



Stockport Homes Group Corporate Finance Strategy 2020-2023

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1 INTRODUCTION

- 1.1 The purpose of this strategy is to set out the approach to financial management for Stockport Homes Group (SHG) over the next three years.
- 1.2 The previous strategy was approved by the Stockport Homes Board in July 2017, and since that time the Group structure has been embedded, with clear and compliant financial reporting in place for each SHG company, which was a key aim of the previous strategy.
- 1.3 A focus of the strategy for 2020-23 is to build upon this foundation, supporting the ongoing development and diversification across SHG; utilising the opportunities that the Group structure offers to maximise resources, whilst ensuring this is carried out in a controlled and compliant manner.

2 BACKGROUND AND CONTEXT

- 2.1 When the previous Corporate Finance Strategy was approved in July 2017, the Stockport Homes subsidiary companies Three Sixty and Viaduct Partnerships had been incorporated, but the operations of these new companies were still in their infancy.
- 2.2 Since that time, the Corporate Finance Strategy 2017-20 has supported the growth and development of each member of SHG, which from 2019/20 also included the charitable subsidiary, Foundations Stockport. This growth is summarised in the table below:

Company	Turnover 2017/18	Turnover 2019/20	Budgeted Turnover 2020/21
Stockport Homes	£43.2m	£47.2m	£48.2m
Three Sixty	£3.3m	£7.2m	£8.5m
Viaduct Partnerships	£12.1m	£13.2m	£29.1m
Foundations Stockport	-	£0.7m	£0.9m
Stockport Homes Group	£45.6m	£52.9m	£55.5m

The Group's fixed assets have also increased significantly over this period, from £59.5m in 2017/18 to £83.8m in 2019/20.

- 2.3 A key aim of the previous strategy was to embed the Group structure and financial processes, which has been achieved through clear and compliant financial reporting which is in place for each company, and the focus given to each individual company, as well as the wider Group as a whole. The aim from the previous strategy to achieve efficiencies from the Group structure has been realised, including tax efficiencies, which during 2019/20 included Gift Aid for the first time. This will continue as an aim in the new strategy.

- 2.4 During the course of the 2017-20 strategy, the priority of strategic clarity was developed through the improvement of the SHG long term financial plan, including modernising this through the use of the external Housing Brixx software, which is widely used throughout the housing sector. The achievement of the long-term financial plan is a key aim of the 2020-23 strategy, which will be delivered through a number of related actions, including continuing to maximise incoming resources, achieve efficiencies and support the development of new business. As SHG continues to grow, financial clarity at individual business area, individual company and Group level is vital to support this development.
- 2.5 The 2020-23 strategy will see the additional regulation expected from Stockport Homes being classed as a large provider of social housing. The ongoing development of the long-term financial plan will support compliance with the additional regulatory requirements, and compliance with all of the additional regulatory areas is a key focus of the new strategy.
- 2.6 The financial skills and awareness of senior managers, Board members and budget holders are paramount in order for SHG to continue to develop and be financially robust, whilst also ensuring compliance with regulatory requirements. Ensuring that managers and Board members are equipped with the necessary skills, knowledge and awareness, is a fundamental part of the strategy for 2020-23.

3 STRATEGIC OBJECTIVES

- 3.1 Four strategic priorities have been identified for the SHG Corporate Finance Strategy 2020-23. These have been developed in consultation with the Wider Leadership Team and in line with SHG's mission, aims and values and the aims of the SHG Business Plan 2020-23. The strategic priorities will be achieved through a number of high-level supporting actions:

3.2 **Priority one – Regulatory compliance and financial governance**

This priority is focussed on maintaining robust financial governance in an increasingly complex operating environment. It includes the preparation to be undertaken to ensure regulatory compliance as Stockport Homes moves towards being classed as a large social housing provider.

High Level Action	Outcome
Preparation for large housing provider status	Accurate, timely completion of additional regulatory returns and compliance with regulatory requirements
Lead on Rent Standard compliance	Maximisation of incoming resources, with regulatory compliance documented and demonstrated in full

Company and Group statutory reporting and external oversight	Ensure statutory financial reporting at individual company and Group level remains clear and compliant as Group complexities increase. This will include the re-provision of the external audit service during the course of this strategy
Stress testing of financial plans	Financial plans are rigorously stress tested for current risks and key issues identified
Develop and maintain a robust financial control framework	Key financial controls are maintained and developed to reflect SHG's operations and structures

3.3 Priority two – Optimise resources and efficiency

The focus of this priority is to support the long-term financial health of SHG. This will be achieved by maximising incoming resources, including enabling and supporting new business, and driving the efficient use of resources within the Group, including taking advantage of the financial opportunities enabled by the group structure.

High Level Action	Outcome
Support the delivery of the objectives within the long-term financial plan	Continued robust financial position for SHG, delivering the efficiency objectives within the long-term financial plan
Optimise rent and service charge income	Maximise incoming resources in line with approved strategies and regulatory requirements
Effective treasury management	Delivery of the aims of the Treasury Management strategy to maximise benefits from borrowing and investments
Realise the opportunities enabled by the Group structure	Take advantage of the financial opportunities arising from the Group structure to maximise resources, e.g. tax efficiencies, new business opportunities
Enable and support new business opportunities and invest to save initiatives	Resource generation through clarity of financial viability of new initiatives
Investigate opportunities to improve financial systems	Financial systems are appropriate to the needs of SHG and are effective and efficient

3.4 Priority three – Strategic clarity and financial management

Ensuring strategic clarity over both the short and long term financial position and potential impact of key risks remains a focus for SHG. The 2020-23 strategy will develop this further including a focus on the financial reporting and financial planning of business areas.

High Level Action	Outcome
Ensure the long-term financial plan reflects the latest operations of SHG and is robust	Accurate and current long-term financial plan in place to support decision making, long-term strategic financial oversight, and support compliance with regulatory requirements
Development of business area financial reporting	Clarity of financial performance of business areas and identification of areas requiring improvement, to optimise returns and support business planning
Develop strategic clarity and understanding of overheads	Strategic clarity over overhead levels, consistency of financial reporting and relevance to both current business area and new business initiatives
Develop and implement HRA financial framework with the Council	Key financial metrics in place for the HRA to support decision making and long-term financial planning

3.5 Priority four – Financial skills and awareness

In order to achieve the objectives of this strategy, the financial skills and awareness of key stakeholders are paramount. This priority is focussed on ensuring that stakeholders possess the necessary financial skills and awareness to support the long-term financial health of SHG in a controlled and compliant manner.

High Level Action	Outcome
Develop skills and awareness of Board members and senior managers	Board members and senior managers equipped with the necessary skills and knowledge of key financial issues across a complex Group, and understand regulatory considerations in preparation for becoming a large housing provider
Equipping budget managers with necessary skills, reflective of SHG's operations, including forecasting, and wider financial awareness	Skilled budget managers able to support and enhance delivery of financial objectives, as SHG moves into new business areas

Development of the Corporate Finance team to continue to deliver expert support	A high performing Corporate Finance team, with the appropriate skills to support the operations and complexities of the Group and deliver the aims of this strategy
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- 3.6 The delivery of the high-level actions above is supported by the attached action plan which provides a detailed list of the actions which will be undertaken to achieve the objectives of the strategy. These will continue to be developed over the course of the strategy in line with the changing external and internal operating environment.

4 LINKS TO STRATEGIES

- 4.1 The SHG Corporate Finance Strategy 2020-23 also influences, and is influenced by, a number of related strategies including:

- The Council's 30 year HRA Business Plan
- The SHG Business Plan and Long Term Financial Plan
- The Rent Strategy for both the Council's HRA and Stockport Homes
- The Development Strategy 2020-25
- Stockport Homes 30 year Asset Management Strategy
- SHG Risk Management Strategy 2017-20

5 CONCLUSION

- 5.1 The SHG Corporate Finance Strategy 2020-23 sets out the key strategic areas of financial focus over the course of the strategy. These are designed to ensure the ongoing financial health of the growing and developing Group, whilst ensuring that financial controls remain robust, and that the Group's statutory and regulatory obligations continue to be met.