented to the Stockport Homes Board in December 2022, which demonstrates a continued sustainable model in Stockport for the next thirty years based on current housing policy and assumptions. The financial performance for the HRA 2022/23 exceeded the revised Business Plan forecast performance for another year running, due to strong rent recovery performance, despite the challenges of Welfare Reform and ongoing right to buys. This is another example of the strong management, performance and commitment of Stockport Homes.

The requirements of the Regulator of Social Housing's Value for Money Standard include reporting on the set of nine VFM metrics which have been defined by the Regulator. The outcomes of these metrics for Stockport Homes Group in 2022/23 are shown below, along the original forecast for the year, forecast outcomes for 2023/24, and the previous results from the two years prior for comparison. Stockport Homes Group has benchmarked itself against all providers owning and/or managing more than 1,000 homes, via the data published by the Regulator in the Global Accounts. Further narrative for these results is provided below.

VFM Metric	2020/21 Out-turn	2021/22 Out-turn	2021/22 Global Accounts Median	2022/23 Budget Forecast	2022/23 Out-turn	2023/24 Budget Forecast
Reinvestment %	29.9%	9.5%	6.5%	11.5%	7.0%	4.5%

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New supply delivered (Social housing units) %	9.9%	3.5%	1.4%	14.1%	5.8%	11.1%
New supply delivered (Non-social housing units) %	0.00%	0.00%	0.00%	0.00%	3.9%	4.2%
Gearing %	72.9%	76.4%	44.1%	50.9%	72.3%	69.3%
EBITDA MRI Interest Cover %	207.3%	(26.0%)	146%	187.1%	(15.3%)	663.6%
Headline social housing cost per unit	£1,122	£1,831	£4,150	£1,619	£1,645	£1,843
Operating margin (social housing lettings) %	42.9%	39.8%	23.3%	49.9%	43.7%	41.6%
Operating margin (overall) %	3.2%	(3.7%)	20.5%	8.3%	(2.9%)	3.9%
Return on capital employed	1.3%	(1.6%)	3.2%	4.2%	(1.3%)	2.4%

Reinvestment % - the scale of investment into development of new and existing housing

The median Reinvestment % outcome for all providers was 6.5% in 2021/22. Development delays during the year outside of the control of SHG have resulted in the original forecast outcome not being achieved, though the result of 7.0% remains above the median. The forecast outcome for 2023/24 is a reflection of SHG's development programme, with more development activity planned to be challenged through the Council's HRA in the future than in recent years.

New Supply Delivered (Social housing units) % - new social housing units developed or acquired during the year as a proportion of existing stock

Similar to the Reinvestment % results, SHG has historically delivered a high proportion of new social housing stock in relation to its asset base. Though lower than the original expectations for the year, the outcome of 5.8% in 2022/23, comfortably exceeds the median outcome for all providers of 1.3%, and upper quartile threshold of 2.1%. The forecast outcome for 2023/24 is based on the completion of development schemes currently in progress, which have previously been delayed. In the future, new supply is likely to decrease from the outcomes in recent years, as more of the development programme is planned to be delivered through the Council's HRA.

New Supply Delivered (Non-social housing units) % - new non-social housing units developed or acquired during the year as a proportion of existing stock

SHG's development programme has contained non-social housing units which have been in progress for some time. The construction delays experienced have resulted in changes to the timing of handover of these units. The result of 3.9% for 2022/23 is in the upper quartile for all providers, and a similar result is currently expected for 2023/24. As with the Reinvestment and Social Housing delivery metrics, following the completion of SHG's development schemes currently in progress, non-social housing delivery is expected to decrease in the future.

Gearing % - the proportion of borrowing in relation to the size of the asset base

As expected, Stockport Homes Group can be seen to have a relatively high Gearing % of 72.3%, exceeding the median outcome for all providers of 44.1%, and is within the upper quartile for this metric, exceeding the threshold of 53.1%. The result is higher than originally expected for the year as a result of the development delays which impact several metrics. SHG has higher gearing for several reasons, which include: as the age of the Group's social housing stock is relatively new, a high proportion of loan debt is still in place which will decrease as the loans amortise going forward; the Group does not have a restrictive gearing based loan covenant with its loan provider Stockport Metropolitan Borough Council, meaning that the Group is able to take advantage of higher levels of loan funding than other providers; the Regulators calculation of this metric includes all debt, hence includes the debt relating to the Group's Head Office, but the corresponding cost is not included within the asset base, hence distorting the result.

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EBITDA MRI Interest Cover % - measures by how much surpluses generated cover interest payable costs

This metric remains adverse for 2022/23 as a result of the operational challenges detailed, and the £4.675m costs recognised within the Statement of Comprehensive Income resulting from the annual GMPF actuarial valuation for accounting purposes, and which have resulted in an overall deficit reported for the year. The pension valuation for accounting purposes does not result in future cash flows, and hence the result reported of (15.3%) does not reflect the Group's ability to repay interest on its borrowing.

Headline Social Housing Cost per Unit - social housing costs per unit

Stockport Homes Group continues to have a relatively low Headline Social Housing Cost per Unit with an outcome of £1,645 for 2022/23 which is broadly in line with the forecast for the year. This result compares favourably with the median from 2021/22 of £4,150, and is comfortably within the lower quartile of £3,700. This outcome is in part a reflection of the relatively new age of the Group's housing stock, meaning that costs have not been incurred which may be required with more mature stock. It should be noted that this measure is open to some fluctuation as it is based on the number of units at the year end, hence may be distortive for Stockport Homes Group with its relatively high development programme, whereby units included at the year end may not have costs included for the full year.

Operating Margin (Social Housing Lettings) % - operating surplus as a proportion of turnover from social housing lettings

The median outcome for all providers for this metric in 2021/22 was 23.3% and Stockport Homes Group's result of 43.7% in 2022/23 was broadly in line with forecast expectations. The result is in the upper quartile for this measure and continues the positive performance seen in previous years. This is linked to the low Headline Social Housing Cost per Unit and links to the age profile of the Group's housing stock, which is not as mature as other providers.

Operating Margin (overall) %- operating surplus as a proportion of turnover from the overall Group

For 2022/23, as an operating deficit is reported as a result of the costs arising from the GMPF pension valuation for accounting purposes, the Operating Margin (overall) % for Stockport Homes Group is (2.9%). Whilst the result puts SHG within the lower quartile for this measure, in addition to the non-cash costs arising from the pension valuation for accounting purposes, one of the main reasons for this level of performance relates to a considerable amount of the Group's turnover being obtained from the Management Fee paid by the Council to manage the Housing Revenue Account housing stock. Whilst other providers require higher operating margins in order to help fund capital expenditure, Stockport Homes Group does not have that requirement with regards to the Council's housing stock. This brings a low level of return, hence has a significant impact on the overall operating margin of the Group. This metric is therefore forecast to continue at relatively low levels in the near future.

Return on Capital Employed - compares operating surplus to asset values, to assess the efficiency of capital invested

Similar to the results for Operating Margin (overall) %, this performance is based on the Group's operating surplus or deficit. As an operating deficit is reported for 2022/23 as a result of the costs arising from the GMPF pension valuation for accounting purposes, a result of (1.3%) is reported for the year, which remains in the lower quartile for this measure.

EMPLOYEE INVOLVEMENT

Stockport Homes has an establishment of 686 full time equivalent posts across the Group at 31 March 2023, and 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 colleague engagement and experience through the implementation of the People & OD Strategy, specific actions and service improvements.

Stockport Homes is proud to be one of the first organisations to be assessed against the new 'Generation 6 Investors in People' (IIP) standard in March 2016 and retained its previously awarded Platinum status in March 2022. A further review was undertaken in February 2023 which demonstrated significant improvement and embedding of the IIP action plan. Stockport Homes previously exceeded the industry

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benchmark in terms of people management and development for all of the nine indicators, demonstrating 'high performing' level against seven of the nine indicators, and advanced in the remaining two. This put Stockport Homes in the top one percentile of organisations assessed against this standard. As such SHL are delighted to continue as IIP Champions.

Stockport Homes has been listed in the "Best Company to Work For" list for fourteen consecutive years. Stockport Homes achieved Best Companies Index (BCI) scores of 787.2 following the most recent engagement survey in September 2022, which was a significant increase of 34 points from the quarter one results. This equates to three star status illustrating 'world class' levels of engagement practice. Stockport Homes' place within the Best Companies large listing was 15th which was an increase from the quarter one results when it was placed as 16th. Stockport Homes also came 1st in the Housing Sector which was an increase from 2nd in the quarter one results 2022.

Stockport Homes has invested in a range of initiatives to promote emotional, financial, 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 are delivered throughout the organisation to increase levels of personal resilience, providing tools to cope effectively with pressures and stresses and help to eliminate 'negative' thinking. Financial wellbeing sessions have also been offered to colleagues from both internal and external providers to support and sign post colleagues if they need support with financial matters. All of these interventions are designed to enable colleagues to develop a flexible, adaptable mind-set to cope effectively with organisational change, supported by an 'Active Listeners' Group providing support for colleagues by colleagues.

Stockport Homes has continued to embed its 'Fierce Leadership Development' approach. This focuses on supporting personal and organisational growth through high quality, meaningful conversations. The 'Fierce' models are employed throughout the organisation to embed leadership skills and behaviour for all employees. Stockport Homes has also continued to develop and implement a Progression Pathway which has two key pathways, Aspiring Leaders and Effective Managers. This has been running for 24 months which has resulted in the delivery of five cohorts within each pathway. This Progression Pathway was introduced as a result of workforce planning and identifying key talent in the organisation that can support the development of colleague experience. Results show an increase in internal progression in 2022/23.

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, provides equal access to learning and development and where colleagues feel included and valued.

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. Since 2017 Stockport Homes has been a Stonewall Diversity Champion, which reflects the commitment of the organisation to ensure it is working towards best practice for LGBTQ+ staff. This led to the creation of a LGBTQ+ staff group, called 'Proud' which works towards supporting the organisation to create an environment that allows LGBTQ+ staff & customers to flourish. In 2022/23 SHG was ranked 7th on the Stonewall Workplace Equality Index (an index which assesses an organisation's achievements and progress on LGBTQ+ equality and evaluate employers' inclusion work). This was a significant achievement, and a reflection of the work delivered in creating an inclusive and welcoming culture that enables customers and colleagues to #BeYou. The work has been extended to create colleague groups on disability and minority ethnic themes (called 'Enable' and 'Empower'), which will continue to be developed and embedded during 2023/24.

Stockport Homes Board agreed an Equality Diversity and Inclusion (EDI) Strategy for 2021/24. This included four objectives to: embed EDI into the culture; create an inclusive and representative business; understand the diverse needs of customers; and support independent living and safe, engaged and inclusive

Stockport Homes Limited

Strategic report for the year ended 31 March 2023 (continued)

communities. One of the aims of the EDI Strategy is to ensure that Stockport Homes is an inclusive employer and provide opportunity and development to all staff. This aim incorporates all Protected Characteristics, contained within the Equality Act 2010, which includes ensuring the organisation shows a commitment to the recruitment, retention and development of staff who have a disability. Stockport Homes have been accredited as a Disability Confident Employer due to the processes in place to promote the inclusion of disabled people in the workforce. With the support of SHG's ethnic minority staff group (Empower), SHG signed up to Business in the Community's 'Race at Work Charter' which is composed of five calls to action for leaders and organisations across all sectors. Signing up means SHG will take practical steps to ensure as a workplace we are tackling barriers ethnic minority people face in recruitment and progression. SHG has also signed up to 'Harry's Pledge' which is a campaign to work with housing organisations to ensure that carers are looked after as employees in the workplace and that consideration is given to the complex needs of such children by housing organisations when building homes.

Stockport Homes has a vision for an inclusive workplace, #BeYou, which is based on the belief that a successful workplace is one that values everyone, has a culture of inclusivity, and embraces both similarities and differences. This vision was accompanied by training for all managers and the associated launch of 'Life Stories' which brings together diverse staff to share their personal stories and experiences. It provides staff with the capability to ask questions, listen, understand and change the way they think, act and work. During 2022/23, a range of "Aspire" events have been held across the whole organisation which have included a range of activities to refresh and further reinforce the #BeYou vision and its meaning for all colleagues.

Stockport Homes is part of the GMHP 'BOOST' mentoring programme. This programme has been developed as part of GMHP's project 'Generating Routes for Black, Asian and Minority Ethnic (BAME) Leadership' which was run by Manchester Metropolitan University. The 'BOOST' programme shares minority ethnic experiences between up-and-coming ethnic minority staff and senior leaders to identify wider organisational issues and empower mentors and mentees to act as agents of change. The programme will run throughout 2023/24.

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 customers, independent and stakeholder members, and a number of Board Members also sit on the Boards of the subsidiaries, Three Sixty, SKYlight and Viaduct. Stockport Homes has developed a constructive relationship with the Stockport Homes Member Committee, a cross-political party Council body, which monitors and oversees the Company's work.

Stockport Homes has a Senior Leadership 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 three committees: Audit & Risk, Customer Focus and People & Governance, all of which have clear terms of reference. The Board and Committees are supported by the Governance Team which uses a range of 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.

A robust appraisal process was launched for Board Members in 2022-23 and will complete early in 2023-24. It involves self-assessment by all members and peer assessment of the Chairs. Following the last set of appraisals, a Governance Development Plan was adopted by the Board and the same process will be undertaken for the on-going process. Outcomes of the appraisals inform the Board skills matrix and inform future training and recruitment and succession planning.

Stockport Homes Limited

Strategic report for the year ended 31 March 2023 (*continued*)

During 2022-23, the Board undertook training and attended externally hosted events to widen their knowledge of issues relevant to their roles. Virtual training and consultation sessions are regularly held with the Board. Subjects covered include stress testing, social value measurement, the Asset Management Strategy and specific development schemes. Board Away Day, have been used to discuss issues relating to business resilience and response to the cost of living crisis, to inform members about changes in the national policy environment and to debate how the Group can best respond to these.

The Board receives a Customer Scrutiny Panel Annual Report that demonstrates the impacts of the panel's work, and the panel contributes to Stockport Homes meeting its co-regulatory responsibilities during the previous year. 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.

Approval

This Strategic Report was approved by order of the Board on 17 July 2023.



Jenny Osbourne, Chair of the Board

Stockport Homes Limited

Independent auditor's report

Independent Auditor's Report to the Members of Stockport Homes Limited

Opinion

We have audited the financial statements of Stockport Homes Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the Consolidated and parent Company Statement of Comprehensive Income, the Consolidated and parent Company Statement of Financial Position, the Consolidated and parent Company Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2023 and of the Group's income and expenditure and the parent Company's income and expenditure 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 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the

Stockport Homes Limited

Independent auditor's report

course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 6 and 7, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or the parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Stockport Homes Limited

Independent auditor's report

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Group and parent Company, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Companies Act 2006, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

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

Stockport Homes Limited

Independent auditor's report

Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Maria Hallows BA FCA DChA (Senior Statutory Auditor)

**For and on behalf of
Beever and Struthers**

Statutory Auditor

One Express

1 George Leigh Street

Manchester

M4 5DL

Date: *20.7.23*

Stockport Homes Limited

Consolidated Statement of Comprehensive Income for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	4	65,026	54,576
Cost of sales	4	(7,519)	(3,568)
Operating costs	4	(59,368)	(52,982)
Gain on sale	6	140	53
Operating surplus/(deficit)	4	(1,721)	(1,921)
Other interest receivable and similar income	12	255	6
Interest and financing costs	13	(1,747)	(1,812)
Net interest on pension	26	(747)	(861)
Change in Valuation of investment properties	17	25	65
(Deficit) before taxation		(3,935)	(4,523)
Taxation on (deficit)	14	(66)	(295)
(Deficit) for the financial year		(4,001)	(4,818)
Actuarial gains/(losses) on defined benefit pension scheme	26	51,260	19,294
Pension surplus not recognised	26	(20,137)	-
Total comprehensive income/(loss) for year		27,122	14,476

The notes on pages 38 to 70 form part of these financial statements.

All activities relate to continuing operations.

The financial statements were approved by the Board of Directors and authorised for issue on 17 July 2023.



Jenny Osbourne

Chair of the Board

Stockport Homes Limited

Company Statement of Comprehensive Income for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	4	57,337	48,386
Cost of sales	4	(7,519)	(3,568)
Operating costs	4	(51,215)	(46,446)
Gain on sale	6	140	53
Operating surplus/(deficit)	4	(1,257)	(1,575)
Other interest receivable and similar income	12	204	13
Interest and financing costs	13	(1,747)	(1,812)
Net interest on pension	26	(747)	(861)
Change in Valuation of Investment Properties	17	25	65
Surplus/(Deficit) before taxation		(3,522)	(4,169)
Taxation on surplus/(deficit)	14	(31)	(291)
Surplus/(Deficit) for the financial year		(3,553)	(4,461)
Actuarial gains/(losses) on defined benefit pension scheme	26	51,260	19,294
Pension surplus not recognised	26	(20,137)	-
Total comprehensive (loss)/income for year		27,570	14,833

The notes on pages 38 to 70 form part of these financial statements.

All activities relate to continuing operations.

The financial statements were approved by the Board of Directors and authorised for issue on 17 July 2023.

J Osbourne

Jenny Osbourne

Chair of the Board

Stockport Homes Limited

Consolidated Statement of Financial Position at 31 March 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Tangible fixed assets - housing properties	15	88,924	87,831
Tangible fixed assets - other	16	15,709	14,893
Investment Property	17	1,295	520
		105,928	103,244
Current assets			
Stocks	19	18,470	21,443
Debtors	20	8,602	4,101
Cash and cash equivalents		12,406	10,603
		39,478	36,147
Creditors: amounts falling due within one year	21	(16,298)	(17,029)
Net current assets		23,180	19,118
Total assets less current liabilities		129,108	122,362
Creditors: amounts falling due after more than one year	22	(104,179)	(98,107)
Net assets excluding provisions		24,929	24,255
Provisions for liabilities			
Pension asset/(liability)	26	55	(26,393)
Net (liabilities)/assets		24,984	(2,138)
Capital and reserves			
Income and expenditure reserve		24,984	(2,138)
		24,984	(2,138)

The financial statements were approved by the Board of Directors and authorised for issue on 17 July 2023.



Jenny Osbourne

Chair of the Board

The notes on pages 38 to 70 form part of these financial statements.

Company number 04521257

Stockport Homes Limited

Company Statement of Financial Position at 31 March 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Tangible fixed assets - housing properties	15	88,924	87,831
Tangible fixed assets - other	16	15,709	14,893
Investment property	17	1,295	520
Investment in subsidiaries	18	10	10
		105,938	103,254
Current assets			
Stocks	19	18,148	21,201
Debtors - receivable within one year	20	8,079	5,369
Debtors - receivable after one year	20	-	-
Cash and cash equivalents		8,476	7,956
		34,703	34,526
Creditors: amounts falling due within one year	21	(15,098)	(17,431)
Net current assets		19,605	17,095
Total assets less current liabilities		125,543	120,349
Creditors: amounts falling due after more than one year	22	(104,179)	(98,107)
Net assets excluding provisions		21,364	22,242
Pension asset/(liability)	26	55	(26,393)
Net assets/(liabilities)		21,419	(4,151)
Capital and reserves			
Income and expenditure reserve		21,419	(4,151)
		21,419	(4,151)

The financial statements were approved by the Board of Directors and authorised for issue on 17 July 2023.



Jenny Osbourne

Chair of the Board

The notes on pages 38 to 70 form part of these financial statements.

Company number 04521257

Stockport Homes Limited

Statement of Changes in Reserves for the year ended 31 March 2023

Group	2023	2022
	£'000	£'000
Income and Expenditure Reserves Balance at 1 st April	(2,138)	(16,615)
(Deficit) for the year	(4,001)	(4,818)
Actuarial gains/(losses) on defined benefit pension scheme	51,260	19,294
Pension surplus not recognised	(20,137)	-
Total comprehensive income for the year	27,122	14,476
Income and Expenditure Reserve Balance at 31 March	24,984	(2,138)
Company	2023	2022
	£'000	£'000
Income and Expenditure Reserves Balance at 1 st April	(4,151)	(18,184)
Surplus/(Deficit) for the year	(3,553)	(4,461)
Actuarial (losses)/gains on defined benefit pension scheme	51,260	19,294
Pension surplus not recognised	(20,137)	-
Total comprehensive income for the year	27,570	14,833
Gift aid paid	(2,000)	(800)
Income and Expenditure Reserve Balance at 31 March	21,419	(4,151)

Stockport Homes Limited

Consolidated Statement of Cash Flows for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Cash flows from operating activities (Deficit) for the financial year		(4,001)	(4,817)
Adjustments for:			
Depreciation of fixed assets - housing properties	15	1,184	1,138
Depreciation of fixed assets - other	16	349	541
Amortised grant	23	(238)	(217)
Interest payable and finance costs	13	1,747	1,812
Interest received	12	(255)	(14)
Taxation expense	14	33	169
Taxation reclaim		437	110
Increase in valuation of property	17	(25)	(65)
Gain/loss on disposal of fixed assets	6	(140)	(53)
Difference between net pension expense and cash contribution		4,675	5,296
(Increase) in trade and other debtors		(4,727)	(2,491)
Decrease/(increase) in stocks		6,373	969
(Decrease)/increase in trade creditors		3,841	2,454
Cash from operations		9,253	4,831
Taxation paid/(reclaimed)		(323)	(164)
Net cash generated from operating activities		8,930	4,667
Cash flows used in investing activities			
Purchase of fixed assets - housing properties		(7,789)	(8,530)
Purchases of fixed assets - other		(1,165)	(1,266)
Receipt of grant		3,099	1,771
Proceeds from sale of fixed assets		768	1,393
Interest received		184	38
Net cash from investing activities		(4,903)	(6,594)
Cash flows from financing activities			
Interest paid		(1,839)	(1,839)
New loans		2,091	4,480
Repayment of loans		(2,476)	(2,400)
Net cash used in financing activities		(2,224)	241
Net increase in cash and cash equivalents		1,803	(1,686)
Cash and cash equivalents at beginning of year		10,603	12,289
Cash and cash equivalents at end of year		12,406	10,603

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023

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Stockport Homes Limited

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1 Legal status

Stockport Homes Limited is registered with Companies House as a company limited by guarantee and is registered with the Regulator of Social Housing as a social housing provider. The Company is incorporated in England. Its registered address is: Cornerstone, 2 Edward St, Stockport, SK1 3NQ.

The group comprises the following entities:

Name	Incorporation	Registered/Non-registered
Stockport Homes Ltd	Companies Act 2006	Registered
Three Sixty SHG Ltd	Companies Act 2006	Non-registered
Viaduct Partnerships Ltd	Companies Act 2006	Non-registered
SKylight Proud to be Part of SHG	Co-operative and Community Benefit Societies Act 2014	Non-registered

2 Accounting policies

Basis of accounting

The financial statements have been prepared on a going concern basis, in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Stockport Homes includes the Housing and Regeneration Act 2008, FRS 102 “the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, the Accounting Direction for Private Registered Providers of Social Housing 2019.

In applying FRS 102, the financial statements are presented in £ sterling and rounded to the nearest £’000. As a public benefit entity, the Group has applied the public benefit entity “PBE” prefixed paragraphs of FRS 102.

Parent Company Disclosure Exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company
- Disclosures in respect of the parent company’s financial instruments have not been presented, as equivalent disclosures have been provided in respect of the Group as a whole
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

Basis of consolidation

The consolidated financial statements incorporate the results of Stockport Homes Limited and all of its subsidiary undertakings as at 31 March 2023. The group accounts consolidate the accounts of the company and its subsidiaries at 31st March 2023 using the purchase method. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying accounting policies.

The following principal accounting policies have been applied:

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

2 Accounting policies (*continued*)

Income

Income is measured at the fair value of the consideration received or receivable. The Group generates the following material income streams:

- Management fee income from Stockport Council
- Rental income receivable (after deducting lost rent from void properties available for letting)
- First tranche sales of Low Cost Home Ownership housing properties developed for sale
- Service charges receivable
- Grant income for specific initiatives
- Revenue grants and proceeds from the sale of land and property
- Construction contract income from Stockport Council
- Charitable income through SKyLight

Rental income is recognised from the point when properties under development reach practical completion and are formally let. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Service charges

The Group adopts the fixed method for calculating and charging service charges to its tenants and variable method for its leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account. Income is recorded based on the estimated amounts chargeable.

Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Current and deferred taxation

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Value Added Tax

Stockport Homes charges Value Added Tax (VAT) on the majority of its income and is able to recover the corresponding majority of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by Stockport Homes and not recoverable from HM Revenue and Customs. Non-recoverable VAT arises from exempt and partially exempt activities and is debited to the Statement of Comprehensive Income.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

2 Accounting policies (*continued*)

Finance costs

All Stockport Homes' borrowing is on fixed Public Works Loan Board rates. Finance costs are charged to profit or loss over the term of the debt using the actual interest rate for each loan.

Pension costs

The Group participates in two pension schemes, the Greater Manchester Pension Fund (GMPF) and the Social Housing Pension Scheme (SHPS).

The SHPS is a defined contribution scheme for which costs are charged to the Statement of Comprehensive Income on an accruals basis.

The GMPF is a defined benefit 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 102.

The difference between the fair value of the assets held in the defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that Stockport Homes is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Tangible fixed assets - Housing Properties

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in Property Plant and Equipment and held at cost less any impairment, and are transferred to completed properties when ready for letting.

Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated on account of its indefinite useful economic life.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

2 Accounting policies (*continued*)

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets on the following basis:

Freehold land is not depreciated.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

Description	Economic useful life (years)
New build housing structure (including on-costs)	100
Other housing structure	50
Boundary walls & car hard-standings	50
Roofs	70
Windows	30
Electrical	30
Bathrooms	30
Structural cladding	25
Front Doors	25
Back Doors	30
Boilers	20
Heating systems	30
Kitchens	20
Photovoltaic Panels	25
Lifts	15

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; when the lease and building elements are depreciated separately over their expected useful economic lives.

Shared ownership properties and staircasing

Under low cost home ownership arrangements, Stockport Homes disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as PPE and included in completed housing property at cost less any provision for impairment. Sales of subsequent tranches are treated as a part disposal of PPE. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

2 Accounting policies (continued)

Investment Properties

Investment properties include commercial and other properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

Tangible fixed assets - Other

Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Assets under construction

Assets under construction are stated at cost. The company adds to the carrying amount when the cost is incurred. Assets under construction are not depreciated until they are brought into use.

Depreciation of other tangible fixed assets

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. Items are capitalised where they are for ongoing use in the business. Depreciation is provided at a rate calculated to write off the cost of fixed assets, less their estimated residual value over their estimated useful lives on the following basis:

- Computer Equipment	33.33% Straight line
- Photovoltaic panels	4% Straight line
- Motor vehicles	33.33% Straight line
- Site set up	20% Straight line
- Tools and equipment	20% Straight line
- Office furniture and IT fit out	20% Straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

2 Accounting policies (*continued*)

Government grants

Grant received in relation to property construction is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic life of the asset for which it was received. In accordance with Housing SORP 2018 the useful economic life of the housing property structure has been selected.

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Impairment of fixed assets

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the organisation as the existing property. No properties have been valued at VIU-SP.

The Group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

Stock

Stock represents work in progress and completed properties, properties developed for outright sale, and shared ownership properties. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

2 Accounting policies (*continued*)

Recoverable amount of rental and other trade receivables

Stockport Homes estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

Rent and service charge agreements

The Group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Loans, Investments and short term deposits

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however Stockport Homes has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instrument are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of related property.

Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, what constitutes the cash generating unit, and the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.
- the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.
- the carrying value of stock, and that this can be disposed of at a value at least equal to the carrying value, due to property market conditions.
- the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 14 and 15)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as condition and continued usage are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

- Rental and other trade receivables (debtors) (see note 20)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

- Pension liabilities (see note 26)

The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, property valuations, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the asset or liability recorded and annual defined benefit expense. There is evidence from the external management expert that part of the pension asset at March 2023 is recoverable, and this has been recognised in the Statement of Financial Position.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

4 Particulars of turnover, cost of sales, operating costs and operating surplus

Group	Turnover	Cost of sales	Operating costs	Operating (deficit)/ surplus
	2023 £'000	2023 £'000	2023 £'000	2023 £'000
Social housing lettings (Note 5)	4,349	-	(2,449)	1,900
Other Social Housing Activities				
First tranche low cost home ownership sales	9,948	(7,519)	-	2,429
Management Fee and associated charges from Stockport MBC	30,711	-	(32,119)	(1,408)
Income from customers and miscellaneous	11,076	-	(12,401)	(1,324)
Charges to capital programme	8,008	-	(7,537)	471
Water initiative	934	-	(934)	-
Net pension cost	-	-	(3,928)	(3,928)
	60,677	(7,519)	(56,919)	(3,761)
Gain on disposal	-	-	-	140
Total	65,026	(7,519)	(59,368)	(1,721)
Analysis of disposal				
Shared Ownership Staircasing Sales	775	(629)	(6)	140
Total	775	(629)	(6)	140

Group	Turnover	Cost of sales	Operating costs	Operating (deficit)/ surplus
	2022 £'000	2022 £'000	2022 £'000	2022 £'000
Social housing lettings (Note 5)	3,935	-	(2,370)	1,565
Other Social Housing Activities				
First tranche low cost home ownership sales	4,629	(3,568)	-	1,061
Management Fee and associated charges from Stockport MBC	30,094	-	(30,494)	(400)
Income from customers and miscellaneous	7,732	-	(7,452)	280
Charges to capital programme	7,174	-	(7,219)	(45)
Water initiative	1012	-	(1012)	-
Net pension cost	-	-	(4,435)	(4,435)
	50,641	(3,568)	(50,613)	(3,539)
Gain on disposal	-	-	-	53
Total	54,576	(3,568)	(52,982)	(1,921)
Analysis of disposal				
Shared Ownership Staircasing Sales	1,407	(1,341)	(13)	53
Total	1,407	(1,341)	(13)	53

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

4 Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

Company	Turnover	Cost of sales	Operating costs	Operating (deficit)/ surplus
	2023 £'000	2023 £'000	2023 £'000	2023 £'000
Social housing lettings (Note 5)	4,349	-	(2,449)	1,900
Other Social Housing Activities				
First tranche low cost home ownership sales	9,948	(7,519)	-	2,429
Management Fee and associated charges from Stockport MBC	30,711	-	(32,119)	(1,408)
Income from customers and miscellaneous	8,006	-	(8,396)	(390)
Charges to capital programme	1,777	-	(1,777)	-
Water initiative	934	-	(934)	-
Intercompany	1,612	-	(1,612)	-
Net pension cost	-	-	(3,928)	(3,928)
	52,988	(7,519)	(48,766)	(3,297)
Gain on disposal	-	-	-	140
Total	57,337	(7,519)	(51,215)	(1,257)
Analysis of disposal				
Shared Ownership Staircasing Sales	775	(629)	(6)	140
Total	775	(629)	6	140

Company	Turnover	Cost of sales	Operating costs	Operating (deficit)/ surplus
	2022 £'000	2022 £'000	2022 £'000	2022 £'000
Social housing lettings (Note 5)	3,935	-	(2,370)	1,565
Other Social Housing Activities				
First tranche low cost home ownership sales	4,629	(3,568)	-	1,061
Management Fee and associated charges from Stockport MBC	30,094	-	(30,094)	-
Income from customers and miscellaneous	5,450	-	(5,269)	(181)
Charges to capital programme	1,672	-	(1,672)	-
Water initiative	1,012	-	(1,012)	-
Intercompany	1,593	-	(1,593)	-
Market Rent lettings	-	-	(4,435)	(4,435)
Net pension cost	-	-	-	-
	44,451	(3,568)	(44,076)	(3,193)
Gain on disposal	-	-	-	53
Total	48,386	(3,568)	(46,446)	(1,575)
Analysis of disposal				
Shared Ownership Staircasing Sales	1,407	(1,341)	(13)	53
Total	1,407	(1,341)	(13)	53

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

5 Income and Expenditure from social housing lettings

Group and Company

	General needs	Low cost home ownership	Total	Total
	2023 £'000	2023 £'000	2023 £'000	2022 £'000
Income				
Rents net of identifiable service charges	3,177	622	3,799	3,491
Service charge income	88	225	313	225
Amortised government grants	181	56	237	218
Other Income	-	-	-	1
Turnover from social housing lettings	3,446	903	4,349	3,935
Expenditure				
Management	(198)	(119)	(318)	(264)
Service charge costs	(56)	(144)	(200)	(177)
Maintenance	(242)	(146)	(388)	(312)
Bad debts	(12)	-	(12)	31
Depreciation of housing properties:				
- annual charge	(1,022)	(162)	(1,184)	(1,183)
Other costs	(217)	(131)	(348)	(465)
Operating expenditure on social housing lettings	(1,747)	(702)	(2,449)	(2,370)
Operating surplus on social housing lettings	1,699	201	1,900	1,565
Void losses	(28)	-	-	(15)

6 Gain on disposal of fixed assets

Group and Company

	2023 £'000	2022 £'000
Shared Ownership Staircasing Sales		
Proceeds of sales	775	1,407
Less costs of sales	(629)	(1,341)
Less capital grant recycled (note 24)	(6)	(13)
Surplus	140	53

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

7 Units of housing stock

Group and Company	2023 Additions	2023 Disposals	2023 Total Number	2022 Total Number
General needs housing:				
- Social	3	-	148	145
- Affordable	10	(1)	293	284
- Market Rent	-	-	1	1
- Intermediate	-	-	54	54
- 3 rd Party Rents	7	-	9	2
- Rent to buy	-	-	5	5
Low cost home ownership	34	(9)	305	280
Total owned	54	(10)	815	771
Accommodation managed for others	10	(58)	11,678	11,726
Total managed accommodation	10	(58)	11,678	11,726
Total owned and managed accommodation	64	(68)	12,493	12,497
Units under construction			208	272

8 Operating surplus

Group	2023 £'000	2022 £'000
This is arrived at after charging:		
Depreciation of housing properties	1,184	1,134
Depreciation of other tangible fixed assets	349	541
Operating lease charges - land & building	60	55
Operating lease charges - other	336	542
Auditors' remuneration (excluding VAT):		
- fees payable to the company's auditor for the audit of the company's annual accounts	38	36
- fees for tax computations	4	4
- fees for audit related assurance	-	-
Defined benefit pension cost	3,928	4,435

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

8 Operating surplus (continued)

Company	2023 £'000	2022 £'000
This is arrived at after charging:		
Depreciation of housing properties	1,184	1,134
Depreciation of other tangible fixed assets	349	539
Operating lease charges - land & building	60	55
Operating lease charges - other	336	542
Auditors' remuneration (excluding VAT):		
- fees payable to the company's auditor for the audit of the company's annual accounts	23	21
- fees for tax computations	1	1
- fees for audit related assurance	-	-
Defined benefit pension cost	3,928	4,435

9 Employees

Group	2023 £'000	2022 £'000
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	22,726	19,960
Social security costs	2,286	1,869
Cost of defined benefit scheme (see note 26)	2,990	2,525
Cost of defined contribution scheme (see note 26)	258	512
Pension Valuation Adjustments	3,928	4,435
	32,188	29,301

The average number of employees (including Stockport Homes Management Team) expressed as full time equivalents (calculated based on a standard working week of 37 hours) during the year was as follows:

	2023 Number	2022 Number
Administration	132	138
Repairs and Maintenance	207	111
Housing, Support and Care	347	415
	686	664

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

9 Employees (continued)

Company	2023 £'000	2022 £'000
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	14,081	13,548
Social security costs	1,424	1,264
Cost of defined benefit scheme (see note 26)	2,647	2,525
Pensions Valuation Adjustments	3,928	4,435
	22,080	21,772

The average number of employees (including Stockport Homes Management Team) expressed as full time equivalents (calculated based on a standard working week of 37 hours) during the year was as follows:

	2023 Number	2022 Number
Administration	127	119
Repairs and Maintenance	47	42
Housing, Support and Care	309	328
	483	489

10 Directors' and senior executive remuneration

The directors are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team disclosed on page 3. These are judged to be the key management personnel.

Group	2023 £'000	2022 £'000
Executive directors' emoluments	574	544
Amounts paid to non-executive directors	56	37
Contributions to defined benefit pension schemes	64	72
Employers NI contributions	77	69
	771	722

Group and company

The Board of Management received £4,535 (2022: £3,210) for board expenses during the year. Compensation for loss of office payments for the year totalled £nil (2021: £nil).

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £178,328 (2022: £173,151). The Chief Executive has opted out of the Local Government Pension Scheme.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

10 Directors' and senior executive remuneration (continued)

There were 4 directors in the local government pension scheme during the year (2022: 4).

The remuneration paid to staff (including Executive Management Team) earning over £60,000 upwards:

	2023 No.	2022 No.
£60,000 - £69,999	5	3
£70,000 - £79,999	4	3
£80,000 - £89,999	5	-
£90,000 - £99,999	1	1
£100,000 - £109,999	-	2
£110,000 - £119,999	1	-
£120,000 - £129,999	1	-
£130,000 - £139,999	-	-
£140,000 - £149,999	-	1
£150,000 - £159,999	-	-
£160,000 - £169,999	-	-
£170,000 - £179,999	1	-

11 Board Members

Board member	Remuneration	Member of Audit and Risk Committee	Member of Customer Focus Committee	Member of People and Governance Committee
Kenneth Lee	3,766.68	X		X
Steve Partridge	3,766.68	X		
Priti Butler	2,244.48	X		
Alistair Chapman	1,147.74	X	X	
Sarah-Leigh Keenan	1,105.21			
Peter Fitzhenry	1,807.83			
Robin Burman	2,644.44			X
David Wright	1,857.81			
Phil Pemberton	2,911.86			
Lorraine Gill	2,711.20			
Maria Earl	1,147.74			X
John Barrow	1,147.74			
Christine Woolridge	2,244.48		X	
Josephine Hague	2,544.48		X	
Jenny Osbourne	5,611.08		X	X
Nasrin Fazal	1,147.74		X	

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

12 Interest receivable and income from investments

Group	2023 £'000	2022 £'000
Interest receivable and similar income	255	6
	255	6

Company	2023 £'000	2022 £'000
Interest receivable and similar income	204	13
	204	13

13 Interest payable and similar charges

Group and company	2023 £'000	2022 £'000
Loans from group undertakings	1,747	1,812
	1,747	1,812

14 Taxation on surplus/(deficit) on ordinary activities

The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to surplus before tax. The differences are explained below:

Group	2023 £'000	2022 £'000
<i>UK corporation tax</i>		
Current tax on surplus for the year	289	295
Adjustment in respect of previous periods	(223)	-
Taxation on surplus on ordinary activities	66	295
(Deficit)/surplus on ordinary activities before tax	(3,935)	(4,523)
(Deficit)/surplus on ordinary activities at the standard rate of corporation tax in the UK of 19%	(747)	(788)
Effects of:		
Expenses not deductible for tax purposes	1,036	1,083
Adjustment to tax charge in respect of previous periods	(223)	-

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

Total tax charge for period	66	295
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14 Taxation on surplus/(deficit) on ordinary activities (continued)

Company	2023 £'000	2022 £'000
<i>UK corporation tax</i>		
Current tax on surplus for the year	254	291
Adjustment in respect of previous periods	(223)	-
Taxation on surplus on ordinary activities	31	291

The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to surplus before tax. The differences are explained below:

	2023 £'000	2022 £'000
(Deficit) on ordinary activities before tax	(3,522)	(4,169)
(Deficit) on ordinary activities at the standard rate of corporation tax in the UK of 19%	(669)	(792)
Effects of:		
Expenses not deductible for tax purposes	923	1,083
Adjustment to tax charge in respect of previous periods	(223)	-
Total tax charge for period	31	291

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

15 Tangible Fixed Assets - Housing Properties		£'000		£'000		£'000		£'000		
Group and Company	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Total	Group and Company	General needs completed	General needs under construction	Shared ownership completed	
<i>Cost:</i>										
At 1 April 2022	57,921	8,307	18,468	8,930	93,626	At 1 April 2022	57,921	8,307	18,468	8,930
Additions	151	763	25	5,325	6,264	Additions	151	763	25	5,325
Completed schemes	2,905	(2,905)	2,643	(2,643)	0	Completed schemes	2,905	(2,905)	2,643	(2,643)
Transfer (to)/from stock	-	(98)	-	(3,302)	(3,400)	Transfer (to)/from stock	-	(98)	-	(3,302)
Component Addition	71	-	-	-	71	Component Addition	71	-	-	-
Component Disposal	(42)	-	-	-	(42)	Component Disposal	(42)	-	-	-
Staircasing Disposal	-	-	(650)	-	(650)	Staircasing Disposal	-	-	(650)	-
At 31 March 2023	61,006	6,067	20,486	8,310	95,869	At 31 March 2023	61,006	6,067	20,486	8,310
<i>Depreciation:</i>										
At 1 April 2022	(5,015)	-	(780)	-	(5,795)	At 1 April 2022	(5,015)	-	(780)	-
Charge for the year	(1,022)	-	(162)	-	(1,184)	Charge for the year	(1,022)	-	(162)	-
Staircasing Disposal	-	-	22	-	22	Staircasing Disposal	-	-	22	-
Component Disposal	12	-	-	-	12	Component Disposal	12	-	-	-
At 31 March 2023	(6,025)	-	(920)	-	(6,945)	At 31 March 2023	(6,025)	-	(920)	-
Net book value at 31 March 2023	54,981	6,067	19,566	8,310	88,924	Net book value at 31 March 2023	54,981	6,067	19,566	8,310
Net book value at 31 March 2022	52,906	8,307	17,688	8,930	87,831	Net book value at 31 March 2022	52,906	8,307	17,688	8,930

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

15 Tangible fixed assets - Housing properties (continued)	2023 £'000	2022 £'000
The net book value of housing properties may be further analysed as:		
Freehold	81,770	80,609
Long leasehold	7,154	7,221
	<hr/>	<hr/>
	88,924	87,831

Works to properties

Improvements to existing properties capitalised	71	188
	<hr/>	<hr/>
	71	188

Total Social Housing Grant received or receivable to date is as follows:

Capital grant - Housing Properties	30,076	27,402
	<hr/>	<hr/>
	30,076	27,402

Impairment

Stockport Homes considers each scheme to represent separate cash generating units (CGU's) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2018.

At 31 March 2023 an assessment of impairment indicators was undertaken. No such indicators were identified.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

16 Other tangible fixed assets			
Group	Office Buildings £'000	Fixtures, fittings, tools and Equipment £'000	Total £'000
<i>Cost</i>			
At 1 April 2022	13,914	3,690	17,604
Additions	34	1,131	1,165
Disposals	(1)	-	(1)
At 31 March 2023	13,947	4,821	18,768
<i>Depreciation</i>			
At 1 April 2022	(1,021)	(1,690)	(2,711)
Charge for year	(206)	(142)	(349)
Disposals			
At 31 March 2023	(1,227)	(1,832)	(3,059)
<i>Net book value</i>			
At 31 March 2023	12,720	2,989	15,709
At 31 March 2022	12,892	2,000	14,893
Company			
Company	Office Buildings £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<i>Cost</i>			
At 1 April 2022	13,914	3,670	17,584
Additions	34	1,131	1,165
Disposal	(1)	-	(1)
At 31 March 2023	13,947	4,801	18,748
<i>Depreciation</i>			
At 1 April 2022	(1,021)	(1,670)	(2,691)
Charge for year	(206)	(142)	(348)
Disposal			
At 31 March 2023	(1,227)	(1,812)	(3,039)
<i>Net book value</i>			
At 31 March 2023	12,720	2,989	15,709
At 31 March 2022	12,892	2,000	14,893

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

17 Investment Properties held for letting

Group and Company	Total 2023 £'000	Total 2022 £'000
At 1 April	520	455
Additions	750	-
Gain / (Loss) from adjustment in fair value	25	65
At 31 March	1,295	520

Investment properties were valued at £545,000 on 27th January 2023 by IJG (Chartered Surveyors) and 21st February 2023 by Thomson & Associates. An addition of £750,000 for the acquisition of land was valued on 2nd February 2023 by Thomson & Associates. The valuations have been undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

18 Investments in subsidiaries

Company	Total 2023 £'000	Total 2022 £'000
<i>Cost</i>		
At 1 April 2022	10	10
Additions	-	-
At 31 March 2023	10	10

19 Stock

Group	Other consumables	First tranche shared ownership properties	Outright Sale	Total	Total
	2023 £'000	2023 £'000	2023 £'000	2023 £'000	2022 £'000
Work in progress	-	11,262	6,803	18,065	20,856
Completed properties	-	83	-	83	345
Consumables	322	-	-	322	242
	322	11,345	6,803	18,470	21,443

Company	Other consumables	First tranche shared ownership properties	Outright Sale	Total	Total
	2023 £'000	2023 £'000	2023 £'000	2023 £'000	2022 £'000
Work in progress	-	11,262	6,803	18,065	20,856
Completed properties	-	83	-	83	345

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

	11,345	6,803	18,148	21,201
20 Debtors				
Group			2023	2022
			£'000	£'000
Due within one year				
Rent and service charge arrears			99	53
Less: Provision for doubtful debts			(41)	(29)
			58	24
Amounts owed by the Council and associated companies			6,332	1,615
Trade debtors			880	956
Less: Provision for doubtful debts			(694)	
Other debtors			302	340
Prepayments and accrued income			1,378	1,051
Social housing grant receivable			-	-
Taxation			346	115
			8,602	4,101
Company			2023	2022
			£'000	£'000
Due within one year				
Rent and service charge arrears			99	53
Less: Provision for doubtful debts			(41)	(29)
			58	24
Amounts owed by the Council and associated companies			4,293	2,990
Trade debtors			843	1,329
Less: Provision for doubtful debts			(694)	(524)
Other debtors			14	38
Prepayments and accrued income			633	740
Social housing grant receivable			-	-
Taxation and social security			337	6
Intercompany debtors			2,595	766
			8,079	5,369

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

21 Creditors: amounts falling due within one year

Group	2023	2022
	£'000	£'000
Loans and borrowings (note 25)	5,829	9,071
Trade creditors	1,866	2,247
Social housing grant in advance	-	-
Amounts owed to the Council and associated companies	1,045	567
Taxation and social security	786	931
Other creditors	1,047	844
Deferred capital grant (Note 23)	409	-
Accruals and deferred income	5,265	3,370
Recycled Capital Grant (Note 24)	51	-
	16,298	17,029
Company	2023	2022
	£'000	£'000
Loans and borrowings (note 25)	5,829	9,071
Trade creditors	1,028	1,005
Social housing grant in advance	-	-
Amounts owed to the Council and associated companies	1,044	567
Taxation and social security	508	723
Other creditors	553	252
Deferred capital grant (Note 23)	409	-
Accruals and deferred income	3,665	3,407
Recycled Capital Grant (Note 24)	51	-
Intercompany creditors	2,011	2,406
	15,098	17,431

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

22 Creditors: amounts falling due after more than one year

Group	2023 £'000	2022 £'000
Loans and borrowings (Note 25)	71,848	68,991
Deferred capital grant (Note 23)	30,784	28,519
Recycled capital grant (Note 24)	558	414
Accruals and deferred income > 1 year	751	-
Sinking Fund	238	183
	104,179	98,107

Company	2023 £'000	2022 £'000
Loans and borrowings (Note 25)	71,848	68,991
Deferred capital grant (Note 23)	30,784	28,519
Recycled Capital Grant (Note 24)	558	414
Accruals and deferred income > 1 year	-	-
Intercompany creditors	751	-
Sinking Fund	238	183
	104,179	98,107

23 Deferred capital grant

Group and Company	2023 £'000	2022 £'000
At 1 April	28,519	27,343
Grants received during the year	3,094	1,757
Released to income during the year	(238)	(217)
Recycled Grant Fund	(183)	(364)
	31,192	28,519
Amount due to be released < 1 year	409	234
Amount due to be released > 1 year	30,783	28,285

24 Recycled capital grant fund

Group and Company	2023 £'000	2022 £'000
At 1 April	414	50
Inputs from Deferred Capital Grant	188	351
Inputs from Shared Ownership Staircasing Sales	6	13
Outputs to Deferred Capital Grant	-	-
At 31 March	608	414

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

25 Loans and borrowings

Maturity of debt:

Group and Company

	2023 £'000	2022 £'000
In one year or less, or on demand	5,829	9,071
In more than one year but not more than two years	8,835	8,822
In more than two years but not more than five years	10,216	7,272
In more than five years	52,797	52,897
	77,677	78,062

Of the loans of £77.7m, £50.9m has an interest rate of less than 3%, £26.2m has an interest rate between 3% and 5% with the remaining £0.6m at a rate greater than 5%.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

26 Pensions

Group

The Group participates in three pension schemes, the Greater Manchester Pension Fund (GMPF), the Social Housing Pension Scheme (SHPS), and the National Employment Savings Trust (NEST). The GMPF is a multi-employer defined benefit scheme. Stockport Homes Ltd and Three Sixty SHG Ltd are the only members of the Group who participate in the GMPF, the details of which are below. Stockport Homes Ltd is the sponsoring employer for the GMPF plan, and as such recognises the net defined benefit liability of the plan as a whole. The SHPS and NEST are defined contribution schemes. The charge for the period for the SHPS is £255,696 (2022: £166,828), and at the Statement of Financial Position date there were contributions outstanding of £30,562 (2022: £18,994). NEST is a defined contribution scheme. The charge for the period for the NEST scheme is £2,339 (2022: £Nil), and at the Statement of Financial Position date there were contributions outstanding of £nil (2022: £nil).

Group and Company

Defined benefit pension scheme

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 2022. Results from this valuation have been rolled forward to 31 March 2023 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 2022
- Individual pensioner data in respect of LGPS unfunded pensions
- Employer and employee contributions up to the latest available date and payroll data (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 to the latest available date on unreduced pensions which are not anticipated in the normal employment service cost

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

26 Pensions (*continued*)

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2022. The accounting balance sheet position as at 31 March 2023 is based on a roll forward from the 2022 formal valuation. This differs to the 31 March 2022 balance sheet which was based on a roll forward from the 2019 valuation. Contributions to the scheme are made by the group based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

There were no changes to the scheme during the year and £3,931 was owing to the scheme at the year-end (2022: £618).

	2023 £'000	2022 £'000
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	(124,948)	(127,313)
Current service cost	(6,636)	(7,268)
Interest cost	(3,548)	(2,678)
Actuarial gains/(losses)	52,587	11,875
Benefits paid	414	470
Business combinations and disposals	(1,049)	-
Past service costs	(38)	(34)
At the end of the year	(83,218)	(124,948)
<i>Reconciliation of fair value of plan assets</i>		
At the beginning of the year	98,555	86,922
Interest income on plan assets	2,801	1,817
Actuarial gains/(losses)	(1,327)	7,419
Contributions by employer	2,986	2,867
Business combinations and disposals	809	-
Benefits paid	(414)	(470)
At the end of the year	103,410	98,555
Fair value of plan assets	103,410	98,555
Present value of plan liabilities	(83,218)	(124,948)
Surplus not recognised	(20,137)	-
Net pension scheme asset/(liability)	55	(26,393)

The plan has a gross surplus at the reporting date of £20,192,000 and the Group has recognised an asset in the balance sheet to the extent that it is able to recover the surplus either through reduced contributions in the future, or through refunds from the plan. The plan surplus (asset ceiling) has been calculated by the scheme actuary to be £55,000 and surplus totalling £20,137,000 has not been recognised in the balance sheet as a result.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

26 Pensions (<i>continued</i>)		
Amounts recognised in other comprehensive income are as follows:	2023 £'000	2022 £'000
Included in administrative expenses:		
Current service cost	6,636	7,268
Past service cost	38	34
	6,674	7,302
Amounts included in other finance costs		
Net interest cost	747	861
Analysis of actuarial gain / (loss) recognised in Other Comprehensive Income	2023 £'000	2022 £'000
Actual return less interest income included in net interest income	708	7,419
Experience gains and losses arising on the scheme liabilities	(8,765)	(293)
Changes in assumptions underlying the present value of the scheme liabilities	59,317	12,168
	51,260	19,294
	2023 £'000	2022 £'000
<i>Composition of plan assets</i>		
Equities	70%	69%
Bonds	14%	13%
Property	8%	8%
Cash	8%	10%
Total plan assets	100%	100%
Actual return on plan assets	2.2%	9.8%
<i>Principal actuarial assumptions used at the balance sheet date</i>		
	2023	2022
Discount rates	4.75%	2.75%
Future salary increases	3.75%	3.90%
Future pension increases	2.95%	3.15%
Average future life expectancies		
for a male aged 65 now	20.1 years	20.3 years
at 65 for a male member aged 45 now	21.6 years	21.6 years
for a female aged 65 now	24.0 years	23.0 years
at 65 for a female member aged 45 now	25.5 years	25.1 years

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

27 Contingent liabilities

Group and Company

Stockport Homes Limited previously acquired properties with associated government grant. In the event of these properties being disposed, Stockport Homes Limited is liable for the recycling of the associated government grant. At 31 March 2023 the value of this liability is £3.904m (2022: £3.904m)

28 Operating leases

The Group and Company had minimum lease payments under non-cancellable operating leases as set out below:

Amounts payable as Lessee

	2023	2022
	£'000	£'000
Not later than 1 year	407	546
Later than 1 year and not later than 5 years	618	616
More than 5 years	495	540
Total	1,520	1,702

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

29 Capital commitments

Group and Company	2023 £'000	2022 £'000
Commitments contracted but not provided for	8,222	14,130
Commitments approved by the Board but not contracted for	156	2,327
	8,378	16,457

Capital commitments will be funded as follows:

	2023 £'000	2022 £'000
Social Housing Grant	290	1,817
New loans	1,822	3,961
Sales of properties	4,899	9,192
Reserves	1,367	1,487
	8,378	16,457

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

30 Related party disclosures

The ultimate controlling party of Stockport Homes is Stockport Metropolitan Borough Council.

Associated companies

The following transactions took place between Stockport Homes, Stockport MBC and its associated ventures during the year

	Stockport Council		Totally Local Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Net loan movements advances/(repayments)	(385)	2,080		-
Net sales and purchases of goods and services	15,138	13,129	(28)	(208)
Management fees received	30,711	30,093		-
Payable by Association to associated companies	Stockport Council		Totally Local Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Loan advances	77,677	78,062	-	-
Trading Balances	1,145	848	-	-
Payable to Association from associated companies	Stockport Council		Totally Local Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trading Balances	6,332	4,574	-	-

Totally Local Company is a subsidiary undertaking of Stockport Metropolitan Borough Council and therefore a fellow subsidiary of Stockport Homes.

In 2022/23 Stockport Homes charged schools within Stockport £610k (2022: £560k) in relation to the provision of repairs and maintenance services.

As at 31 March 2023, Stockport Homes' 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.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (*continued*)

30 Related party disclosures (continued)

The Stockport Homes Board includes two tenant members who hold a tenancy agreement on normal terms. These members cannot use their position to their advantage. At 31 March 2023 tenant members of the Stockport Homes Board comprised Christine Woolridge and Josephine Hague. Rent charged to Stockport Homes tenant Board members during the period was £10,327. Stockport Homes tenant Board members had arrears of £nil at the reporting period end. (2022 £nil).

Jenny Osbourne is the Chief Executive of TPAS, an organisation specialising in tenant engagement. Stockport Homes made payments to TPAS of £9,444 during the period (2022 £4,231).

Group companies

Stockport Homes Limited is the parent company of the following entities:

- i. Three Sixty SHG Ltd
Registered under the Companies Act 2006, the principal activities of the company are construction and related services.
- ii. Viaduct Partnerships Ltd
Registered under the Companies Act 2006, the principal activities of the company are the development and construction of social housing.
- iii. SKylight Proud to be Part of SHG
Registered under the Co-operative and Community Benefit Societies Act 2014, the principle activities of the company are to deliver the organisation's charitable aims.

Stockport Homes Limited provides management services, other services and loans to its subsidiaries. Stockport Homes Limited also receives charges from its subsidiaries. Charges between Group members are based on cost with an agreed mark-up methodology.

During 2022/23 charges between Stockport Homes Limited and its subsidiaries were as follows:

Three Sixty SHG Ltd

Stockport Homes Limited charged Three Sixty SHG Ltd £1,017,151 and received charges of £13,512,182.

Viaduct Partnerships Ltd

Stockport Homes Limited charged Viaduct Partnerships Ltd £289,000 and received charges of £5,046,213.

SKylight Proud to be Part of SHG

Stockport Homes Limited charged SKylight Proud to be Part of SHG £306,000 and received charges of £2,164,577.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

31 Analysis of changes in net debt

Group

	At 1 April 2022	Cash flows	Other non- cash changes	At 31 March 2023
	£'000	£'000	£'000	£'000
Cash	10,601	1,531	274	12,406
Debt due within one year	9,071	(2,475)	(766)	5,830
Debt due after one year	68,991	2,090	766	71,847
Total	88,663	1,146	274	90,083

Company

	At 1 April 2022	Cash flows	Other non- cash changes	At 31 March 2023
	£'000			
Cash	7,956	520		8,476
Debt due within one year	9,071	(2,476)	(766)	5,829
Debt due after one year	68,991	2,090	766	71,848
Total	86,018	134	0	86,153