

Stockport Homes Limited

Company Limited by Guarantee

Financial Statements

Year ended 31 March 2019

Company Number: 04521257

Registered Social Housing Provider
Homes England number: 4619

Stockport Homes Limited

Report and Financial Statements for the year ended 31 March 2019

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Stockport Homes Limited

Executives and advisors for the year ended 31 March 2019

Board of management

Robin Burman, Chair
David Beckett
Peter Fitzhenry
Josephine Hague
Jamie Hirst
Sarah Keenan
Kenneth Lee
Jenny Osbourne
Stephen Partridge
Alanna Vine
Christine Woolridge

Executive management

Helen McHale	Chief Executive
Sandra Coleing	Assistant Chief Executive
Simon Welch	Director of Neighbourhoods and Support
John Bowker	Director of Property and Maintenance Services
Carmel Chambers	Director of Resources

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

Auditors
Beever and Struthers
St George's House
215-219 Chester Rd
Manchester
M15 4JE

Principal Solicitors
Stockport MBC
Stopford House
Stockport
SK1 3XE

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 2019 *(continued)*

The Directors present their report and the audited Financial Statements for the year 1 April 2018 to 31 March 2019. The report and accompanying statements have been compiled in line with the Statement of Recommended Practice (SORP) for registered social housing providers (2014). 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 Foundations Stockport Limited.

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 including the management of the capital programme for the build and modernisation of the properties, which numbered 11,301 at 31 March 2019. 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. The framework applies only to the properties owned by Stockport Homes Limited and the company is classed as a 'small provider'. Although 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 worked 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 2019.

Going concern

At its meeting on 3 June 2019, 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 Stockport Metropolitan Borough Council (SMBC) 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 negative net asset position which includes pension liabilities required under FRS 102. SMBC has agreed 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 2018/19 the pension funds were valued at a liability value of £26.216m as at 31 March 2019 (liability of £17.241m as at 31 March 2018).

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2019 (*continued*)

Assessment of the effectiveness of internal control

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

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

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

The system of internal controls includes the following key elements:

- Group Governance Scheme of Delegation setting out the powers and duties of the non-executive and executive Directors. The Group Governance Scheme of Delegation also sets out the powers and duties at a subsidiary Board level. Alongside this exists terms of reference for the two 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 Group Risk Management Strategy is in place which describes the framework by which risk and opportunity management takes place across the Group. A suite of annual risk registers are developed setting out the key Group and subsidiary level risks and the actions to mitigate those risks.
- 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 Group 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 present, if required.
- External Audit provides an independent examination of the financial statements prepared by the Group and auditors are given the opportunity to meet with Board Members without officers present to allow them to raise any concerns directly.
- Strategic and Business Planning Process which includes the thirty year HRA Business Plan, the three year Group Business Plan 2017 - 2020 and five year Delivery Plan 2016 - 2021. Updates to these are presented to Board on a periodic basis.
- 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.
- Production of monthly management accounts ensures that management have oversight of expenditure, budgeting and forecasting. Financial information is presented to the Board and Group Audit and Risk Committee on a quarterly basis. This process ensures that any significant variances are investigated and any necessary management action taken to ensure objectives are delivered to budget.
- Group Financial Regulations, a Group Financial Scheme of Delegation and Group Contract Procedure Rules outline the parameters by which expenditure can be undertaken by officers, clearly identifying segregation of duties and the financial approvals required.

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2019 *(continued)*

- A Group 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.
- A Performance Management Framework which sets out targets, measures and outcomes expected to be delivered over the year and provides regular monitoring reports to the Board outlining achievement against key measures, performance indicators and strategic plans and any remedial activity required.
- The People and Organisational Development Strategy recognises the importance of recruitment, retention and development of staff. The strategy ensures that the Group 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.
- 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.
- 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 directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of the surplus or deficit of the association for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the association, and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2019 *(continued)*

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 2014.

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

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 directors are not aware of any relevant audit information of which the auditors are unaware.

Beever and Struthers have expressed their willingness to continue. A resolution for the re-appointment of Beever and Struthers as auditors of the Association is to be proposed at the forthcoming Annual General Meeting. Beever and Struthers were appointed as auditors on 12th December 2016.

By order of the Board



Robin Burman
Chair of the Board

Date:

Stockport Homes Limited

Strategic report for the year ended 31 March 2019

The Board present the Strategic Report for the year ended 31 March 2019.

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 (2014). Stockport Homes has continued to operate efficiently, pro-actively and effectively within the terms of the Management Agreement with Stockport Council.

This is the third 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').

Objectives and strategies to achieve those objectives

Mission and Aims

In December 2016, Stockport Homes' Board approved a new Group Mission and Aims in light of the move to the group structure and the continued growth and evolution of service delivery. 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. This has been supported by an end to routine inspections and the growth of customer scrutiny in monitoring front-line services. The organisation feels its 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:

- Be accountable to customers
- Maximise efficiency
- Reduce inequalities
- Build strong, collaborative relationships
- Improve the environment
- Be a great place to work

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

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 *(continued)*

Three Sixty SHG Aims

- Deliver a quality service
- Offer long-term sustainable employment to people disadvantaged in the labour market
- Generate a surplus to support Stockport Homes Group

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

Foundations Stockport 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 Group's aims is managed through an effective business planning framework. A five year Delivery Plan governs service delivery, a three year Business Plan outlines general principles for growth, and an annual Service Improvement Plan sets out key corporate tasks. An annual planning cycle governs the content of each plan. This involves strategic planning sessions with both the Group Board and the Leadership Forum. Progress against these plans is reviewed regularly, with updates being provided to Stockport Homes Leadership Forum, its Board and the parent Council.

The broad objectives of the Delivery Plan are also reviewed jointly with the parent Council in its third year to ensure its key strategic aims remain relevant. This exercise was undertaken during 2018/19 and the aims were reinforced.

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, it operates independently from it on day-to-day matters. Under a 27 year Management Agreement with SMBC, Stockport Homes Limited receives a sum of money to carry out the business of managing and maintaining the housing stock on behalf of SMBC. The Management Fee and associated charges for 2018/19 totalled £28.204 million (2017/2018: £28.129 million).

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 (*continued*)

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. Foundations Stockport was formed in December 2018. It is limited by shares, Stockport Homes and Foundations Board members are the shareholders.

Three Sixty SHG Limited (Three Sixty) is primarily a construction company, established to deliver core elements of the Housing Revenue Account (HRA) capital programme in a cost effective way whilst maximising social value. Its latest Business Plan sets out its aspirations for further growth, to include the attainment of new commercial customers. Turnover for the financial year 2018/19 is £5,517,000 and is forecast to be £6,789,000 for the financial year 2019/20. In addition, Three Sixty is also delivering services on behalf of the Building Better Opportunities (BBO) contract which is funded through Big Lottery/ European Social Fund monies. A stipulation of the contract is that employees are offered the Social Housing Pension Scheme (SHPS) which is enabled through delivery via Three Sixty.

Viaduct Partnerships Limited (Viaduct) is a development company that enables the development of new build homes for rental purposes to be delivered in a cost efficient way, thereby freeing up more resources for investment. During 2018/19 188 completed units were delivered via Viaduct Partnerships. Turnover for the financial year 2018/19 is £10,938,000 and is forecast to be £26,901,000 for 2019/20.

Foundations Stockport is a charitable Community Benefit Society registered with the Financial Conduct Authority and Companies House. Foundations was formed to deliver more social inclusion and health related initiatives for the Stockport community. Foundations will bring additional resources into the Borough by working in partnership with other charities and Council services to ensure the benefits to the Borough are maximised.

Principal activities

The Company's principal activity is to manage and maintain the stock of houses owned by Stockport Metropolitan Borough Council (SMBC), including the management of the capital programme for the modernisation of the properties which numbered 11,301 at 31 March 2019. Stockport Homes Limited manages the allocation of homes and works on behalf of Stockport Council to fulfil a number of their statutory responsibilities including preventing homelessness, managing private sector renewals and disabled adaptations, and provision of sheltered housing.

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

Stockport Homes commenced building new build properties in 2009-10 and has been continuing to build and acquire homes ever since. Stockport Homes now owns a total of 555 properties at the end of March 2019 which includes 256 new build properties for rent, 209 new build properties for shared ownership, 54 properties acquired through the Government's Mortgage Rescue scheme, 9 ex Right-to-Buy properties (RTBs), 26 Empty Homes and 1 property acquired for Market Rent. The shared owners of 7 new homes built by Stockport Homes for shared ownership have now purchased their property in full, with associated grant being added to the Recycled Capital Grant Fund. A further 347 new homes are under construction as at March 2019.

Stockport Homes also manages the delivery of the Housing Revenue Account (HRA) new build programme (Council owned properties) which currently has a total of 202 new build units within its ownership, comprising of 133 rented units and 69 shared ownership units. The shared owners of 4 new homes built within the HRA for shared ownership have now purchased their properties in full, with the associated grant added to the Recycled Capital Grant Fund. Currently 24 new homes are on site, being built, which will sit within the HRA once completed.

A pipeline of future projects is being worked up which will be delivered by Stockport Homes or within the HRA. All grant allocated to SHL under the 2016-21 Shared Ownership Affordable Homes Programme has now been allocated to individual projects and future grant funding will be secured via Continuous Market Engagement bids or through the Homes England Strategic Partnership.

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 *(continued)*

Stockport Homes is continuing to strengthen its asset base by diversifying into new business areas both within Stockport Homes Limited and through its new subsidiary companies and continually appraising more efficient working mechanisms. In 2018/19 it continued to work with schools, care homes and public buildings to deliver maintenance, repairs and capital works management services, and the delivery of private landlord management services. These works continue to prove successful and Stockport Homes will continue to seek opportunities to deliver new services in the most resource effective way.

During 2018/19 Stockport Homes Limited achieved another step in its diversification by officially setting up its third subsidiary company, Foundations Stockport. This will provide a vehicle to deliver many existing programmes in a more efficient way alongside creating opportunities for maximising income streams and further growth and diversification into new markets.

Stockport Homes completed its new build development for its new Head Office in June 2017. The building is owned by Stockport Homes and continues the organisation's theme of longer term invest-to-save initiatives. It has created a transformational opportunity to improve and modernise customer access and facilities in the area, as well as transform the working culture and facilities for staff.

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

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. Each year a detailed budget is set that supports the Delivery Plan and Service Improvement Plan objectives. Budget setting for 2018/19 included reviewing priorities with customers and assessing forthcoming risks. As Stockport Homes continues to grow and diversify, the Management Fee and associated charges, at £28.204m million, continues to be the largest single element of its £49.984 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 additional pressures resulting from Welfare Reform. Stockport Homes is responsible for the collection of council housing rental income as well as its own income streams. The Government's Universal Credit programme was fully rolled out in Stockport in November 2018. This has been a significant challenge for Stockport Homes and the sector to ensure that customers are fully supported in the transitional period. Stockport Homes invested additional resources to help customers through this period, and set up a focussed internal team specifically aiding customers during the early stages of the process. Stockport Homes will continue its strong focus on debt prevention and early intervention in arrears cases.

Stockport Homes is responsible for the management and maintenance of the Council's 30 year Housing Revenue Account (HRA) Business Plan. The plan was updated during 2018/19 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 2018/19 the Stockport Homes Management Team 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

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 *(continued)*

purpose of this is to ensure that Stockport Homes continues on a strong financial footing in a challenging and changing financial environment.

Overall there has been an increase in the net asset value before the pension liability of £2.311 million during 2018/19 due to the effective and efficient financial management of the company, as well as small gains from the valuations of properties for sale. The increase in revenue reserves 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.

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.

The Group has remained within overall budgets throughout the financial year, with the year-end surpluses in line with forecast expectations. Key budget variances related to underspends against staffing costs, and increased staircasing sales and sales valuations for shared ownership sales, whilst increased costs for repairs and maintenance were experienced.

Whilst the turnover of commercial activity in relation to the management fee continues to be relatively small, it has the potential to grow in the coming years and it is the organisation's aspiration to do so. Further diversification and asset growth will be experienced in the coming years.

The continued growth and diversification of the Group is set out in the Group's three year Business Plan 2017 - 2020 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 2017 - 2020 that was approved by the Board in July 2017. 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.

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;
- Sound financial planning framework which demonstrates a robust and healthy financial outlook in the short, medium and long term (supported by a 15 year cash flow);
- A clear strategic direction to grow and diversify the business through the development of a group structure, diversification into new and emerging markets and a strong development programme;
- 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 reserves and a proven track record of generating efficiencies for re-investment into invest to save initiatives that generate additional resources.

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 *(continued)*

Principal risks and uncertainties

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

There is a Group Risk Management Strategy in place and the Group produces a suite of risk registers on an annual basis. These include a corporate risk register, a HRA risk register and a risk register for each of Three Sixty and Viaduct. A risk register for Foundations has been developed for 2019-20.

This approach enables the Group to manage risk and embrace opportunities, and therefore deliver the 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.

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 director 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 Group Board. Subsequent quarterly risk update reports are then provided to Leadership Forum, relevant subsidiary Boards and the Group Audit and Risk Committee. These reports describe progress against delivery of risk control actions, highlights any exceptions and identifies any new or emerging risks which the Group needs to take account of.

One of the risk registers which is produced is the HRA risk register. 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 government rent policy, inflation levels or volume of Right to Buy sales.

Both the Three Sixty and the Viaduct risk registers contain risks (and mitigation actions) which are specific to that particular subsidiary company. The subsidiary risk registers are approved by the subsidiary board as well as the Group board and are monitored quarterly. In 2019-20, the Foundations risk register will also be monitored (following its approval in March 2019) and reported to Foundations Board and Group Audit and Risk Committee.

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

- By ensuring that risk and opportunity management is a key consideration of the business planning process each year
- By holding risk workshops on an annual basis with each Directorate Management Team
- By ensuring that Leadership Forum are provided with the quarterly risk update reports, consider risk in their service areas and actively raise any areas of emerging risk to the Assurance Manager
- By having an embedded risk management framework that ensures a culture exists which gives due consideration to risk and opportunity facing the Group
- By setting out an agreed risk appetite for the Group and its subsidiary companies
- By have a Group Risk Management Strategy and action plan to further develop risk management within the Group.

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 (continued)

Strategic risks in 2018-19

For the 2018-19 financial year, the corporate risk register has been reviewed and updated to reflect the 21 corporate risks which the Group is currently facing.

At the start of the financial year, there were four key strategic risks which the organisation faced and these are outlined below:

- Positive, strategic relationships are not maintained with Stockport Council and other key partners (including local politicians, local partners and GM partners)
- The Group structure does not deliver the long term objectives / benefit
- Health and safety obligations to customers aren't fulfilled, including gas safety, fire safety, legionella and asbestos
- Health and safety obligations to staff aren't fulfilled

Financial and non-financial key performance indicators

Stockport Homes monitors performance against hundreds of indicators and measures. Its corporate performance report, however, focuses on 22 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 22 indicators are supported by 14 measures that do not have targets and provide a broader illustration of performance across Stockport Homes.

In order to monitor rent collection in the context of Welfare Reform and the roll out of Universal Credit, the two main rent collection measures are mapped against monthly 'conservative estimates' and 'worst case' scenarios. Stockport Homes' effective management of rent collection and associated work, such as money advice and rehousing, has resulted in these critical indicators close to the conservative estimate level at year-end. This shows that the organisation is working hard to successfully prevent the build-up of significant additional arrears, despite the increase in the number of customers in receipt of Universal Credit. The high number of mutual exchanges compared to internal transfers throughout the year has also been positive, reducing rent loss and void costs.

Of the 22 key performance indicators, 17 met targets and 5 were outside of the year-end target, but remained within an acceptable tolerance. There were no indicators which were outside of the agreed tolerance at year-end. Full commentary on performance is provided in the year-end performance report to Board.

Performance indicators monitored at corporate level in 2018/19

Performance indicator	2018/19 target	2018/19 outturn
Percentage of domestic properties with a valid gas safety certificate - excluding leaseholders	100%	100%
Percentage of commercial properties with a valid gas safety certificate	100%	100%
Percentage of properties with a satisfactory electrical installation certificate	100%	100%

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 *(continued)*

Percentage of compliant Fire Risk Assessments	100%	100%
Overall satisfaction with the quality of service during investment work programmes	98.5%	98.6%
Percentage of ASB complainants satisfied with the outcome of their cases	98.5%	99.7%
Complainants who would use the complaints service again	95%	95.2%
Satisfaction with the repair	97.5%	98.9%
Percentage of efficiencies as a proportion of the management fee	3%	9.03%
Rent collected as a % of rent due	99.84% (conservative estimate)	99.82%
Rent arrears as a % of rental debit	1.20% (conservative estimate)	1.30%
Average time taken to re-let dwellings (all re-lets)	11 days	11.4 days
Percentage of moves that are mutual exchanges	42%	43.09%
Percentage of repairs completed at first visit	94%	97.2%
Availability of core IT systems	99.75%	99.94%
Percentage of One Number calls picked up	95%	93.09%
Stockport Homes Teckal Ratios:		
Stockport Homes Ltd	80:20	99.75:0.25
Three Sixty	80:20	100:0
Viaduct	80:20	100:0
Percentage of estate inspections rated at least "good"	97%	98.24%
Percentage of properties with an energy performance rating of C or above	91.5%	91.5%
Average days lost due to sickness per employee	6 days	6.69 days

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 (continued)

There are seven Stockport Homes corporate indicators and one measure for which performance can be benchmarked against other social housing organisations.

At the end of quarter three, Stockport Homes' performance was positive, with all indicators in the upper quartile of performance for ALMOs. Two indicators were in the upper quartile compared with all social housing organisations and the remaining three were only just outside of the upper quartile performance. Stockport Homes achieved first position among ALMOs and also all housing providers for the average time to re-let empty dwellings.

Performance relating to gas safety and the number of calls answered are only available at the end of the year, whilst rent collection data is not comparable in-year. This benchmarking data, along with year-end benchmarking data for all the below measures, will be available from Housemark at the end of May 2019 and will be reported in the year-end corporate performance report.

	Performance at December 2018	All ALMOs		All Housing Organisations	
		Position	Base	Position	Base
Percentage of dwellings with a valid gas safety certificate	Comparable data will be available at year-end				
Rent collected as a percentage of rent owed (excluding arrears)	Comparable data will be available at year-end				
Rent arrears of current tenants as a percentage of rental debit	1.45%	3 rd	18	10 th	138
Percentage of rent lost through dwellings being vacant	0.66%	3 rd	19	35 th	138
Average days lost due to sickness per employee	5.19	3 rd	20	30 th	113
Average time taken to re-let empty dwellings (standard re-lets)	8.6 days	1 st	19	1 st	132
Repairs completed at the first visit	96.5%	3 rd	15	24 th	91
Percentage of One Number calls picked up	Comparable data will be available at year-end				

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 2018/19 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/>. More detailed information is included in the annual Performance Report, which is presented to the Board on 17 June 2019.

Robust approach to Value for Money

Stockport Homes has a Value for Money Strategy that was approved by the Board on 9 March 2018 and covers 2018 to 2021, setting out three key priority areas. This is underpinned by a Service Improvement Plan which is reported to the Board on a quarterly basis. Regular meetings are held with budget managers to discuss value for money and the Performance and Improvement Team work with the accountants to classify and verify service efficiencies. 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: agreeing for

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 (continued)

services that would have been additional charges to be included as standard in the grounds maintenance contract, saving £20,000; reviewing the recruitment contract to achieve similar service levels for a lower cost, saving £20,000; joining with others to purchase decorating vouchers at a discount, saving over £14,000; using a consortium framework to procure supported living services, saving £161,000; supporting customers in “housing need” to move via mutual exchange rather than leaving a property empty, saving £196,000. 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 £2,554,187. This represents 9.12 per cent of the management fee and meets the target set for the 2018/19 financial year of three per cent. This approach continues to demonstrate the commitment and expertise of Stockport Homes in delivering and evidencing value for money as has been the case in recent years.

Year	Value for money efficiencies as a percentage of management fee	Value
2012/13	3.39 per cent	£825,330
2013/14	3.57 per cent	£858,727
2014/15	3.19 per cent	£811,707
2015/16	4.07 per cent	£1,078,974
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

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 £6,149,000 (2018: £5,543,000 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 2019 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 Three Sixty SHG Limited and Viaduct Partnerships Limited subsidiaries, a total return to the Group of £325,000 was generated within 2018/19 which will 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 2018/19. However returns remained relatively low during the period due to the ongoing difficult global economic conditions.

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 2018/19 it has completed briefing sessions with teams to embed the link between the ASPIRE values and social value. It has continued to develop its approach to procurement, developing standard documentation for tender scoring, which provides consistency for suppliers and staff when they consider social value requirements. In addition a guidance document has been created for suppliers that clearly sets out Stockport Homes’ social value objectives and how those suppliers can provide support on delivery of those objectives. Further work is planned in this area and an action has been included in the Service Improvement Plan to implement a framework of social value tender requirements that are aligned to the aims of the Corporate Social Responsibility Strategy. This will ensure that the social value offered by contractors aligns more closely with the requirements of services. Stockport Homes involvement with a group of housing providers from across Greater Manchester has continued during the year. It has taken a

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 *(continued)*

lead on data collection and analysis for the group and it has taken a co-lead role on the group's communication plan. This has raised the profile of social housing providers across the region and celebrated the social value outcomes being delivered.

Performance management and Scrutiny

The Management Team and Leadership Forum 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. In 2018/19 this has resulted in a number of cost and quality 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 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/>. In 2018/19, the panel's work was assessed against the Quality Assured Scrutiny framework. The panel scored 30/30 against the framework's criteria and several areas of good practice were identified.

The Panel completed two service reviews during 2018/19 in relation to the Older Persons Activity Service and the Service Standards Framework resulting in recommendations which are being implemented by the services. Results of CSP reviews are reported to 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 but this will continue to be increasingly difficult, as the ability of many customers to pay reduces and as housing policy changes take effect. Stockport Homes and the Council are jointly seeking 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 Stockport MBC to increase the supply of affordable housing within the Borough. Three Sixty SHG is primarily a construction services company, delivering investment works on the Council's housing stock in a cost effective and socially valuable way. Foundations Stockport Limited was established in December 2018 and will utilise 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, but advantage will be taken over the next five years of its entrepreneurial culture to expand the business into new sectors and bring in non-rental income. This will include continuing to grow and develop the Group structure including the establishment of a charitable subsidiary and 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 2018, 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 2018/19 exceeded the revised Business Plan forecast performance

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 (continued)

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.

Key performance indicators, measuring both cost and quality, are reported on regularly throughout the year to the Management Team, Leadership Forum and the Board. This supports the understanding of linkages between costs and outcomes. Alongside this, performance against the indicators are regularly reported to the Customer Monitoring Group and Stockport Council Member Committee. In addition to these reports, customers are asked which performance measures are most important to them and these are known as the 'customer super six'. The measures, which cover quality and processes, are reported in the customer newsletter and are available to view on the Stockport Homes website <http://www.stockporthomes.org/about-us/how-we-are-doing/customer-super-six/>

The Regulator of Social Housing published an updated Value for Money Standard which came into effect from 1st April 2018. The requirements of this standard include reporting on the set of seven VFM metrics which have been defined by the Regulator. The outcomes of these metrics for Stockport Homes Group in 2018/19 are shown below, along with forecast outcomes for 2019/20. Stockport Homes Group has benchmarked itself against all providers via the data published by the Regulator in the Global Accounts. Further narrative for these results is provided below. Further work will be undertaken within 2019/20 to develop this further, including future longer term forecast results.

VFM Metric	2017/18 Out-turn	2017/18 Global Accounts Median	2018/19 Out-turn	2019/20 Budget Forecast
Reinvestment %	44.0%	6.0%	38.4%	46.0%
New supply delivered (Social housing units) %	27.2%	1.2%	37.2%	15.0%
New supply delivered (Non-social housing units) %	0.00%	0.00%	0.00%	0.00%
Gearing %	69.1%	42.9%	68.7%	81.7%
EBITDA MRI Interest Cover %	411%	206%	207%	246%
Headline social housing cost per unit	£1,171	£3,400	£1,072	£1,434
Operating margin (social housing lettings) %	41.5%	32.1%	36.6%	37.8%
Operating margin (overall) %	5.9%	28.9%	2.6%	3.8%
Return on capital employed	3.9%	4.1%	1.5%	1.9%

Reinvestment %

The median Reinvestment % outcome for all providers was 6.0% in 2017/18, with an upper quartile Reinvestment % threshold of 8.7% , hence Stockport Homes Group is expecting to be comfortably within this upper quartile with an outcome of 38.4% for 2018/19. This is a reflection of the delivery of the Group's ongoing Development Strategy, whereby a high proportion of new social housing stock is being delivered in relation to the Group's asset base. This positive outcome is forecast to continue during 2019/20.

New Supply Delivered (Social housing units) %

Similar to the Reinvestment % results, Stockport Homes Group has delivered a high proportion of new social housing stock in relation to its asset base for both 2017/18 and 2018/19, with an outcome of 37.2%, comfortably exceeding the median outcome for all providers of 1.2%, and upper quartile threshold of 2.3%. As the Group's asset base continues to grow in the longer term, both New Supply Delivered (Social housing units) % and Reinvestment % will inevitably begin to decrease, as the development programme will not keep pace proportionately with the increase in the asset base.

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 *(continued)*

New Supply Delivered (Non-social housing units) %

Stockport Homes Group has not delivered any non-social housing units within either 2017/18 or 2018/19 in line with the median results from all providers. The Group does have plans to develop future non-social housing units, which will be completed after 2019/20 and reported at that time.

Gearing %

Stockport Homes Group can be seen to have a relatively high Gearing % of 68.7%, exceeding the median outcome for all providers of 42.9%, and is within the upper quartile for this metric, exceeding the threshold of 53.1%. There are several reasons for this result, 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. Removing the debt associated with the Head Office would result in a Gearing % of 53.4% for 2018/19. A similar distortion exists for 2019/20, as Stockport Homes is forecast to have properties held for sale at the year end. As these costs are recognised within current assets rather than fixed assets, they are not recognised within the Gearing %.

EBITDA MRI Interest Cover %

Though Stockport Homes Group were within the upper quartile for this measure for 2017/18, performance can be seen to have decreased for 2018/19, with an outcome of 207%, being closer to the previous median of 206%. The underlying reason for this change in outcome relates to the reduction in operating surplus between the two financial years, as can be seen in Operating Margin (Overall) % results. This change was expected when the budget for 2018/19 was prepared. Though performance has worsened between the years, Stockport Homes Group still has a satisfactory EBITDA MRI Interest Cover % meaning that it continues being able to repay interest on the debt indicated in its Gearing %, and this is forecast to continue into 2019/20.

Headline Social Housing Cost per Unit

The median Headline Social Housing Cost per Unit outcome for all providers in 2017/18 was £3,400, and Stockport Homes Group were comfortably within the lower quartile for this measure for 2017/18, with a Headline Social Housing Cost per Unit well within the threshold of £3,010. For 2018/19, the Headline Social Housing Cost per Unit has decreased to £1,072. This performance is partly 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. The increase in forecast capitalised maintenance costs within 2019/20 results in an increase in Headline Social Housing Cost per Unit, though is still a low cost overall.

Operating Margin (Social Housing Lettings) %

The median outcome for all providers for this metric in 2017/18 was 32.1% and Stockport Homes Group was in the upper quartile for this measure, exceeding the threshold of 37.1%. Performance has decreased slightly in 2018/19 with an outcome of 36.6% but remains positive. 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. The outcome for 2019/20 is forecast to marginally improve from 2018/19.

Operating Margin (overall) %

As with EBITDA MRI Interest Cover %, the Group's performance can be seen to have worsened from 5.9% in 2017/18 to 2.6% in 2018/19 for this metric. The median outcome for all providers in 2017/18 was 28.9%, and the performance of Stockport Homes Group for this measure is therefore poorer than that of other providers, putting the Group within the lower quartile for 2017/18, being well beneath the threshold of 22.7%. The main reasons for this level of performance relate to a considerable amount of the Group's turnover being obtained from the management fee paid by Stockport Metropolitan Borough 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

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 (*continued*)

requirement with regards 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. Furthermore, Stockport Homes operates the defined benefit GMPF pension scheme. The annual GMPF actuarial valuations for accounting purposes have resulted in additional costs recognised within the Statement of Comprehensive Income in both 2017/18 and 2018/19. This metric is therefore forecast to continue at relatively low levels within 2019/20.

Return on Capital Employed

Similar to the results for Operating Margin (overall) %, this performance is based on the Group's operating surplus. Though for 2017/18 the Group's performance was only slightly less than the median outcome for all providers of 4.1%, this has worsened in 2018/19, resulting in an outcome of 1.5%. This is mainly related to cost increases which have not been matched by corresponding increases in the management fee paid by Stockport Metropolitan Borough Council. This is expected to continue into 2019/20 where the forecast outcome continues to be relatively low.

EMPLOYEE INVOLVEMENT

Stockport Homes is a medium sized organisation with an establishment of 570 full time equivalent posts across the Group at 31 March 2019, which is well established in the local community. Stockport Homes continues to recognise that employees are the most important asset to the organisation. The work of the People & Organisational Development (OD) team focuses on enabling the service to increase employee engagement through the implementation of the People & OD Strategy, specific actions and service improvements.

Stockport Homes 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 retaining this as part of a review in March 2018. Following on from this assessment the organisation achieved IIP 'Gold' status which under the new version is more challenging to attain. Stockport Homes exceeded the industry benchmark in terms of people management and development for all of the nine indicators, demonstrating 'advanced' level against eight of the nine indicators, and high performing in two out of these. This puts Stockport Homes in the top two percentile of organisations assessed against this standard. In addition the organisation retained its IIP Health and Wellbeing Award for exemplar practice in its approach to physical, psychological and social wellbeing of its employees. As such SHL are delighted to continue as IIP Champions.

Stockport Homes has been listed as a 'Times 100 Best Not-For-Profit to work for 2019' for list for the tenth year running. Stockport Homes has achieved its highest Best Companies Index (BCI) score of 767.2 following the most recent engagement survey (November 2018). This is a 75-point increase compared with 2018 results and equates to three star status illustrating 'extraordinary' levels of engagement practice. In addition, Stockport Homes has attained its highest place in the Times 100 Listings, advancing from 40th place to 3rd (February 2019) and 1st place in the 24 Housing Best Housing organisations 2019 list.

The organisations inclusion in the prestigious list reaffirms Stockport Homes' commitment to being an employer of choice and an even better place to work. Stockport Homes was presented with a 'special award' for 'Best Improver' which recognises significant improvement across all eight factors of engagement (Leadership, My manager, My company, My team, Personal Growth, Wellbeing, Fair Deal and Giving Something Back) in comparison to the other not for profit organisations within the top 100 list. There was also recognition for being part of the Time 100 list for the last 10 years.

Stockport Homes has invested in a range of initiatives to promote emotional and social well-being, minimise the impact of home and workplace stresses and advocate positive mental health. A comprehensive programme of accredited 'Mental Health First Aid' (MHFA) courses and 'Resilience' workshops 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. In addition, these interventions are designed to enable staff to develop a flexible, adaptable mind-set to cope effectively with organisational change, supported by our 'Active Listeners' Group providing support for staff by staff.

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 *(continued)*

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. Of the Managers and key team members who have already completed the programme, 100% feel confident to use the models, 90% are actively using the Fierce 'principles and models' regularly and stated that this programme has given them 'practical, impactful leadership skills' and 'the ability to make better decisions and develop their teams'. As a consequence of 'living' Fierce two additional specific staff voice groups have been developed (in addition to the organisational wide staff voice group) to support the Repair 1st and Caretaking teams have honest conversations relating to how they can improve the work place to have a positive impact on customers.

EQUALITY AND DIVERSITY

Stockport Homes is committed to fairness and equality for individuals. This commitment applies to all aspects of employment and is applied through a range of employment policies to ensure that the organisation adheres to its legal obligations in employment, provides a workplace that is free from discrimination and provides equal access to learning and development.

Stockport Homes continuously strives to be an inclusive employer, ensuring that everyone has an equal opportunity to gain employment and the workforce represents the local communities in which it serves. Continuous review and monitoring of employment policies and practices are undertaken to ensure they are applied fairly and equally across the organisation and promote good relations and best practice. In 2017 Stockport Homes became Stonewall Diversity Champions which reflected the commitment of the organisation to ensure it is working towards best practice for staff from an LGBT background.

In September 2017, Stockport Homes Board agreed a new Equality and Diversity Strategy for 2018-2021. This included the objective to develop HR policies and practices that support and develop all staff. A full review of core HR policies, HR system provision and the approach to recruitment has been completed, with the involvement of the Diversity Officer. One of the aims of the Equality and Diversity Strategy is to ensure that Stockport Homes will be an inclusive employer and provide opportunity and development to all staff. This aim incorporates all of the 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. In 2018/19 Stockport Homes commenced a disability review to identify further areas for improvement. This review will be completed during 2019. Actions completed during 2018/19 include R&S training for all managers and the introduction of a progression pathway which is aimed at developing staff with potential; this is actively promoted to staff from minority groups including staff with disabilities.

As part of implementing this strategy Stockport Homes have introduced a Staff Diversity Group whose remit includes looking at ways to support all staff in their employment and development and achieving a representative workforce. Furthermore, as part of the continuing Stonewall Diversity Champion work Stockport Homes has also introduced a staff LGBT group to look at further developments for staff.

With the introduction of the new Cascade HR system staff have been encouraged to complete and update their sensitive data, including sexual orientation, staff who may have changed their gender, and ethnic origin. This year this personal data has also been used to complete the Gender Pay Review. This review demonstrated a positive outcome for Stockport Homes and a development plan is in place to make further progress.

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.

Stockport Homes Limited

Strategic report for the year ended 31 March 2019 *(continued)*

The Board consists of customers, independent and stakeholder members. Stockport Homes has developed a constructive relationship with the Stockport Homes Member Committee, a cross-party Council body, which monitors and oversees the company's work.

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

The Board meets four times per year to make decisions concerning the strategic direction of the organisation. The Board is supported by three committees: Audit & Risk, Operations and Nominations & Appointments, 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 number of Board members sit on the Boards of the subsidiaries. This includes two former chairs of Stockport Homes' Board who sit as chair of Three Sixty and Foundations respectively, and a member of Audit & Risk who sits as chair of Viaduct. A robust appraisal process was completed for Board members in 2018/19 involving self-assessment by all members and peer assessment of the Chairs. Following the appraisals, a Governance Improvement Plan was adopted by the Board. Training and recruitment is used to address any gaps within the Parent Board and subsidiary boards.

During 2018/19 the Board undertook training and attended externally hosted events to widen their knowledge of issues relevant to their roles, for example run by the National Federation of ALMOs, Stonewall and the Chartered Institute of Housing. Tours have been organised to see Stockport Homes' innovative services and new developments that are being built. Board Away Days have been used to discuss issues relating to business growth, 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. 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 3rd June 2019



Robin Burman Chair of the Board

Stockport Homes Limited

Independent auditor's report

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

We have audited the financial statements of Stockport Homes Limited "the parent company" and its subsidiaries ("the group") for the year ended 31 March 2019 which comprise the consolidated and parent Statement of Comprehensive Income and Retained Earnings, the consolidated and parent company Statement of Financial Position, the consolidated and parent company Statement of Changes in Equity, the consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. 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).

This report is made solely to the association'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 association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body for our audit work, for this report, or for the opinions we have formed.

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 2019 and of the group's and parent's surplus / deficit 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 2015.

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 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

We have nothing to report to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Stockport Homes Limited

Independent auditor's report (continued)

Other information

The board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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. In connection with our audit of the financial statements 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 report of the board of management for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the board of management 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 report of the board of management.

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 Board's Responsibilities Statement set out on page 6, 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Stockport Homes Limited

Independent auditor's report (continued)

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 intend to liquidate the group or the parent association or to cease operations, or have 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. 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.auditorsresponsibilities. This description forms part of our auditor's report.

Beever and Struthers

Sue Hutchinson (Senior Statutory Auditor)
For and on behalf of Beever and Struthers
Statutory Auditor
St George's House
215 -259 Chester Road
Manchester
M15 4JE
United Kingdom

Date: 3/6/2019

Stockport Homes Limited


Consolidated Statement of Comprehensive Income for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	4	49,985	45,587
Cost of sales	4	(8,425)	(6,347)
Operating costs	4	(40,260)	(36,526)
Gain on sale	6	214	16
Operating surplus	4	1,514	2,730
Other interest receivable and similar income	12	68	35
Interest and financing costs	13	(1,220)	(827)
Net interest on pension	27	(497)	(463)
Change in Valuation of investment properties	17	9	(32)
(Deficit)/surplus before taxation		(126)	1,443
Taxation on (deficit)/surplus	14	(376)	(332)
(Deficit)/surplus for the financial year		(502)	1,111
Actuarial (losses)/gains on defined benefit pension scheme	27	(6,162)	2,232
Total comprehensive income for year		(6,664)	3,344

The notes on pages 33 to 65 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 3rd June 2019.


Robin Burman
Chair of the Board

Stockport Homes Limited


Company Statement of Comprehensive Income for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	4	45,690	43,188
Cost of sales	4	(3,868)	(3,501)
Operating costs	4	(40,889)	(37,137)
Gain on sale	6	214	16
Operating surplus	4	1,147	2,566
Other interest receivable and similar income	12	65	35
Interest and financing costs	13	(1,220)	(827)
Net interest on pension	27	(497)	(463)
Change in Valuation of Investment Properties	17	9	(32)
(Deficit)/surplus before taxation		(496)	1,279
Taxation on surplus	14	(305)	(318)
(Deficit)/surplus for the financial year		(801)	962
Actuarial (losses)/gains on defined benefit pension scheme	27	(6,162)	2,232
Total comprehensive (loss)/income for year		(6,963)	3,194

The notes on pages 33 to 65 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 3rd June 2019.



Robin Burman
Chair of the Board

Stockport Homes Limited

Consolidated Statement of Financial Position at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets - housing properties	15	57,594	44,808
Tangible fixed assets - other	16	14,728	14,612
Investment Property	17	85	75
		72,407	59,496
Current assets			
Stocks	19	9,429	5,214
Debtors	20	5,166	4,826
Cash and cash equivalents		12,236	9,456
		26,831	19,496
Creditors: amounts falling due within one year	21	(12,957)	(8,883)
Net current assets		13,874	10,613
Total assets less current liabilities		86,281	70,108
Creditors: amounts falling due after more than one year	22	(66,291)	(52,253)
Net assets excluding provisions		19,990	17,855
Provisions for liabilities			
Pension liability	27	(26,216)	(17,241)
Other provisions	28	0	(176)
Net (liabilities)/assets		(6,226)	438
Capital and reserves			
Income and expenditure reserve		(6,226)	438
		(6,226)	438

The financial statements were approved by the Board of Directors and authorised for issue on 3rd June 2019.


Robin Burman

Chair of the Board

The notes on pages 33 to 65 form part of these financial statements.


Company number 04521257

Stockport Homes Limited

Company Statement of Financial Position at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets - housing properties	15	57,594	44,808
Tangible fixed assets - other	16	14,718	14,598
Investment property	17	85	75
Investment in subsidiaries	18	10	10
		72,407	59,492
Current assets			
Stocks	19	9,429	5,214
Debtors - receivable within one year	20	5,095	4,044
Debtors - receivable after one year	20	92	142
Cash and cash equivalents		10,413	8,099
		25,029	17,499
Creditors: amounts falling due within one year	21	(11,509)	(7,746)
Net current assets		13,519	9,753
Total assets less current liabilities		85,927	69,244
Creditors: amounts falling due after more than one year	22	(66,291)	(51,445)
Net assets excluding provisions		19,636	17,799
Pension liability	27	(26,216)	(17,241)
Other Provisions	28	0	(176)
Net assets/ (liabilities)		(6,580)	382
Capital and reserves			
Income and expenditure reserve		(6,580)	382
		(6,580)	382

The financial statements were approved by the Board of Directors and authorised for issue on 3rd June 2019.


Robin Burman

Chair of the Board

The notes on pages 33 to 65 form part of these financial statements.

Company number 04521257

Stockport Homes Limited

Statement of Changes in Reserves for the year ended 31 March 2019

Group	2019	2018
	£'000	£'000
Income and Expenditure Reserves Balance at 1 st April	438	(2,906)
(Deficit)/surplus for the year	(501)	1,112
Actuarial (losses)/gains on defined benefit pension scheme	(6,162)	2,232
Total comprehensive income for the year	(6,663)	3,344
Income and Expenditure Reserve Balance at 31 March	(6,225)	438

Company	2019	2018
	£'000	£'000
Income and Expenditure Reserves Balance at 1 st April	382	(2,812)
(Deficit)/surplus for the year	(801)	962
Actuarial (losses)/gains on defined benefit pension scheme	(6,162)	2,232
Total comprehensive income for the year	(6,963)	3,194
Income and Expenditure Reserve Balance at 31 March	(6,581)	382

Stockport Homes Limited

Consolidated Statement of Cash Flows for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
(Deficit)/surplus for the financial year		(502)	1,112
Adjustments for:			
Depreciation of fixed assets - housing properties	15	795	508
Depreciation of fixed assets - other	16	537	304
Amortised grant	23	(115)	(78)
Interest payable and finance costs	13	1,220	834
Interest received	12	(68)	(35)
Taxation expense	14	376	332
Increase in valuation of property	17	(9)	32
Gain/loss on disposal of fixed assets	6	(214)	(16)
Difference between net pension expense and cash contribution		2,813	2,884
(Increase) in trade and other debtors		(1,938)	(1,769)
Decrease/(increase) in stocks		3,814	(1,448)
(Decrease)/increase in trade creditors		(87)	3,069
Cash from operations		6,622	5,729
Taxation paid		(473)	(186)
Net cash generated from operating activities		6,149	5,543
Cash flows used in investing activities			
Purchase of fixed assets - housing properties		(19,817)	(15,767)
Purchases of fixed assets - other		(708)	(3,358)
Receipt of grant		6,342	4,526
Proceeds from sale of fixed assets		573	127
Interest received		48	36
Net cash from investing activities		(13,562)	(14,436)
Cash flows from financing activities			
Interest paid		(1,218)	(823)
New loans		12,241	10,947
Repayment of loans		(830)	(545)
Net cash used in financing activities		10,193	9,579
Net increase in cash and cash equivalents		2,780	686
Cash and cash equivalents at beginning of year		9,456	8,770
Cash and cash equivalents at end of year		12,236	9,456

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2019

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