

Stockport Homes Limited

Company Limited by Guarantee Financial Statements

Year ended 31 March 2020

Company Number: 04521257

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

Stockport Homes Limited

Report and Financial Statements for the year ended 31 March 2020

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Stockport Homes Limited

Executives and advisors for the year ended 31 March 2020

Board of management

Jenny Osbourne, Chair (from 17 June 2019)
Robin Burman, Chair (until 17 June 2019)
David Beckett (until 17 June 2019)
Peter Fitzhenry
Lorraine Gill (from 9 December 2019)
Josephine Hague
Jamie Hirst (until 30 September 2019)
Sarah Keenan
Kenneth Lee
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

Principal Solicitors
Stockport MBC
Stopford House
Stockport
SK1 3XE

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

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 2020 *(continued)*

The Directors present their report and the audited Financial Statements for the year 1 April 2019 to 31 March 2020. The report and accompanying statements have been compiled in line with the Statement of Recommended Practice (SORP) for registered social housing providers (2018). Stockport Homes complies with the revised NHF Excellence in Governance Code for members which ensures the highest standards of corporate governance. These Financial Statements include the results of Stockport Homes Limited and its subsidiary companies, Three Sixty SHG Limited, Viaduct Partnerships Limited and 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 11,760 at 31 March 2020. 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 as this is currently less than 1,000 units, 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 2020.

Going concern

At its meeting on 7 September 2020, 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 positive 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 2019/20 the pension funds were valued at a liability value of £19.066m as at 31 March 2020 (liability of £26.216m as at 31 March 2019).

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2020 *(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 Scheme of Delegation setting out the powers and duties of the non-executive and executive Directors. The Group Scheme of Delegation also sets out the powers and duties at a subsidiary Board level. Alongside this exists terms of reference for the three Committees and a code of conduct for all Board members. The Board(s) and Committees receive regular reports outlining the delivery of objectives and outcomes.
- A 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 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 2020-23, five year Delivery Plan 2016 - 2021 and thirty year Group financial plan. 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. An approach to approving new business opportunities has been approved by Board and is built into the Financial Scheme of Delegation.
- Production of monthly management accounts ensures that management have oversight of expenditure, budgeting and forecasting. Financial information is presented to the Board and 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

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2020 *(continued)*

identifying segregation of duties and the financial approvals required. These are kept up to date as the business evolves and grows.

- 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. Processes are in place to ensure the Group is able to properly defend claims that arise.
- A range of policies and procedures are in place to guide and direct officers in specific activities. Policies around money laundering, whistle blowing, fraud and bribery exist for staff to follow in the course of their day to day duties.
- 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 organisation and of the surplus or deficit of the organisation for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 2019.

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2020 *(continued)*

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

The Board members are responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the 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



Jenny Osborne OSBOURNE
Chair of the Board

Date: 7 September 2020

Stockport Homes Limited

Strategic report for the year ended 31 March 2020 (*continued*)

The Board present the Strategic Report for the year ended 31 March 2020.

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

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

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

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

The likely consequences of any decision in the long term

Delivery of the organisations aims is managed through an effective business planning framework, where the consequences of decisions over the long term are considered. A five year Delivery Plan governs service delivery, a three year Business Plan outlines general principles for growth, and a Service Improvement Plan sets out key corporate tasks. These are supported by a thirty year financial plan to ensure the long term financial health of the organisation, which is stress tested against a range of scenarios and key risks. Progress against these plans is reviewed regularly, with updates being provided to Stockport Homes Leadership Forum, its Board and the parent Council. During 2019/20, the Board approved a new Business Plan for 2020-23 and accompanying 30 year financial plan.

The interests of the organisation's employees

Stockport Homes recognises that its employees are the most important asset to the organisation. The work of the People & Organisational Development (OD) team focuses on enabling the service to increase employee engagement through the implementation of the People & OD Strategy, specific actions and service improvements (see pages 23-24)

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

Stockport Homes places relationships with its customers at the heart of its strategic aims, and recognises that the success of these relationships are key to its success. Customers are engaged at every level of decision making and wider consultation is used to support service development and improvement. These relationships are fostered in a number of ways, including: customer representation on the Board, a customer scrutiny panel who monitor front line services, and a Customer and Community Engagement strategy with five ambitious aims which place customers, community development and recognising diversity and building capacity, at the heart of all activity. Customers are regularly consulted on key areas through a series of customer hubs which take place throughout the year. A number of further customer relationship areas are referenced throughout this report.

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

Stockport Homes Limited

Strategic report for the year ended 31 March 2020 (*continued*)

The impact of the organisations operations on the community and environment

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

Stockport Homes' Climate Change Strategy sets out the organisation's five year plan to cut carbon emissions through increased energy efficiency and low carbon technologies. In order to achieve these aims, new and innovative ways to reduce consumption are planned, including continuing to introduce low carbon technologies, coupled with ambitious but achievable targets. The Climate Change Strategy is split into three sections: Our Homes, Our Customers and Our Operations to show how the environmental agenda fits within all aspects of the organisation.

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

As a registered social housing provider, regulated by the Regulator of Social Housing, and an ALMO of Stockport MBC, Stockport Homes desires to maintain the highest standards of conduct. Stockport Homes complies with regulatory standards and is proactive in ensuring it does so (see page 4). The organisation's desire to maintain its reputation is demonstrated in Stockport Homes' robust approach to governance, complying with the revised NHF Excellence in Governance Code for members which ensures the highest standards of corporate governance. The organisations policies and procedures are designed to comply with relevant laws and regulations, with non-financial KPI's set to monitor key areas of compliance (see pages 16-20) and a range of policies around money laundering, whistle blowing, fraud and bribery exist for staff to follow in the course of their day to day duties.

Stockport Homes is committed to supporting human rights, including preventing slavery and human trafficking in all of its business activities. More information on this can be found within Stockport Homes' Modern Slavery Statement available on its website: <https://www.stockporthomes.org/media/5061/2019-shg-modern-slavery-statement.pdf>

The need to act fairly as between members of the organisation

The organisation's robust approach to governance, including complying with the revised NHF Excellence in Governance Code for members which ensures the highest standards of corporate governance, ensures fairness between the Board members of the organisation.

Principal decisions

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

- The approval of a new business plan for 2020-23 and accompanying 30 year financial plan. This plan includes the key themes of supporting the delivery of Stockport MBC's strategic objectives; enriching core services to customers; growing the housing stock portfolio and investing to protect the environment. This is supported by a 30 year financial plan which demonstrates financial strength and stability over this period. Further engagement with customers will take place during the development of the updated delivery plan during 2020/21, which will focus on future customer priorities.
- The approval of a rent setting strategy for 2020-25 to support the long term financial strength of the organisation, and delivery of its strategic objectives. Rent setting is a key area of regulation, and the strategy was developed to ensure regulatory compliance is achieved. Stakeholder

Stockport Homes Limited

Strategic report for the year ended 31 March 2020 (*continued*)

engagement was carried out with both Stockport MBC and customers, and their views considered within the approved strategy.

- Increasing the borrowing facility provided by Stockport MBC to support the strategic objective of both the organisation and the Council, of providing more social housing within the Stockport borough.
- The appointment of Jenny Osborne as the Chair of the Board, being the person possessing the necessary skills and experience to support the delivery of the organisations mission, aims and objectives.

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

Three Sixty SHG Aims

Stockport Homes Limited

Strategic report for the year ended 31 March 2020 (*continued*)

- Provide a high quality, innovative service resulting in an exceptional customer experience;
- Generate a profit which is used to deliver real social value;
- Be an employer of choice, attracting and retaining the best talent;
- Reduce the inequality that exists within construction and society at large;
- Deliver low carbon and environmental best practice through all operations

Viaduct Partnerships Aims

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

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 a Service Improvement Plan sets out key corporate tasks. These are supported by a thirty year financial plan. 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. Work will commence during 2020/21 to agree a new Delivery Plan for 2021-26.

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.

Stockport Homes Limited

Strategic report for the year ended 31 March 2020 (*continued*)

The Management Fee and associated charges for 2019/20 totalled £28.650 million (2018/2019: £28.204 million).

Stockport Homes has established three subsidiary Companies, Three Sixty SHG and Viaduct Partnerships are limited by shares with Stockport Homes Limited as the sole corporate shareholder. 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 2019/20 has grown to £7,228,000 from £5,517,000 the previous year, and is forecast to increase further in future years.

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 2019/20 is £13,216,000, increased from £10,938,000 in the previous year and is forecast to increase further in future years.

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. A number of projects are now underway within Foundations in line with its charitable aims, with turnover of £688,000 reported for 2019/20.

Principal activities

The Company's principal activity is to manage and maintain the stock of houses owned by Stockport Metropolitan Borough Council (SMBC), which numbered 11,760 at 31 March 2020. This includes both the management of the capital programme for the modernisation of the properties, and delivery of core works within this. 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 621 properties at the end of March 2020. Of these 621 properties 285 are new build properties for social or affordable rent, 236 are new build properties for shared ownership, and 100 are existing properties which have been acquired and refurbished for various rental types. The majority of the acquired properties have been part-subsidised with grant funding from schemes such as Mortgage Rescue, Empty Homes or the Affordable Homes Programme. One property was acquired without grant and let at market rent levels. The shared owners of 15 new homes have now fully or partially staircased out, with associated grant being added to the Recycled Capital Grant Fund. A further 394 new homes are under construction as at March 2020.

Stockport Homes also manages the delivery of the Housing Revenue Account (HRA) new build programme (Council owned properties) which currently has a total of 200 new build units within its ownership, comprising of 133 rented units and 67 shared ownership units. The shared owners of 9 new homes built within the HRA for shared ownership have now fully or partially staircased with the associated grant added to the Recycled Capital Grant Fund. Currently there are 24 new homes on site, being built, which will sit within the HRA once completed and 2 existing properties, which have been acquired and are awaiting refurbishments works which will commence in 2020/21.

Stockport Homes Limited

Strategic report for the year ended 31 March 2020 (*continued*)

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 Homes England's Strategic Partnerships.

Stockport Homes is continuing to strengthen its asset base by diversifying into new business areas both within Stockport Homes Limited and through its subsidiary companies and continually appraising more efficient working mechanisms. In 2019/20 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.

The 2019/20 year represented the first year of operation for Stockport Homes' subsidiary company, Foundations Stockport. A number of projects have been successfully delivered during 2019/20 which are focussed on the charitable objectives of Foundations Stockport. These included: reducing homelessness through the Housing First project; supporting the relief of food poverty through Your Local Pantries; reducing furniture poverty through the Furniture Recycling project and the extension of the Motiv8 project to support those individuals most removed from the labour market.

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. A thirty year Group financial plan is in place which aligns with strategic objectives, and is stress tested against a range of scenarios and key risks. Each year a detailed budget is set that supports the Delivery Plan and Service Improvement Plan objectives. Budget setting for 2019/20 included reviewing priorities with customers and assessing forthcoming risks. As Stockport Homes continues to grow and diversify, the Management Fee and associated charges, at £28.650m million, continues to be the largest single element of its £52.947 million turnover. However, other income streams are continuing to grow including rental income from owned properties and increasingly income for third party works. In addition, the impact of the group structure significantly increases its overall turnover.

Stockport Homes continues to work in a financially challenging environment including providing year on year efficiency savings within the Management Fee, alongside ongoing pressures resulting from 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 (UC) 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. Stockport Homes invested additional resources to help customers through this period. A team of specialist Money Advisors is in place, offering intensive support to all new UC claimants during the first 6 weeks of their claim. Support starts from the point of Stockport Homes being made aware of a new claim, to the claimant receiving their first UC payment. During 2019/20, the team supported 1,569 UC claimants. Out of the UC cases who engaged with the team, 87% received their first payment and paid as requested. With this in place Stockport Homes will continue its strong focus on debt prevention and early intervention in arrears cases.

Stockport Homes Limited

Strategic report for the year ended 31 March 2020 (*continued*)

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 2019/20 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 2019/20 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 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 £1.743 million during 2019/20 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.

The triennial valuation of the GMPF defined benefit pension scheme was undertaken by the scheme's actuaries within 2019/20, the results of which do not require any increase in the employer's contribution rate paid by Stockport Homes. However, the annual GMPF actuarial valuations for accounting purposes has resulted in additional costs recognised within the Statement of Comprehensive Income in 2019/20 than in previous years, which has resulted in an operating loss for 2019/20. As per the results of the triennial pension valuation, these additional operating costs do not result in future cash outflows. The resulting positive movement in the pension schemes overall position from a liability of £26.216 million at March 2019, to a liability of £19,066 million at March 2020, has contributed to the Group's net asset position at March 2020.

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 repairs and maintenance, and increased staircasing sales and sales valuations for shared ownership sales, whilst various areas outperformed their budgets.

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, which was updated during the year for 2020 - 2023, 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 and will be updated during 2020/21. 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.

Stockport Homes Limited

Strategic report for the year ended 31 March 2020 (*continued*)

Future prospects

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

- Strong and effective governance arrangements;
- Sound financial planning framework which demonstrates a robust and healthy financial outlook in the short, medium and long term (supported by a 30 year Group financial plan);
- 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 available cash and a proven track record of generating efficiencies for re-investment into invest to save initiatives that generate additional resources.

In making this assessment, the Board recognises the social and economic impacts resulting from Covid-19 on society as a whole, and have considered how these affect the operations of Stockport Homes. Based on the information currently available, the Board have reviewed financial risks resulting from Covid-19 and consider that there are no significant impacts on the future prospects of Stockport Homes. Key considerations within this include:

- The continued delivery of the principle activities related to the management of Stockport MBC's housing stock, which represents Stockport Homes' largest source of income and for which income continues to be received;
- The ongoing demand for the provision of social housing which is not expected to decrease in the longer term;
- The expectation that social distancing measures begin to relax during the first quarter of 2020, and in turn that related decreased income from lower rental and water collection rates, or property sales, is relatively short term in nature and does not represent a significant financial issue for Stockport Homes;
- The healthy level of available cash to support Stockport Homes in the event of an unexpected issue;
- Stockport Homes is not dependent on the range of financial support measures provided by the Government to maintain financial stability;
- Stockport Homes has a long-term financial plan in place which is stress tested against a range of scenarios, and which any adverse effects in relation to Covid-19 do not represent a significant risk to the future stability of the organisation.

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 the subsidiaries: Three Sixty, Foundations and Viaduct.

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.

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Strategic report for the year ended 31 March 2020 (*continued*)

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 Audit and Risk Committee. These reports describe progress against delivery of risk control actions, highlight any exceptions and identify 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, which is shared with Stockport MBC. 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.

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

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 having a Group Risk Management Strategy and action plan to further develop risk management within the Group
- By ensuring that all Board reports have considered the related risks and provided explanations of how they will be managed, as necessary.

Strategic risks in 2019-20

For the 2019-20 financial year, the corporate risk register was reviewed and updated to reflect the 25 corporate risks which the Group was currently facing.

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

- Positive, strategic relationships are not maintained with SMBC, local politicians and other key local partners

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Strategic report for the year ended 31 March 2020 (*continued*)

- "Brexit" has a negative impact on SHG and its operations
- The Group structure does not deliver the long term objectives / benefits
- Rent and water arrears increase to unsustainable levels as a result of the changes brought about by the Housing and Planning Act, Welfare Reform and the live rollout of Universal Credit in Stockport
- The property market declines and this has a negative financial impact in relation to shared ownership and market sales and market rent levels
- Health and safety obligations to customers aren't fulfilled, including gas safety, electrical safety, fire safety, legionella and asbestos
- Health and safety obligations to staff across the Group 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 21 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 21 indicators are supported by 16 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 rent collection and rent arrears achieving or being very close to their conservative estimate levels for both these critical indicators. 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 21 key performance indicators, 17 met targets and 3 were outside of their year-end target, but remained within an acceptable tolerance. At year-end, one indicator without a tolerance fell outside its annual target of 100 per cent. Full commentary on performance is provided in the year-end performance report to Board.

Performance indicators monitored at corporate level in 2019/20		
Performance indicator	2019/20 target	2019/20 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%	99.99%
Percentage of compliant Fire Risk Assessments	100%	100%

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Overall satisfaction with the quality of service during investment work programmes	98.7%	98.7%
Percentage of ASB complainants satisfied with the outcome of their cases	98.5%	98.93%
Complainants who would use the complaints service again	95%	95.83%
Satisfaction with the repair	98%	99.8%
Percentage of efficiencies as a proportion of the management fee	3%	6.34%
Rent collected as a % of rent due	98.69% (conservative estimate)	100.49%
Rent arrears as a % of rental debit	1.85% (conservative estimate)	1.93%
Average time taken to re-let dwellings (all re-lets)	11 days	11.9 days
Percentage of moves that are mutual exchanges	42%	54.80%
Percentage of repairs completed at first visit	95%	95.7%
Availability of core IT systems	99.75%	99.81%
Percentage of One Number calls picked up	95%	95.24%
Stockport Homes Teckal Ratios:		
Stockport Homes Ltd	80:20	99:1
Three Sixty	80:20	99:1
Viaduct	80:20	100:0
Percentage of estate inspections rated at least "good"	97%	98.07%
Ratio of homeless preventions to number assessed as becoming homeless	1:1.5	1:1.0
Percentage of properties with an energy performance rating of C or above	92.5%	92.5%
Average days lost due to sickness per employee	6.50 days	6.58 days

There are nine Stockport Homes corporate indicators for which performance can be benchmarked against other social housing organisations, which is carried out through Housemark.

Overall, Stockport Homes compares very well both against ALMOs and in wider comparison against all housing providers. Throughout 2019/20, performance remained within the top quartile for the majority of the benchmark indicators.

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In particular, Stockport Homes has continued to perform highly in relation to the percentage of rent lost through dwellings being vacant, and satisfaction with ASB case outcome, whilst remaining the top performer for re-let times for empty dwellings for ALMOs, and second with all other housing providers.

	Performance at March 2020	All ALMOs		All Housing Organisations	
		Position	Base	Position	Base
Percentage of dwellings with a valid gas safety certificate	100%	1 st	16	1 st	87
Rent collected as a percentage of rent owed (excluding arrears)	100.49%	14 th	31	6 th	31
Rent arrears of current tenants as a percentage of rental debit	1.93%	3 rd	6	6 th	34
Percentage of rent lost through dwellings being vacant	0.47%	1 st	6	3 rd	19
Average days lost due to sickness per employee	6.58 days	2 nd	6	8 th	31
Average time taken to re-let empty dwellings (standard re-lets)	11.9 days	1 st	6	2 nd	30
Satisfaction with ASB case outcome	98.93%	1 st	4	3 rd	19
Repairs completed at the first visit	95.7%	2 nd	5	11 th	31
Satisfaction with repairs	99.8%	1 st	5	2 nd	28

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 2019/20 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 7 September 2020.

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: using a consortium procurement approach to save £154,206 on a range of services; reducing energy costs at the Head Office by installing voltage optimisation saving £2,200, installing solar panels at the head office saving £1,665 on energy costs; restructuring the anti-social behaviour team to meet new service needs saving £14,173; delivering market literature design work in-house rather than sourcing from the open market saving £25,000; and supporting customers in "housing need" to move via mutual exchange rather than leaving a property empty, saving £267,444. All of these initiatives and others have maximised efficiencies that are now available to be reinvested into service delivery.

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Optimising Return on Assets

Efficiencies realised at year end amount to £1,825,981. This represents 6.42 per cent of the management fee and meets the target set for the 2019/20 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
2016/17	4.91 per cent	£1,374,557
2017/18	4.38 per cent	£1,213,631
2018/19	9.12 per cent	£2,554,187
2019/20	6.42 per cent	£1,825,981

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 £11,187,000 (2019: £6,149,000 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 2020 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, Viaduct Partnerships Limited, and Foundations Stockport Limited subsidiaries, a total return to the Group of £629,000 was generated within 2019/20 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 2019/20 it has continued to deliver briefing sessions with teams to embed the link between the ASPIRE values and social value. It has continued to develop its approach to procurement, using standard documentation for tender scoring, which provides consistency for suppliers and staff when they consider social value requirements. It has linked those requirements to service delivery such as employment support initiatives. It has been involved in the first Greater Manchester Housing Providers Social Value Conference, held in January 2020, which highlighted the importance of buying local, supporting social enterprise, and being a good employer. In addition a framework of social value tender requirements have been implemented that are aligned to the aims of the Corporate Social Responsibility Strategy. This ensures 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 continued to take a 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

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Strategic report for the year ended 31 March 2020 (*continued*)

aim of achieving a comprehensive understanding of the organisation's threats and opportunities going forward.

Services are also subject to scrutiny by the Customer Scrutiny Panel (CSP). In 2019/20, 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/>.

The Panel completed two service reviews during 2019/20 in relation to the Reception Service at the Cornerstone Head Office and the Greenspace Service resulting in recommendations which will be 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 uses its charitable status to bring a range of benefits into the Stockport Borough.

Overall Stockport Homes' priorities will continue to be the provision of high quality management, maintenance and support services to core customers, 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 Foundations Stockport 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 2019, 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 2019/20 exceeded the revised Business Plan forecast performance for another year running, due to strong rent recovery performance, despite the challenges of Welfare Reform and ongoing right to buys. This is another example of the strong management, performance and commitment of Stockport Homes.

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

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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 nine VFM metrics which have been defined by the Regulator. The outcomes of these metrics for Stockport Homes Group in 2019/20 are shown below, along with forecast outcomes for 2020/21, and the previous results from the two years prior for comparison. Stockport Homes Group has benchmarked itself against all providers owning and/or managing more than 1,000 homes, via the data published by the Regulator in the Global Accounts. Further narrative for these results is provided below.

VFM Metric	2017/18 Out-turn	2018/19 Out-turn	2018/19 Global Accounts Median	2019/20 Out-turn	2020/21 Budget Forecast
Reinvestment %	44.0%	38.4%	6.2%	29.0%	37.8%
New supply delivered (Social housing units) %	27.2%	37.2%	1.5%	10.3%	13.9%
New supply delivered (Non-social housing units) %	0.00%	0.00%	0.00%	0.00%	0.00%
Gearing %	69.1%	68.7%	43.4%	66.9%	83.4%
EBITDA MRI Interest Cover %	411%	207%	184%	50%	271%
Headline social housing cost per unit	£1,171	£1,072	£3,690	£1,348	£1,703
Operating margin (social housing lettings) %	41.5%	36.6%	29.2%	39.1%	37.1%
Operating margin (overall) %	5.9%	2.6%	25.8%	(1.4%)	5.1%
Return on capital employed	3.9%	1.5%	3.8%	(0.6%)	2.4%

Reinvestment %

The median Reinvestment % outcome for all providers was 6.2% in 2018/19, with an upper quartile Reinvestment % threshold of 8.7%. Stockport Homes Group is therefore expecting to be comfortably within this upper quartile with an outcome of 29.0% for 2019/20. 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 2020/21.

New Supply Delivered (Social housing units) %

Similar to the Reinvestment % results, Stockport Homes Group has historically delivered a high proportion of new social housing stock in relation to its asset base, with an outcome of 10.3% in 2019/20, comfortably exceeding the median outcome for all providers of 1.5%, and upper quartile threshold of 2.5%. As the Group's asset base continues to grow in the longer term, both New Supply Delivered (Social housing units) % and Reinvestment % are expected to inevitably begin to decrease in comparison with the high values seen in previous years, as the development programme will not keep pace proportionately with the increase in the asset base.

New Supply Delivered (Non-social housing units) %

Stockport Homes Group has not delivered any non-social housing units within 2019/20 or the previous two years, which is in line with the median results from all providers. The Group's development programme does contain some non-social housing units, which are currently in the course of construction, and will be reported when completed.

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Gearing %

As expected, Stockport Homes Group can be seen to have a relatively high Gearing % of 66.9%, exceeding the median outcome for all providers of 43.4%, and is within the upper quartile for this metric, exceeding the threshold of 53.9%. 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.

EBITDA MRI Interest Cover %

The annual GMPF actuarial valuations for accounting purposes has resulted in additional costs recognised within the Statement of Comprehensive Income in 2019/20 than in previous years, which has resulted in an operating loss for 2019/20. All metrics linked to operating surplus are therefore adversely impacted, which includes EBITDA MRI Interest Cover %. This operating loss results in a lower EBITDA MRI Interest Cover % result for Stockport Homes than in previous years, with a result of 50% for 2019/20. This is less than the median result of 184% from 2018/19 and would be within the lower quartile, being less than the benchmark of 139%. As these additional costs resulting from the annual pension valuation do not result in additional future cash outflows, there are no issues with Stockport Homes being able to repay interest on the debt indicated in its Gearing % as a result of the EBITDA MRI Interest Cover % for 2019/20.

Headline Social Housing Cost per Unit

Stockport Homes Group continues to have a relatively low Headline Social Housing Cost per Unit with an outcome of £1,348 for 2019/20. This compares favourably with the median result from 2018/19 of £3,690, and is comfortably within the lower quartile of £3,180. This performance is in part a reflection of the relatively new age of the Group's housing stock, meaning that costs have not been incurred which may be required with more mature stock. It should be noted that this measure is open to some fluctuation as it is based on the number of units at the year end, hence may be distortive for Stockport Homes Group with its relatively high development programme, whereby units included at the year end may not have costs included for the full year. The increase in forecast capitalised maintenance in the longer term is expected to see these costs rise in comparison to previous year, though remain a low cost overall.

Operating Margin (Social Housing Lettings) %

The median outcome for all providers for this metric in 2018/19 was 29.2% and Stockport Homes Group's result of 39.1% in 2019/20 was in the upper quartile for this measure, exceeding the threshold of 34.6%. This is linked to the low Headline Social Housing Cost per Unit and links to the age profile of the Group's housing stock, which is not as mature as other providers.

Operating Margin (overall) %

For 2019/20 the Operating Margin (overall) % for Stockport Homes Group is (1.4%). This performance has worsened from the previous year and the result is within the lower quartile, being less than the benchmark of 29.2%. As previously reported, one of the main reasons for this level of performance relates to Stockport Homes operating 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 previous years, with a higher cost recognised within 2019/20. Furthermore, a considerable amount of the Group's turnover is 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 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. This metric is therefore forecast to continue at relatively low levels in the near future.

Return on Capital Employed

Similar to the results for Operating Margin (overall) %, this performance is based on the Group's operating surplus. The additional costs recognised in 2019/20 in relation to the annual GMPF actuarial valuations for

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accounting purposes, have resulted in an operating loss, and hence negative Return on Capital Employed of (0.6%), which was within the lower quartile for this measure, being less than the benchmark of 3.0%.

EMPLOYEE INVOLVEMENT

Stockport Homes has an establishment of 600 full time equivalent posts across the Group at 31 March 2020, and is well established in the local community. Stockport Homes continues to recognise that employees are the most important asset to the organisation. The work of the People & Organisational Development (OD) team focuses on enabling the service to increase 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 2020, awarded Platinum status. Stockport Homes exceeded the industry benchmark in terms of people management and development for all of the nine indicators, demonstrating 'high performing' level against seven of the nine indicators, and advanced in the remaining two. This puts Stockport Homes in the top one 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 20120' for list for the eleventh year running. Stockport Homes has achieved its highest Best Companies Index (BCI) score of 786.3 following the most recent engagement survey (November 2019). This is a 19-point increase compared with 2019 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 3rd place to 1st (February 2020) and 1st place in the 24 Housing Best Housing organisations 2020 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. In addition Stockport Homes attained the highest scores in five of the eight factors which included 'Leadership', 'My Manager', 'My Team', 'Giving Something Back' and 'Wellbeing' compared to the other 99 organisations within the list.

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 an 'Active Listeners' Group providing support for staff by staff.

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 Three Sixty teams have honest conversations relating to how they can improve the work place to have a positive impact on customers.

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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 is 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 completed a disability review which identified further areas for improvement. In 2019/20 following the completion of the review, a staff disability group has been established. Its purpose is to ensure Stockport Homes understands and values its disabled staff, celebrate the positives of having a disability and helps to ensure the Group's services are accessible to all.

During 2019/20 Stockport Homes launched "Be You - a vision for an inclusive workplace" which is based on the belief that a successful workplace is one that values everyone and embraces both similarities and differences. This vision was accompanied by training for all managers and the associated launch of the Human library which brings together diverse staff to share their personal stories and experiences. It provides staff with the capability to ask questions, listen, understand and change the way they think, act and work.

To support the Stockport Homes goal of having a representative workforce, during 2019/20 Stockport Homes signed up for the Greater Manchester Housing Providers 'Generating routes for Black, Asian and Minority Ethnic (BAME) Leadership' project, which is being run by Manchester Metropolitan University. This mentoring programme is sharing BAME experiences between 10 up-and-coming BAME staff and 10 senior leaders to identify wider organisational problems and empower mentors and mentees as agents of change.

Governance

The Board of Stockport Homes is responsible for the strategic direction of the organisation and Board members are registered as the Company Directors with Companies House. They have been selected to collectively provide the skills and competencies to successfully steer the company in accordance with its Mission and Aims.

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

Stockport Homes has a 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 &

Stockport Homes Limited

Strategic report for the year ended 31 March 2020 (*continued*)

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, due to be undertaken again in 2020/21. Following the appraisals, a Governance Improvement Plan was adopted by the Board. Training and recruitment is used to address any gaps within the Group Board and subsidiary boards.

During 2019/20 the Board undertook training and attended externally hosted events to widen their knowledge of issues relevant to their roles, for example run by the Greater Manchester Housing Providers (GMHP). 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 7 September 2020.



Jenny Osbourne, 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 2020 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 2020 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 2018.

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.

Beeve and Struthers

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

Date: 7 September 2020

Stockport Homes Limited

Consolidated Statement of Comprehensive Income for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	4	52,947	49,985
Cost of sales	4	(9,994)	(8,425)
Operating costs	4	(43,680)	(40,260)
Gain on sale	6	96	214
Operating (deficit)/surplus	4	(631)	1,514
Other interest receivable and similar income	12	96	68
Interest and financing costs	13	(1,344)	(1,220)
Net interest on pension	27	(670)	(497)
Change in Valuation of investment properties	17	10	9
(Deficit)/surplus before taxation		(2,539)	(126)
Taxation on (deficit)/surplus	14	(317)	(376)
(Deficit) for the financial year		(2,856)	(502)
Actuarial gains/(losses) on defined benefit pension scheme	27	11,749	(6,162)
Total comprehensive income for year		8,893	(6,664)

The notes on pages 35 to 69 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 7 September 2020.



Jenny Osborne

Chair of the Board

Stockport Homes Limited

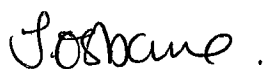
Company Statement of Comprehensive Income for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	4	47,233	45,690
Cost of sales	4	(4,591)	(3,868)
Operating costs	4	(44,063)	(40,889)
Gain on sale	6	96	214
Operating (deficit)/surplus	4	(1,325)	1,147
Other interest receivable and similar income	12	89	65
Interest and financing costs	13	(1,344)	(1,220)
Net interest on pension	27	(670)	(497)
Change in Valuation of Investment Properties	17	10	9
(Deficit)/surplus before taxation		(3,240)	(496)
Taxation on surplus	14	(244)	(305)
(Deficit) for the financial year		(3,484)	(801)
Actuarial gains/(losses) on defined benefit pension scheme	27	11,749	(6,162)
Total comprehensive (loss)/income for year		8,265	(6,963)

The notes on pages 35 to 69 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 7 September 2020.



Jenny Osborne OSBOURNE

Chair of the Board

Stockport Homes Limited

Consolidated Statement of Financial Position at 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets - housing properties	15	69,393	57,594
Tangible fixed assets - other	16	14,324	14,728
Investment Property	17	95	85
		83,812	72,407
Current assets			
Stocks	19	11,844	9,429
Debtors	20	5,928	5,166
Cash and cash equivalents		13,949	12,236
		31,722	26,831
Creditors: amounts falling due within one year	21	(14,426)	(12,957)
Net current assets		17,295	13,874
Total assets less current liabilities		101,108	86,281
Creditors: amounts falling due after more than one year	22	(79,374)	(66,291)
Net assets excluding provisions		21,734	19,990
Provisions for liabilities			
Pension liability	27	(19,066)	(26,216)
Other provisions	28	0	0
Net assets/(liabilities)		2,668	(6,226)
Capital and reserves			
Income and expenditure reserve		2,668	(6,226)
		2,668	(6,226)

The financial statements were approved by the Board of Directors and authorised for issue on 7 September 2020.

J Osbourne

Jenny Osbourne OSBOURNE

Chair of the Board

The notes on pages 35 to 69 form part of these financial statements.

Company number 04521257

Stockport Homes Limited

Company Statement of Financial Position at 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets - housing properties	15	69,393	57,594
Tangible fixed assets - other	16	14,318	14,718
Investment property	17	95	85
Investment in subsidiaries	18	10	10
		83,817	72,407
Current assets			
Stocks	19	11,844	9,429
Debtors - receivable within one year	20	5,787	5,095
Debtors - receivable after one year	20	42	92
Cash and cash equivalents		10,398	10,413
		28,071	25,029
Creditors: amounts falling due within one year	21	(11,763)	(11,509)
Net current assets		16,307	13,519
Total assets less current liabilities		100,124	85,927
Creditors: amounts falling due after more than one year	22	(79,374)	(66,291)
Net assets excluding provisions		20,750	19,636
Pension liability	27	(19,066)	(26,216)
Other Provisions	28	0	0
Net assets/ (liabilities)		1,684	(6,580)
Capital and reserves			
Income and expenditure reserve		1,684	(6,580)
		1,684	(6,580)

The financial statements were approved by the Board of Directors and authorised for issue on 7 September 2020.



Jenny Osborne OSBOURNE

Chair of the Board

The notes on pages 35 to 69 form part of these financial statements.

Company number 04521257

Stockport Homes Limited

Statement of Changes in Reserves for the year ended 31 March 2020

Group	2020	2019
	£'000	£'000
Income and Expenditure Reserves Balance at 1 st April	(6,225)	438
(Deficit) for the year	(2,856)	(501)
Actuarial gains/(losses) on defined benefit pension scheme	11,749	(6,162)
Total comprehensive income for the year	8,893	(6,663)
Income and Expenditure Reserve Balance at 31 March	2,668	(6,225)
Company	2020	2019
	£'000	£'000
Income and Expenditure Reserves Balance at 1 st April	(6,581)	382
(Deficit) for the year	(3,484)	(801)
Actuarial gains/(losses) on defined benefit pension scheme	11,749	(6,162)
Total comprehensive income for the year	8,265	(6,963)
Income and Expenditure Reserve Balance at 31 March	1,684	(6,581)

Stockport Homes Limited

Consolidated Statement of Cash Flows for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
(Deficit) for the financial year		(2,856)	(502)
Adjustments for:			
Depreciation of fixed assets - housing properties	15	869	795
Depreciation of fixed assets - other	16	611	537
Amortised grant	23	(150)	(115)
Interest payable and finance costs	13	1,344	1,220
Interest received	12	(96)	(68)
Taxation expense	14	317	376
Taxation reclaim		26	0
Increase in valuation of property	17	(10)	(9)
Gain/loss on disposal of fixed assets	6	(96)	(214)
Difference between net pension expense and cash contribution		4,599	2,813
(Increase) in trade and other debtors		56	(1,938)
Decrease/(increase) in stocks		4,529	3,814
(Decrease)/increase in trade creditors		2,272	(87)
Cash from operations		11,415	6,622
Taxation paid		(228)	(473)
Net cash generated from operating activities		11,187	6,149
Cash flows used in investing activities			
Purchase of fixed assets - housing properties		(21,340)	(19,817)
Purchases of fixed assets - other		(364)	(708)
Receipt of grant		4,620	6,342
Proceeds from sale of fixed assets		383	573
Interest received		82	48
Net cash from investing activities		(16,619)	(13,562)
Cash flows from financing activities			
Interest paid		(1,377)	(1,218)
New loans		10,144	12,241
Repayment of loans		(1,622)	(830)
Net cash used in financing activities		7,145	10,193
Net increase in cash and cash equivalents		1,713	2,780
Cash and cash equivalents at beginning of year		12,236	9,456
Cash and cash equivalents at end of year		13,949	12,236

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020

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Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (*continued*)

1 Legal status

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

The group comprises the following entities:

Name	Incorporation	Registered/Non-registered
Stockport Homes Ltd	Companies Act 2006	Registered
Three Sixty SHG Ltd	Companies Act 2006	Non-registered
Viaduct Partnerships Ltd	Companies Act 2006	Non-registered
Foundations Stockport Ltd	Co-operative and Community Benefit Societies Act 2014	Non-registered

2 Accounting policies

Basis of accounting

The financial statements have been prepared on a going concern basis, in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Stockport Homes includes the Housing and Regeneration Act 2008, FRS 102 “the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, “Accounting by registered social housing providers” 2014, the Accounting Direction for Private Registered Providers of Social Housing 2019.

In relation to preparing the financial statements on a going concern basis, the potential effects with regards Covid-19 have been considered. The company’s Balance Sheet shows a 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

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

Parent Company Disclosure Exemptions

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

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

Basis of consolidation

The consolidated financial statements incorporate the results of Stockport Homes Limited and all of its subsidiary undertakings as at 31 March 2020. The group accounts consolidate the accounts of the company and its subsidiaries at 31st March 2020 using the purchase method. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Accounting judgements and key sources of estimation uncertainty

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

The following principal accounting policies have been applied:

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (*continued*)

2 Accounting policies (*continued*)

Income

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

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

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

Service charges

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

Management of units owned by others

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

Current and deferred taxation

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

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

Value Added Tax

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

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (*continued*)

2 Accounting policies (*continued*)

Finance costs

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

Pension costs

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

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

The GMPF is a defined benefit pension scheme and retirement benefits to the employees of the Company are funded by contributions from all employers and employees in the scheme.

Payments are made to a fund operated by Tameside Metropolitan Borough Council. These payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable to the various participating organisations. All costs, liabilities, assets and investment returns are accounted for in accordance with FRS 102.

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

Holiday pay accrual

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

Tangible fixed assets - Housing Properties

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

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

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

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

Depreciation of housing property

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

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

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

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 *(continued)*

2 Accounting policies *(continued)*

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

Freehold land is not depreciated.

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

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

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

Shared ownership properties and staircasing

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

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

Allocation of costs for mixed tenure and shared ownership developments

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

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

2 Accounting policies (continued)

Investment Properties

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

Tangible fixed assets - Other

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

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

Assets under construction

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

Depreciation of other tangible fixed assets

Other fixed assets are included in the Balance Sheet at historical cost, less depreciation where appropriate. A de minimus value of £5,000 applies to individual items. Items are capitalised where they are for ongoing use in the business. Depreciation is provided at a rate calculated to write off the cost of fixed assets, less their estimated residual value over their estimated useful lives on the following basis:

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

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

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

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 *(continued)*

2 Accounting policies *(continued)*

Government grants

Grant received in relation to property construction is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic life of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected.

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

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

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

Impairment of fixed assets

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

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

Stock

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

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

Debtors and creditors

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

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 *(continued)*

2 Accounting policies *(continued)*

Recoverable amount of rental and other trade receivables

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

Rent and service charge agreements

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

Loans, Investments and short term deposits

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

Financial liabilities and equity

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

Cash and cash equivalents

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

Contingent liabilities

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

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

Reserves

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

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (*continued*)

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

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

- whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, what constitutes the cash generating unit, and the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units. Covid-19 is considered to be a trigger of impairment and is considered within Note 15.
- the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.
- the critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, property valuations, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- the carrying value of stock, and that this can be disposed of at a value at least equal to the carrying value.
- the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 14 and 15)

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

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

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

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

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

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

Group	Turnover	Cost of sales	Operating costs	Operating (deficit)/ surplus
	2020 £'000	2020 £'000	2020 £'000	2020 £'000
Social housing lettings (Note 5)	2,764	-	(1,684)	1,079
Other Social Housing Activities				
First tranche low cost home ownership sales	5,138	(4,591)	-	547
Management Fee and associated charges from Stockport MBC	28,650	-	(27,778)	872
Income from customers and miscellaneous	6,532	(44)	(6,386)	102
Charges to capital programme	8,909	(5,659)	(3,045)	205
Water initiative	947	-	(856)	91
Development services to SHL from Viaduct	-	300	-	300
Market rent lettings	7	-	(1)	6
Net pension cost	-	-	(3,929)	(3,929)
	50,183	(9,994)	(41,995)	(727)
Gain on disposal				96
Total	52,947	(9,994)	(43,680)	(631)
Analysis of disposal				
Shared Ownership Staircasing Sales	385	(288)	(1)	96
Total	385	(288)	(1)	96
Group	Turnover	Cost of sales	Operating costs	Operating (deficit)/ surplus
	2019 £'000	2019 £'000	2019 £'000	2019 £'000
Social housing lettings (Note 5)	2,120	-	(1,345)	775
Other Social Housing Activities				
First tranche low cost home ownership sales	4,742	(3,868)	-	874
Management Fee and associated charges from Stockport MBC	28,204	-	(27,187)	1,017
Income from customers and miscellaneous	5,431	(5)	(5,185)	241
Supporting People Income	-	-	-	-
Charges to capital programme	8,545	(4,806)	(3,490)	249
Water initiative	935	-	(736)	199
Development services to SHL from Viaduct	-	254	-	254
Market rent lettings	7	-	(6)	4
Net pension cost	-	-	(2,316)	(2,316)
	47,865	(8,425)	(38,915)	524
Gain on disposal				214
Total	49,985	(8,425)	(40,260)	1,514
Analysis of disposal				
Shared Ownership Staircasing Sales	(572)	(354)	(4)	214
Total	(572)	(354)	(4)	214

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

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

Company	Turnover	Cost of sales	Operating costs	Operating (deficit)/ surplus
	2020 £'000	2020 £'000	2020 £'000	2020 £'000
Social housing lettings (Note 5)	2,763	-	(1,685)	1,078
Other Social Housing Activities				
First tranche low cost home ownership sales	5,138	(4,591)	-	547
Management Fee and associated charges from Stockport MBC	28,650	-	(28,067)	583
Income from customers and miscellaneous	6,368	-	(6,223)	145
Charges to capital programme	2,696	-	(2,639)	57
Water initiative	947	-	(855)	92
Intercompany	664	-	(664)	0
Market Rent lettings	7	-	(1)	6
Net pension cost	-	-	(3,929)	(3,929)
	44,469	(4,591)	(42,379)	(2,501)
Gain on disposal				96
Total	47,233	(4,591)	(44,063)	(1,325)
Analysis of disposal				
Shared Ownership Staircasing Sales	385	(288)	(1)	96
Total	385	(288)	(1)	96
Company	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2019 £'000	2019 £'000	2019 £'000	2019 £'000
Social housing lettings (Note 5)	2,120	-	(1,345)	775
Other Social Housing Activities				
First tranche low cost home ownership sales	4,742	(3,868)	-	874
Management Fee and associated charges from Stockport MBC	28,204	-	(27,187)	1,017
Income from customers and miscellaneous	5,433	-	(5,185)	248
Supporting People Income	-	-	-	-
Charges to capital programme	3,664	-	(3,488)	176
Water initiative	935	-	(736)	199
Intercompany	584	-	(631)	(47)
Market Rent lettings	7	-	(1)	6
Net pension cost	-	-	(2,316)	(2,316)
	43,570	(3,868)	(39,544)	158
Gain on disposal				214
Total	45,690	(3,868)	(40,889)	1,147
Analysis of disposal				
Shared Ownership Staircasing Sales	(572)	(354)	(4)	214
Total	(572)	(354)	(4)	214

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

5 Income and Expenditure from social housing lettings

Group and Company

	General needs	Low cost home ownership	Total	Total
	£'000	£'000	2020 £'000	2019 £'000
Income				
Rents net of identifiable service charges	2,088	372	2,460	1,890
Service charge income	44	106	150	114
Amortised government grants	94	57	151	115
Other income	1	0	1	1
Bad debt reduction	1	1	2	
Turnover from social housing lettings	2,228	536	2,764	2,120
Expenditure				
Management	(140)	(78)	(218)	(158)
Service charge costs	(78)	(105)	(183)	(114)
Maintenance	(290)	0	(290)	(178)
Bad debts	(11)	0	(11)	(14)
Depreciation of housing properties: - annual charge	(759)	(109)	(868)	(795)
Other costs	(75)	(40)	(114)	(86)
Operating expenditure on social housing lettings	(1,353)	(332)	(1,685)	(1,345)
Operating surplus on social housing lettings	875	204	1,079	775
Void losses	(3)	0	(3)	(2)

6 Gain on disposal of fixed assets

Group and Company

	2020 £'000	2019 £'000
Shared Ownership Staircasing Sales		
Proceeds of sales	385	572
Less costs of sales	(288)	(354)
Less capital grant recycled (note 24)	(1)	(4)
Surplus	96	214

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

7 Units of housing stock

Group and Company	2020 Number	2019 Number
General needs housing:		
- Social	98	92
- Affordable	230	199
- Market Rent	1	1
- Intermediate	54	54
- 3 rd Party Rents	2	0
Low cost home ownership	236	209
Outright Sale - Held at Year End	0	0
Total owned	621	555
Accommodation managed for others	11,760	11,845
Total managed accommodation	11,760	11,845
Total owned and managed accommodation	12,381	12,400
Units under construction	394	347

8 Operating surplus

Group	2020 £'000	2019 £'000
This is arrived at after charging:		
Depreciation of housing properties	868	795
Depreciation of other tangible fixed assets	611	537
Operating lease charges - land & building	60	60
Operating lease charges - other	569	586
Auditors' remuneration (excluding VAT):		
- fees payable to the company's auditor for the audit of the company's annual accounts	15	15
- fees for other services	11	7
- fees for tax computations	3	3
- fees for audit related assurance	0	0
Defined benefit pension cost	3,929	2,316

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

8 Operating surplus (continued)

Company	2020 £'000	2019 £'000
This is arrived at after charging:		
Depreciation of housing properties	868	795
Depreciation of other tangible fixed assets	607	533
Operating lease charges - land & building	60	60
Operating lease charges - other	569	586
Auditors' remuneration (excluding VAT):		
- fees payable to the company's auditor for the audit of the company's annual accounts	15	15
- fees for tax computations	1	1
- fees for audit related assurance	0	0
Defined benefit pension cost	3,929	2,316

9 Employees

Group	2020 £'000	2019 £'000
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	17,083	15,844
Social security costs	1,569	1,459
Cost of defined benefit scheme (see note 27)	2,778	2,547
Cost of defined contribution scheme (see note 27)	79	41
Pension Valuation Adjustments	3,929	2,316
	25,438	22,207

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

	2020 Number	2019 Number
Administration	123	123
Development	164	160
Housing, Support and Care	313	287
	600	570

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

9 Employees (continued)

Company	2020 £'000	2019 £'000
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	15,047	14,149
Social security costs	1,384	1,303
Cost of defined benefit scheme (see note 27)	2,778	2,547
Pensions Valuation Adjustments	3,929	2,316
	23,138	20,315

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

	2020 Number	2019 Number
Administration	120	120
Development	102	108
Housing, Support and Care	302	277
	524	505

10 Directors' and senior executive remuneration

The directors are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team disclosed on page 2. These are judged to be the key management personnel.

Group	2020 £'000	2019 £'000
Executive directors' emoluments	552	513
Amounts paid to non-executive directors	34	35
Contributions to defined benefit pension schemes	74	35
Employers NI contributions	70	64
	730	647

Group and company

The Board of Management received £3,365 (2019: £3,102) for board expenses during the year. Compensation for loss of office payments for the year totalled nil (2019: nil).

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £169,030 (2019 - £154,862). The Chief Executive has opted out of the Local Government Pension Scheme.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

10 Directors' and senior executive remuneration (continued)

There were 4 directors in the local government pension scheme during the year (2019: 4).

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

	2020 No.	2019 No.
£60,000 - £69,999	4	4
£70,000 - £79,999	0	0
£80,000 - £89,999	2	2
£90,000 - £99,999	2	2
£100,000 - £109,999	-	-
£110,000 - £119,999	-	-
£120,000 - £129,999	-	-
£130,000 - £139,999	-	-
£140,000 - £149,999	1	1

11 Board Members

Board member	Remuneration £	Member of Audit And Risk	Member of Operations Committee
Alanna Vine	2,130	X	
Christine Woolridge	2,130		X
David Beckett	1,065	X	
David Wright	3,195		
Jamie Hirst	1,065	X	
Jenny Osbourne	4,875		X
Josephine Hague	2,130		X
Kenneth Lee	3,195	X	
Lorraine Gill	618		
Peter Fitzhenry	3,195		X
Phil Pemberton	2,130		
Robin Burman	2,804		
Sarah-Leigh Keenan	2,130	X	
Steve Partridge	2,969	X	

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

12 Interest receivable and income from investments

Group	2020 £'000	2019 £'000
Interest receivable and similar income	96	68
	96	68

Company	2020 £'000	2019 £'000
Interest receivable and similar income	89	65
	89	65

13 Interest payable and similar charges

Group and company	2020 £'000	2019 £'000
Loans from group undertakings	1,344	1,220
	1,344	1,220

14 Taxation on surplus/(deficit) on ordinary activities

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

Group	2020 £'000	2019 £'000
<i>UK corporation tax</i>		
Current tax on surplus for the year	317	376
Adjustment in respect of previous periods	-	-
Taxation on surplus on ordinary activities	317	376
(Deficit)/surplus on ordinary activities before tax	(2,539)	(126)
(Deficit)/surplus on ordinary activities at the standard rate of corporation tax in the UK of 19%	(541)	(24)
Effects of:		
Expenses not deductible for tax purposes	860	400
Adjustment to tax charge in respect of previous periods	(2)	0
Total tax charge for period	317	376

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

14 Taxation on surplus/(deficit) on ordinary activities

Company	2020 £'000	2019 £'000
<i>UK corporation tax</i>		
Current tax on surplus for the year	244	305
Adjustment in respect of previous periods	0	0
Taxation on surplus on ordinary activities	244	305

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

	2020 £'000	2019 £'000
(Deficit) on ordinary activities before tax	(3,240)	(496)
(Deficit) on ordinary activities at the standard rate of corporation tax in the UK of 19%	(616)	(94)
Effects of:		
Expenses not deductible for tax purposes	860	399
Adjustment to tax charge in respect of previous periods	0	0
Total tax charge for period	244	305

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

15 Tangible Fixed Assets - Housing Properties

Group and Company	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Outright Sale - Acquisition	Outright Sale - Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
At 1 April 2019	36,651	7,764	11,242	4,880	-	-	60,537
Additions	310	7,107	43	10,116	-	2,293	19,869
Completed schemes	3,147	(3,147)	4,202	(4,202)	-	-	-
Transfer (to)/from stock	-	-	(1,353)	(3,298)	-	(2,293)	(6,944)
Staircasing Disposals	-	-	(287)	-	-	-	(287)
Component Addition	31	-	-	-	-	-	31
Component Disposal	(19)	-	-	-	-	-	(19)
At 31 March 2020	40,120	11,724	13,847	7,496	-	-	73,187
Depreciation:							
At 1 April 2019	(2,467)	-	(476)	-	-	-	(2,943)
Charge for the year	(759)	-	(109)	-	-	-	(868)
Staircasing Disposal	-	-	14	-	-	-	14
Component Disposal	3	-	-	-	-	-	3
At 31 March 2020	(3,223)	-	(571)	-	-	-	(3,794)
Net book value at 31 March 2020	36,897	11,724	13,276	7,496	-	-	69,393
Net book value at 31 March 2019	34,184	7,764	10,766	4,880	-	-	57,594

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

15 Tangible fixed assets - Housing properties (continued)	2020 £'000	2019 £'000
The net book value of housing properties may be further analysed as:		
Freehold	63,758	55,847
Long leasehold	5,635	1,747
	<hr/> 69,393	<hr/> 57,594
Works to properties		
Improvements to existing properties capitalised	31	58
	<hr/> 31	<hr/> 58
Total Social Housing Grant received or receivable to date is as follows:		
Capital grant - Housing Properties	20,980	16,337
	<hr/> 20,980	<hr/> 16,337

Impairment

Stockport Homes considers each scheme to represent separate cash generating units (CGU's) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2014.

During 2019/20 Covid-19 was identified as a trigger for impairment, and a full impairment review was performed using the Depreciated Replacement Cost of each scheme. The Depreciated Replacement Cost was calculated using appropriate construction costs, land prices, and grant receivable, where historic costs have been inflated to current values using construction inflation rates provided by the Office of National Statistics. No impairment has previously been recognised in respect of these schemes. Upon comparing this to the carrying value of each scheme, no impairment was identified.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (*continued*)

16 Other tangible fixed assets			
Group			
	Office Buildings £'000	Fixtures, fittings, tools and Equipment £'000	Total £'000
<i>Cost</i>			
At 1 April 2019	13,913	1,745	15,658
Additions	0	207	207
Disposals	0	0	0
At 31 March 2019	13,913	1,952	15,865
<i>Depreciation</i>			
At 1 April 2019	(363)	(567)	(930)
Charge for year	(219)	(392)	(611)
Disposals	0	0	0
At 31 March 2019	(582)	(959)	(1,541)
<i>Net book value</i>			
At 31 March 2020	13,331	993	14,324
At 31 March 2019	13,550	1,179	14,728
Company			
	Office Buildings £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<i>Cost</i>			
At 1 April 2019	13,913	1,725	15,638
Additions	-	207	207
Disposal	-	-	-
At 31 March 2020	13,913	1,932	15,845
<i>Depreciation</i>			
At 1 April 2019	(363)	(557)	(920)
Charge for year	(219)	(388)	(607)
Disposal	-	-	-
At 31 March 2020	(582)	(945)	(1,527)
<i>Net book value</i>			
At 31 March 2020	13,331	987	14,318
At 31 March 2019	13,550	1,168	14,718

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

17 Investment Properties held for letting

Group and Company	Total 2020 £'000	Total 2019 £'000
At 1 April 2019	85	75
Additions	0	1
Gain / (Loss) from adjustment in fair value	10	9
At 31 March 2020	95	85

Investment properties were valued at 16th March 2020 by IJG (Chartered Surveyors). The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

18 Investments in subsidiaries

Company	Total 2020 £'000	Total 2019 £'000
<i>Cost</i>		
At 1 April 2019	10	10
Additions	-	-
At 31 March 2020	10	10

19 Stock

Group and company	Other consumables	First tranche shared ownership properties	Outright Sale	Total	Total
	2020 £'000	2020 £'000	2020 £'000	2020 £'000	2019 £'000
Work in progress	-	7,375	3,762	11,137	6,476
Completed properties	-	536	-	536	2,781
Consumables	171	-	-	171	172
	171	7,912	3,762	11,844	9,429

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

20 Debtors

Group	2020 £'000	2019 £'000
Due within one year		
Rent and service charge arrears	68	53
Less: Provision for doubtful debts	(29)	(20)
	39	33
Amounts owed by SMBC and associated companies	3,541	2,139
Trade debtors	482	365
Other debtors	53	45
Prepayments and accrued income	1,093	1,163
Social housing grant receivable	690	365
Taxation	30	1,055
	5,928	5,166
Company	2020 £'000	2019 £'000
Due within one year		
Rent and service charge arrears	68	53
Less: Provision for doubtful debts	(29)	(20)
	39	33
Amounts owed by SMBC and associated companies	2,697	1,711
Trade debtors	474	363
Other debtors	23	42
Prepayments and accrued income	1,089	1,163
Social housing grant receivable	690	365
Taxation and social security	4	1,028
Intercompany debtors	771	391
	5,787	5,095
Due after one year		
Intercompany debtors	42	92
	5,829	5,186

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

21 Creditors: amounts falling due within one year

Group	2020 £'000	2019 £'000
Loans and borrowings (note 25)	1,777	1,599
Trade creditors	2,732	1,074
Social housing grant in advance	4,637	4,334
Amounts owed to SMBC and associated companies	401	380
Taxation and social security	709	675
Other creditors	506	718
Deferred capital grant (Note 23)	256	217
Accruals and deferred income	3,408	3,962
	14,426	12,957
Company	2020 £'000	2019 £'000
Loans and borrowings (note 25)	1,777	1,599
Trade creditors	1,581	730
Social housing grant in advance	4,637	4,334
Amounts owed to SMBC and associated companies	401	380
Taxation and social security	503	502
Other creditors	490	707
Deferred capital grant (Note 23)	256	217
Accruals and deferred income	1,974	2,115
Intercompany creditors	144	926
	11,763	11,509

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

22 Creditors: amounts falling due after more than one year

Group	2020 £'000	2019 £'000
Loans and borrowings (Note 25)	58,627	50,283
Deferred capital grant (Note 23)	19,845	15,466
Recycled capital grant (Note 24)	197	122
Accruals and deferred income > 1 year	655	395
Sinking Fund	50	24
	79,374	66,291
Company	2020 £'000	2019 £'000
Loans and borrowings (Note 25)	58,627	50,283
Deferred capital grant (Note 23)	19,845	15,466
Recycled Capital Grant (Note 24)	197	122
Accruals and deferred income > 1 year	57	96
Intercompany creditors	597	299
Sinking Fund	50	24
	79,374	66,291

23 Deferred capital grant

Group and Company	2020 £'000	2019 £'000
At 1 April	15,683	12,050
Grants received during the year	4,642	3,822
Released to income during the year	(150)	(115)
Recycled Grant Fund	(73)	(73)
At 31 March	20,101	15,683
Amount due to be released < 1 year	256	217
Amount due to be released > 1 year	19,845	15,466

24 Recycled capital grant fund

Group and Company	2020 £'000	2019 £'000
At 1 April	122	45
Inputs from Deferred Capital Grant	74	73
Inputs from Shared Ownership Staircasing Sales	1	4
At 31 March	197	122

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

25 Loans and borrowings

Maturity of debt:

Group and Company

	2020 £'000	2019 £'000
In one year or less, or on demand	1,777	1,599
In more than one year but not more than two years	2,966	1,805
In more than two years but not more than five years	7,244	5,699
In more than five years	48,417	42,779
	60,404	51,882

Of the loans of £60.4m, £36.2m has an interest rate of less than 3%, £23.5m has an interest rate between 3% and 5% with the remaining £0.7m at a rate greater than 5%.

26 Financial instruments

The Group's financial instruments may be analysed as follows:

	2020 £'000	2019 £'000
Financial assets		
Financial assets measured at fair value through profit or loss		
- Investment property at market value	95	85
Financial assets measured at amortised cost		
- Trade receivables	3,128	3,584
- Other receivables	2,000	3,095
- Cash and cash equivalents	13,949	12,235
Total financial assets	19,172	19,000
Financial liabilities		
Financial liabilities measured at amortised cost		
- Loans payable	60,404	51,882
Financial liabilities measured at amortised cost		
- Trade creditors	3,877	4,621
- Other creditors	27,258	22,560
Total financial liabilities	91,539	79,063

Financial assets measured at amortised cost comprise trade debtors, other debtors, amounts owed by associated undertakings.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, other creditors and accrued expenditure.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 *(continued)*

27 Pensions

Group

The Group participates in two pension schemes, the Greater Manchester Pension Fund (GMPF) and the Social Housing Pension Scheme (SHPS). The GMPF is a multi-employer defined benefit scheme. Stockport Homes Ltd is the only member of the Group who participates in the GMPF, the details of which are below. The SHPS is a defined contribution scheme. The charge for the period for the SHPS is £77,783 (2019 £41,018), and at the Statement of Financial Position date there were contributions outstanding of £7,506 (2019 £3,739).

Company

Defined benefit pension scheme

The Company joined the Greater Manchester Pension Fund, administered by Tameside Metropolitan Borough Council, on 1 October 2005 with its employees transferring from Stockport Metropolitan Borough Council.

The latest formal valuation of the Fund was as at 31 March 2019. Results from this valuation have been rolled forward to 31 March 2020 using approximate methods. The roll-forward allows for:

- Changes in financial assumptions
- Additional benefit accrual
- Actual pension increase orders
- Estimated cash flows over the period, and
- Membership information.

A summary of the data used for valuation is as follows:

- Individual membership data submitted as at 31 March 2019
- Individual pensioner data in respect of LGPS unfunded pensions
- Employer and employee contributions up to the latest available date and payroll data (in order to estimate contribution income and pensionable payroll for the accounting period)
- Actual split of Fund assets as at the latest available date
- Actual Fund returns provided up to the latest available date
- The bid market value of Fund assets as at the latest available date, and
- Any new early retirements to the latest available date on unreduced pensions which are not anticipated in the normal employment service cost

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

27 Pensions (continued)

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2019. The accounting balance sheet position as at 31 March 2020 is based on a roll forward from the 2019 formal valuation. This differs to the 31 March 2019 balance sheet which was based on a roll forward from the 2016 valuation. Contributions to the scheme are made by the group based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

There were no changes to the scheme during the year and no amounts owing to the scheme at the year end.

	2020 £'000	2019 £'000
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	(98,209)	(81,901)
Current service cost	(6,073)	(4,837)
Interest cost	(2,431)	(2,274)
Actuarial gains/(losses)	18,771	(9,279)
Benefits paid	306	108
Past service costs	(619)	(26)
At the end of the year	(88,255)	(98,209)
<i>Reconciliation of fair value of plan assets</i>		
At the beginning of the year	71,993	64,660
Interest income on plan assets	1,761	1,777
Actuarial gains/(losses)	(7,022)	3,117
Contributions by employer	2,763	2,547
Benefits paid	(306)	(108)
At the end of the year	69,189	71,993
Fair value of plan assets	69,189	71,993
Present value of plan liabilities	(88,255)	(98,209)
Net pension scheme liability	(19,066)	(26,216)

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

27 Pensions (continued)

Amounts recognised in other comprehensive income are as follows:	2020	2019
	£'000	£'000
Included in administrative expenses:		
Current service cost	6,073	4,837
Past service cost	619	26
	<u>6,692</u>	<u>4,863</u>

Amounts included in other finance costs

Net interest cost	670	497
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Analysis of actuarial gain /(loss) recognised in Other Comprehensive Income	2020	2019
	£'000	£'000
Actual return less interest income included in net interest income	(7,022)	3,117
Experience gains and losses arising on the scheme liabilities	2,755	-
Changes in assumptions underlying the present value of the scheme liabilities	16,016	(9,279)
	<u>11,749</u>	<u>(6,162)</u>

	2020	2019
	£'000	£'000

Composition of plan assets

Equities	69%	69%
Bonds	15%	15%
Property	7%	8%
Cash	9%	8%

Total plan assets	100%	100%
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Actual return on plan assets	(7.1%)	7.4%
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Principal actuarial assumptions used at the balance sheet date

	2020	2019
Discount rates	2.3%	2.4%
Future salary increases	2.6%	3.3%
Future pension increases	1.8%	2.5%

Average future life expectancies

for a male aged 65 now	20.5 years	21.5 years
at 65 for a male member aged 45 now	22.0 years	23.7 years
for a female aged 65 now	23.1 years	24.1 years
at 65 for a female member aged 45 now	25.0 years	26.2 years

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

28 Provision for other liabilities and charges

Group and Company

	2020	2019
	£'000	£'000
At 1 April	-	176
Transfer from accruals	-	-
Transfer to Statement of Comprehensive Income	-	(2)
Released in year	-	(174)
At 31 March	-	0

Provision had been made for dilapidations costs in relation to the move from the previous office accommodation, to the new head office. This provision has been settled during 2018/19.

29 Contingent liabilities

Group and Company

Stockport Homes Limited previously acquired properties with associated government grant. In the event of these properties being disposed, Stockport Homes Limited is liable for the recycling of the associated government grant. At 31 March 2020 the value of this liability is £3.904m (2019 £3.904m)

During 2017/18 an inspection was undertaken by HMRC into the operation of employment taxes by Stockport Homes Limited and a contingent liability of £450,000 was included within the financial statements for 2018/19. During 2019/20 this matter was concluded, resulting in a required payment to HMRC of £279,020.

30 Operating leases

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

Amounts payable as Lessee

	2020	2019
	£'000	£'000
Not later than 1 year	669	962
Later than 1 year and not later than 5 years	757	762
More than 5 years	630	675
Total	2,056	2,399

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

31 Capital commitments

Group and Company	2020 £'000	2019 £'000
Commitments contracted but not provided for	35,557	33,709
Commitments approved by the Board but not contracted for	7,690	28,520
	43,247	62,229

Capital commitments will be funded as follows:

	2020 £'000	2019 £'000
Social Housing Grant	6,704	10,634
New loans	16,356	24,613
Sales of properties	17,705	23,788
Reserves	2,482	3,194
	43,247	62,229

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

32 Related party disclosures

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

Associated companies

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

	Stockport Council		Solutions SK	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Net loan movements advances/(repayments)	8,522	11,411	-	-
Net sales and purchases of goods and services	12,306	11,939	(136)	(171)
Management fees received	28,650	28,204	-	-

	Stockport Council		Solutions SK	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Payable by Association to associated companies				
Loan advances	60,404	51,882	-	-
Trading Balances	384	353	22	44

	Stockport Council		Solutions SK	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Payable to Association from associated companies				
Trading Balances	3,545	2,139	-	-

Solutions SK is a subsidiary undertaking of Stockport Metropolitan Borough Council and therefore a fellow subsidiary of Stockport Homes.

In 2019/20 Stockport Homes charged schools within Stockport £664k (£815k for the year ended 31st March 2019) in relation to the provision of repairs and maintenance services.

As at 31 March 2020, Stockport Homes' bank balances were held by the same bankers as those of Stockport Metropolitan Borough Council, however the Council does not have control of the bank balances of Stockport Homes.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

32 Related party disclosures (continued)

The Stockport Homes Board includes three tenant members who hold a tenancy agreement on normal terms, with the Foundations Stockport Board including one tenant member on the same basis. These members cannot use their position to their advantage. At 31 March 2020 tenant members of the Stockport Homes Board comprised Christine Woolridge, Jo Hague, and Lorraine Gill. Rent charged to Stockport Homes tenant Board members during the period was £15,637. Stockport Homes tenant Board members had arrears of £nil at the reporting period end. At 31 March 2020 the tenant member of the Foundations Stockport Board was Fiona Kennedy. Rent charged to Foundations Stockport tenant Board members during the period was £8,927 and there were arrears of £370 at the reporting period end.

One of the current Board members is a Councillor of Stockport MBC - Mrs Alanna Vine.

Group companies

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

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

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

During 2019/20 charges between Stockport Homes Limited and its subsidiaries were as follows:

Three Sixty SHG Ltd

Stockport Homes Limited charged Three Sixty SHG Ltd £368,000 and received charges of £955,000. In addition Stockport Homes Limited charged Three Sixty SHG Ltd £50,000 relating to its loan capital repayment.

Viaduct Partnerships Ltd

Stockport Homes Limited charged Viaduct Partnerships Ltd £296,000 and received charges of £13,214,000.

Foundations Stockport Ltd

Stockport Homes Limited charged Foundations Stockport Ltd nil and received charges of £166,000.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

33 Analysis of changes in net debt

Group

	At 1 April 2019 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 March 2020 £'000
Cash	12,235	1,713		13,949
Debt due within one year	1,599	(1,622)	1,800	1,777
Debt due after one year	50,283	10,144	(1,800)	58,627
Total	64,117	10,235	-	74,353

Company

	At 1 April 2019 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 March 2020 £'000
Cash	10,413	(15)		10,398
Debt due within one year	1,599	(1,622)	1,800	1,777
Debt due after one year	50,283	10,144	(1,800)	58,627
Total	62,295	8,507	-	70,802

