

Stockport Homes Limited

Company Limited by Guarantee
Financial Statements

Year ended 31 March 2018

Company Number: 04521257

Registered Social Housing Provider
Homes England number: 4619

Stockport Homes Limited

Report and Financial Statements for the year ended 31 March 2018

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Stockport Homes Limited

Executives and advisors for the year ended 31 March 2018

Board of management

David Beckett	
John Bowker	Resigned 30.06.17
Robin Burman, Chair	
Thomas Roland Dotchin	Resigned 25.09.17
Peter Fitzhenry	
Josephine Hague	
Jamie Hirst	Appointed 25.09.17
Sarah Keenan	
Kenneth Lee	
Jenny Osbourne	
Stephen Partridge	Appointed 25.09.17
Alanna Vine	
Christine Woolridge	

Executive management

Helen McHale	Chief Executive	
Sandra Coleing	Assistant Chief Executive	
Simon Welch	Director of Neighbourhoods and Support	Appointed permanently 01.01.2017
John Bowker	Director of Property and Maintenance Services	Appointed 06.11.2017
Carmel Chambers	Director of Resources	
April Higson	Director of Property and Maintenance Services	Retired 22.11.17

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Stockport Homes Ltd
Cornerstone
2 Edward Street
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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 2018

The Directors present their report and the audited Financial Statements for the year 1 April 2017 to 31 March 2018. The report and accompanying statements have been compiled in line with the Statement of Recommended Practice (SORP) for registered social housing providers (2014). Stockport Homes complies with the revised NHF Excellence in Governance Code for members which ensures the highest standards of corporate governance. These Financial Statements include the results of Stockport Homes Limited and its subsidiary companies, Three Sixty SHG Limited and Viaduct Partnerships 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 11,190 at 31 March 2018. 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.

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 2017/18 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 18 June 2018.

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: delivering architectural services in-house rather than on the open market, saving £13,000; competitively tendering the gas servicing contract, saving £95,000; obtaining lower rates on a disabled facilities grants and adaptations contract, saving £91,000; joining with others to purchase decorating vouchers at a discount, saving £17,000; changing the way the anti-social behaviour service is externally assessed, saving £5,400. All of these initiatives and others have maximised efficiencies that are now available to be reinvested into service delivery.

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2018 (continued)

Optimising Return on Assets

Efficiencies realised at year end amount to £1,223,631. This represents 4.38 per cent of the management fee and meets the target set for the 2017/18 financial year of three per cent. This approach continues to demonstrate the commitment and expertise of Stockport Homes in delivering and evidencing value for money as has been the case in recent years.

Year	Value for money efficiencies as a percentage of management fee	Value
2012/13	3.39 per cent	£825,330
2013/14	3.57 per cent	£858,727
2014/15	3.19 per cent	£811,707
2015/16	4.07 per cent	£1,078,974
2016/17	4.91 per cent	£1,374,557
2017/18	4.38 per cent	£1,213,631

As a result of this committed approach, Stockport Homes has delivered services provided by the management fee with optimum efficiency, resulting in a surplus position at the year-end. Overall there were net cash inflows from operating activities of £5,543,000 (2017: £3,607,000 inflow). To date, cash reserves totalling £1.46million have been invested in initiatives that continue to generate future income streams for the organisation whilst furthering the organisation's objectives. A significant proportion of the reserves position at the 31 March 2018 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.

Stockport Homes continued to make the best use of available cash resources by making short-term investments, within the Treasury Management Policy parameters, during 2017/18. 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 2017/18, Stockport Homes has developed its approach to social value. It has worked with a group of housing providers from across Greater Manchester to establish a set of common supply chain measures and baselines. The group of providers signed up to a common pledge that committed them to maximising the social value in the supply chain. The first step in that process was a joint supplier engagement event held in February 2018 that was aimed at small and medium-sized enterprises. The work will continue into 2018/19 with the group looking at areas of common spend, leakage of spend out of the Greater Manchester economy and further engagement with the supply chain. In addition Stockport Homes is developing its own approach to social value by ensuring all contacts include social value criteria equal to at least five per cent of the tender scoring. It is also holding training and briefing sessions with staff to embed knowledge of social value.

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2018 *(continued)*

Performance management and Scrutiny

The Management Team and Leadership Forum continue to manage and scrutinise the organisation's finances with monthly reviews of management accounts, variance analysis and continual forecasting. This allows thorough transparency on monies available and effective decision making in the release of monies for expenditure within the business. Business planning remains a primary focus for Stockport Homes, with the aim of achieving a comprehensive understanding of the organisation's threats and opportunities going forward.

Services are also subject to scrutiny by the Customer Scrutiny Panel. In 2017/18 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/>

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 two 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.

Overall Stockport Homes' priorities will continue to be the provision of high quality management, maintenance and support services to core customers, but advantage will be taken over the next five years of its entrepreneurial culture to expand the business into new sectors and bring in non-rental income. This will include continuing to grow and develop the Group structure including the establishment of a charitable subsidiary and bidding for new contracts which support core customers in ways beyond its traditional remit. Stockport Homes' sound financial planning and management tools ensure it has visibility at all times of available resources and future investment opportunities. The organisation's ethos will remain to invest in the short term, where it can, in initiatives that will bring efficiencies in the medium or longer term.

Stockport Homes manage the HRA Business Plan and much of its operational activity, such as minimising rent arrears, which significantly impacts on the health and success of the HRA. An updated HRA Business Plan was presented to the Stockport Homes Board in December 2017, 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 2017/18 exceeded the revised Business Plan forecast performance for another year running, due to strong voids and rent recovery performances, despite the challenges of Welfare Reform and increased right to buys. This is another example of the strong management, performance and commitment of Stockport Homes.

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2018 *(continued)*

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

Compliance with Governance and Financial Viability Standard

Stockport Homes operates within the Regulator of Social Housing's Regulatory Framework for Social Housing in England. The framework applies only to the properties owned by Stockport Homes Limited and the company is classed as a 'small provider'. Although there is a requirement in the regulatory framework for the Board to set out compliance with the 'Governance and Financial Viability Standard', Stockport Homes undertook a compliance assessment on the full regulatory framework to ensure it worked in line with best practice in the sector. The assessment was provided to the Board and it confirmed that Stockport Homes complies with the requirements of the Regulatory Framework for Social Housing in England. As part of this assessment compliance with the Code of Governance was reviewed and confirmed by the Board as at 31 March 2018.

Going concern

At its meeting on 4 June 2018, the Board of Stockport Homes Limited 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 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 2017/18 the pension funds were valued at a liability value of £17.241m as at 31 March 2018 (liability of £16.589m as at 31 March 2017).

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2018 *(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 organisation has adopted a system that is appropriate to the work that it undertakes and the environments in which it operates, in order to provide reasonable assurance that:

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

The system of internal controls includes the following key elements:

- Group Governance Scheme of Delegation setting out the powers and duties of the non-executive and executive Directors. Alongside this exists terms of reference for the three sub-groups and a code of conduct for Board members. The Board and sub-groups receive regular reports outlining the delivery of objectives and outcomes.
- A Risk Management Strategy which describes the framework by which risk and opportunity management takes place within the organisation. A suite of annual risk registers are developed setting out the key organisational 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 Board.
- External Audit provides an independent examination of the financial statements prepared by the organisation and auditors are given the opportunity to meet with Board Members without officers present to allow them to raise any concerns directly.
- Strategic and Business Planning Process which includes the thirty year HRA Business Plan, the three year Group Business Plan 2017 - 2020 and five year Delivery Plan 2016 - 2021.
- Development of new business is undertaken following a thorough appraisal of new initiatives, assessment of risk, production of a cost benefit analysis and a defined process for approval.
- Production of monthly management accounts ensures that management have oversight of expenditure, budgeting and forecasting. Financial information is presented to the Board and sub-group on a quarterly basis. This process ensures that any significant variances are investigated and any necessary management action taken to ensure objectives are delivered to budget.
- Group Financial Regulations, a Group Financial Scheme of Delegation and Group Contract Procedure Rules outline the parameters by which expenditure can be undertaken by officers, clearly identifying segregation of duties and the financial approvals required.
- Treasury Management Policy ensures return on investments is in line with company requirements and that only those institutions offering adequate security as defined in the Treasury Management Practices are utilised.

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2018 *(continued)*

- A Performance Management Framework which sets out targets, measures and outcomes expected to be delivered over the year and provides regular monitoring reports to Board outlining achievement against key measures, performance indicators and strategic plans and any remedial activity required.
- Recruitment, retention and development of staff ensures that the organisation is led by experienced and knowledgeable individuals and that services can be delivered by qualified and experienced officers.
- Insurance Policies provide cover for a range of losses, liabilities and eventualities to protect and safeguard company assets.
- A range of policies and procedures are in place to guide and direct officers in specific activities. Policies around money laundering, whistle blowing, fraud and bribery exist for staff to follow in the course of their day to day duties.
- Customer Scrutiny Panel and a Customer Feedback Service ensure the organisation is continually monitoring the customer experience and seeking ways in which to improve and strengthen processes.

Board members' responsibilities

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

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

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

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

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

Stockport Homes Limited

Report of the Board of Management for the year ended 31 March 2018 (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 2014.

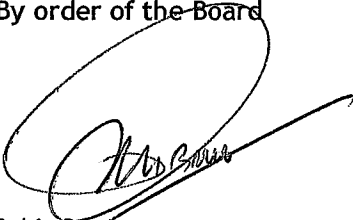
Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility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

Auditors

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

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

By order of the Board



Robin Burman
Chair of the Board

Date 4th June 2018

Stockport Homes Limited

Strategic report for the year ended 31 March 2018

The Board present the Strategic Report for the year ended 31 March 2018.

The Strategic Report has been compiled in line with best practice as outlined in the Statement of Recommended Practice (SORP) for Registered Social Housing Providers (2014). Stockport Homes has continued to operate efficiently, pro-actively and effectively within the terms of the Management Agreement with Stockport Council.

This is the second 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.

Objectives and strategies to achieve those objectives

Mission and Aims

In December 2016, Stockport Homes' Board approved 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 that will allow Stockport Homes to continue to evolve and expand its role to meet the changing demands of its customers, the Council and other stakeholders.

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

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

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

Stockport Homes Limited

Strategic report for the year ended 31 March 2018 (*continued*)

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

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. Annual Business Planning commences with strategic planning sessions with both the Board and the Leadership Forum to explore delivery of objectives over the past year and shape any updates required to the Group Business Plan and the business plans of the subsidiary companies. Detailed actions required to support delivery of all these strategic plans are developed into a more operational annual Service Improvement Plan. Progress against the Service Improvement Plan is regularly reviewed, with updates being provided to Stockport Homes Leadership Forum and the Board.

The five year Delivery Plan is developed through the business planning process and approved by Stockport Council. Its broad objectives are reviewed in its third year to ensure its key strategic aims remain relevant.

Business model

Nature of the business

Stockport Homes Limited is an Arms-Length Management Organisation or ALMO. This means that while the Council established the company and is the single shareholder, it operates independently from it on day-to-day matters. Under a 27 year Management Agreement with SMBC, Stockport Homes Limited receives a sum of money to carry out the business of managing and maintaining the housing stock on behalf of SMBC. The Management Fee and associated charges for 2017/18 totalled £28.129 million (2016/2017: £28.183 million).

Stockport Homes has established two subsidiary Companies, both limited by shares with Stockport Homes Limited as the sole corporate shareholder.

Three Sixty SHG Limited (Three Sixty) is primarily a construction company, established to deliver core elements of the HRA capital programme in a cost effective way whilst maximising social value. Turnover for the financial year 2017/18 is £3,267,000 and is forecast to be £5,107,000 for the financial year 2018/19. In addition, Three Sixty is also delivering services on behalf of the Building Better Opportunities (BBO) contract which is funded through Big Lottery/ European Social Fund monies. A stipulation of the contract is that employees are offered the Social Housing Pension Scheme (SHPS) which is enabled through delivery via Three Sixty.

Stockport Homes Limited

Strategic report for the year ended 31 March 2018 (*continued*)

Viaduct Partnerships Limited (Viaduct) is a development company that enables the development of new build for rental purposes to be delivered in a cost efficient way, thereby freeing up more resources for investment. During 2017/18 64 completed units were delivered via Viaduct Partnerships. Turnover for the financial year 2017/18 is £12,097,000 and is forecast to be £24,452,000 for 2018/19.

Principal activities

The Company's principal activity is to manage and maintain the stock of houses owned by Stockport Metropolitan Borough Council (SMBC), including the management of the capital programme for the modernisation of the properties which numbered 11,190 at 31 March 2018. 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 348 properties at the end of March 2018 which includes 139 new build properties for rent, 122 new build properties for shared ownership, 54 properties acquired through the Government's Mortgage Rescue scheme, 6 ex Right-to-Buy properties (RTBs), 26 Empty Homes, 1 property acquired for Market Rent and 1 property acquired for outright sale. Stockport Homes also manage the delivery of the Housing Revenue Account (HRA) new build programme (Council owned properties) and a total of 148 units comprising 105 rented units and 43 shared ownership units have achieved practical completion as at March 2018. The HRA and Stockport Homes currently have pipeline programmes over the next two years to deliver the schemes allocated by the Homes England as part of the 2016-21 bid round, alongside other schemes including opportunities to bid for continuous market engagement grants and to undertake S106 schemes from private sector developers.

Stockport Homes is continuing to strengthen its asset base by diversifying into new business areas both within Stockport Homes Limited and through its new subsidiary companies and continually appraising more efficient working mechanisms. In 2017/18 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.

Planning is underway to establish a third subsidiary company, a charitable subsidiary. This will provide a vehicle to deliver many existing programmes in a more efficient way alongside creating opportunities for further growth and diversification into new markets. There is a specific project group managing the establishment of the Charity, chaired by the Assistant Chief Executive.

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

Stockport Homes Limited

Strategic report for the year ended 31 March 2018 *(continued)*

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

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 organisation and Stockport Homes continues to have a strong track record in this area. It recognises that robust financial planning enables the best use of money by ensuring services are delivered in the most cost effective and efficient way. Each year a detailed budget is set that supports the Delivery Plan and Service Improvement Plan objectives. Budget setting for 2017/18 included reviewing priorities with customers and assessing forthcoming risks. As Stockport Homes continues to grow and diversify, the Management Fee and associated charges, at £28.129m million, continues to be the largest single element of its £45.587 million turnover. However, other income streams are continuing to grow including rental income from owned properties and increasingly income for third party works. In addition, the impact of the group structure significantly increases its overall turnover.

Stockport Homes continues to work in a financially challenging environment including providing year on year efficiency savings within the Management Fee, alongside additional pressures resulting from Welfare Reform. Stockport Homes is responsible for the collection of council housing rental income and collection rates have remained above target, and are amongst the highest in the country despite the challenges of Welfare Reform due to a strong focussed approach on debt prevention and early intervention in arrears cases.

Stockport Homes is responsible for the management and maintenance of the Council's 30 year Housing Revenue Account (HRA) Business Plan. The plan was updated during 2017/18 and demonstrates a sustainable model going forward. Close monitoring and management enable the impact of varying factors to be assessed, leading to assurance over the affordability of future capital stock investment requirements and management fee requirements.

Financial performance

During 2017/18 the Stockport Homes Management Team continued its strategy to make recurrent efficiencies of at least £1million, with £900,000 efficiencies built into the budget and a clear commitment to achieve the remainder 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. This strategy has been exceeded for the third consecutive year due to innovative contracts management and a continued clear focus in all areas of the Business on identifying savings.

Overall there has been an increase in the net asset value before the pension liability of £3.747 million during 2017/18 due to the effective and efficient financial management of the company. The increase in revenue reserves will contribute towards the strong financial footing of Stockport Homes into the longer term and will be designated to finance future projects and invest-to-save initiatives that will continue to generate ongoing savings for customers.

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

Stockport Homes Limited

Strategic report for the year ended 31 March 2018 *(continued)*

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 Company has remained within overall budget throughout the financial year, with the year-end surpluses in line with forecast expectations. Key budget variances related to underspends against repairs and maintenance budgets, premises costs due to efficiencies arising from the utilities contract, and increased sales valuations for shared ownership sales.

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

The continued growth and diversification of the Group is set out in the Group's three year Business Plan 2017 - 2020 and in the business plans of its subsidiary companies. The financial governance implications of this period of change are set out in a three year Corporate Finance Strategy 2017 - 2020 that was approved by the Board in July 2017. This strategy provides a clear structure and action plan to financially support and enable the on-going developments during this period of growth and diversification, which is crucial to the ongoing financial governance arrangements and has enabled the Board to focus and set out a clear plan to ensure this governance remains in place.

Future prospects

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

- Strong and effective governance arrangements;
- Sound financial planning framework which demonstrates a robust and healthy financial outlook in the short, medium and long term (supported by a 15 year cash flow);
- A clear strategic direction to grow and diversify the business through the development of a group structure, diversification into new and emerging markets and a strong development programme;
- Continued strong performance of key indicators such as rent collection and void turnaround which has contributed to mitigating key financial risks arising from changes in government policy;
- A healthy level of reserves and a proven track record of generating efficiencies for re-investment into invest to save initiatives that generate additional resources.

Principal risks and uncertainties

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

There is a Group Risk Management Strategy in place and the Company produces a suite of risk registers on an annual basis. These include a corporate risk register, a HRA risk register and a risk register for each of Three Sixty and Viaduct.

Stockport Homes Limited

Strategic report for the year ended 31 March 2018 *(continued)*

This approach enables the organisation to manage risk and embrace opportunities across the Group, and therefore deliver the agreed strategic objectives. Each year, Stockport Homes assesses the internal and external operating environment and identifies those risks (and opportunities) which could affect business performance and achievement of agreed objectives. This exercise is carried out as part of the business planning process.

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

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

The suite of risk registers are approved by the Board and then both the Leadership Forum and the Audit and Risk Committee are provided with a quarterly risk update report. That report describes progress against delivery of risk control actions and identifies any new or emerging risks which the Group needs to take account of.

One of the risk registers which is produced is the HRA risk register. This has been in place since the start of self-financing in 2012. This register is specific to the 30 Year HRA Business Plan and looks at those risks which could affect the achievement of the self-financing business plan or have a negative impact on the assumptions on which the plan is founded, for example around inflation levels or right to buy sales.

Both the Three Sixty and the Viaduct risk registers contain risks (and mitigation actions) which are specific to that particular subsidiary company. The subsidiary risk registers are approved by the subsidiary board as well as the parent board and are monitored regularly.

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

- By ensuring that risk and opportunity management is a key consideration of the business planning process each year
- By ensuring that Leadership Forum actively consider and review the quarterly risk update reports and raise any areas of emerging risk to the Assurance Manager
- By having an embedded risk management framework that ensures a culture exists which gives due consideration to risk and opportunity facing the organisation
- By setting out an agreed risk appetite for the Group
- By have a Group Risk Management Strategy to further develop risk management within the Company.

Stockport Homes Limited

Strategic report for the year ended 31 March 2018 *(continued)*

Strategic risks in 2017-18

For the 2017-18 financial year, the corporate risk register has been reviewed and updated to reflect the 23 corporate risks which the organisation is currently facing.

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

- The new Group structure does not meet business objectives
- Diversification into new work streams and insourcing of previously contracted areas is not maximised effectively / does not break even (or meet financial parameters) / exposes SHG to risks of operating in new markets
- Health and safety obligations to customers aren't fulfilled, including gas safety, fire safety, legionella and asbestos
- Health and safety obligations to staff aren't fulfilled

Financial and non-financial key performance indicators

Stockport Homes monitors performance against hundreds of indicators and measures. Its corporate performance report, however, focuses on 18 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 18 indicators are supported by 17 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 were mapped against 'best case' and 'worst case' scenarios. Stockport Homes' effective management of rent collection and associated work, such as money advice and rehousing, has resulted in these critical indicators remaining at within predicted ranges and close to or within 'best case scenario' levels. 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 18 key performance indicators, 14 met targets and four were outside of the year-end target. Three of these indicators were only slightly outside of the target, but remained within an acceptable tolerance. The indicator 'percentage of domestic properties with an electrical installation certificate' fell outside of the agreed tolerance, as only performance of 100 per cent is deemed acceptable. Full commentary on performance is provided in the Year-end performance report to Board.

Stockport Homes Limited

Strategic report for the year ended 31 March 2018 *(continued)*

Performance indicators monitored at corporate level in 2017/18		
Performance indicator	2017/18 target	2017/18 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 domestic properties with a satisfactory electrical installation certificate	100%	99.96%
Percentage of communal properties with a satisfactory electrical installation certificate	100%	100%
Percentage of commercial properties satisfactory electrical installation certificate	100%	100%
Overall satisfaction with the quality of service during investment work programmes	98%	98.5%
Percentage of repairs completed at first visit	93.5%	94.5%
Complainants who would use the complaints service again	95%	93.9%
Ratio of mutual exchanges to internal transfer	1:1.4	1:1.1
IT service availability	99.75%	99.72%
Average energy performance rating of properties	91%	91.2%
Percentage of estate inspections rated at least "good"	97%	97.45%
Percentage of ASB complainants satisfied with the outcome of their cases	98.5%	98.61%
Average time taken to re-let dwellings (all re-lets)	11.5 days	11.1 days
Percentage of efficiencies as a proportion of the management fee	3%	4.38%
Average number of days lost due to sickness per employee	6 days	6.60 days
Rent collected as a percentage of rent due	99.95% (conservative estimate)	100.18%
Rent arrears of current tenants as a percentage of rental debit	1.02% (conservative estimate)	0.90%

Stockport Homes Limited

Strategic report for the year ended 31 March 2018 (continued)

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

At the end of quarter three, Stockport Homes' performance was positive, all indicators in the upper quartile of performance for both ALMOs and social housing organisations. Furthermore, Stockport Homes achieved first position among ALMOs and also all housing providers the average time to re-let empty dwellings.

Gas safety performance is only available at the end of the year rent collection data is not comparable in-year. This benchmarking data, along with year-end benchmarking data for all the below measures, will be available from Housemark at the end of May 2018 and will be reported in the year-end corporate performance report.

	Performance at December 2017	All ALMOs		All Housing Organisations	
		Position	Base	Position	Base
Percentage of dwellings with a valid gas safety certificate	Comparable data will be available at year-end				
Rent collected as a percentage of rent owed (excluding arrears)	Comparable data will be available at year-end				
Rent arrears of current tenants as a percentage of rental debit	1.18%	3 rd	20	13 th	152
Percentage of rent lost through dwellings being vacant	0.46%	3 rd	19	15 th	148
Average days lost due to sickness per employee	4.5	2 nd	20	19 th	134
Average time taken to re-let empty dwellings (standard re-lets)	7.8 days	1 st	21	1 st	166
Repairs completed at the first visit	94.30%	3 rd	15	39 th	108

The Regulator of Social Housing has published an updated Value for Money Standard which comes into effect from 1st April 2018. The requirements of this standard include reporting on the set of seven VFM metrics which have been defined by the Regulator. The outcomes of these metrics for Stockport Homes Group in 2017/18 are shown below. This reporting will be developed during 2018/19 to include comparative peer group performance, when this information becomes available.

VFM Metric	2017/18 Outturn
Reinvestment %	43.99%
New supply delivered (Social housing units) %	27.17%
New supply delivered (Non-social housing units) %	0.00%
Gearing %	69.10%
EBITDA MRI Interest Cover %	411.03%
Headline social housing cost per unit	£1,170.63
Operating margin (social housing lettings) %	41.47%
Operating margin (overall) %	5.92%
Return on capital employed	3.87%

Stockport Homes Limited

Strategic report for the year ended 31 March 2018 *(continued)*

EMPLOYEE INVOLVEMENT

Stockport Homes is a medium sized organisation with an establishment of 495 full time equivalent posts at 31 March 2018, which is well established in the local community. Stockport Homes continues to recognise that employees are the most important asset to the organisation. The work of the People & Organisational Development (OD) team focuses on enabling the service to increase employee engagement through the implementation of the People & OD Strategy, specific actions and service improvements.

Stockport Homes is proud to be one of the first organisations to be assessed against the new 'Generation 6 Investors in People' (IIP) standard in March 2016 and retaining this as part of a review in March 2018. Following on from this assessment the organisation achieved IIP 'Gold' status which under the new version is more challenging to attain. Stockport Homes exceeded the industry benchmark in terms of people management and development for all of the nine indicators, demonstrating 'advanced' level against eight of the nine indicators, and high performing in two out of these. This puts Stockport Homes in the top two percentile of organisations assessed against this standard. In addition the organisation retained its IIP Health and Wellbeing Award for exemplar practice in its approach to physical, psychological and social wellbeing of its employees. As such SHL are delighted to continue as IIP Champions.

Stockport Homes has been listed as a 'Best Companies Top 100 Place to work in the Not-For-Profit Sector' for list for the ninth year running, retaining the one star rating as a 'Very Good' organisation to work for and attaining its highest place in the listings advancing from 57th place in 2017 to 40th (February 2018)

The organisations inclusion in the prestigious list reaffirms Stockport Homes' commitment to being an employer of choice and an even better place to work. The highest scoring factor as an organisation was 'Giving Something Back' highlighting the organisations commitment to the wider community, environment and charitable activities.

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 stress and help to eliminate 'negative' thinking. In addition, these interventions are designed to enable staff to develop a flexible, adaptable mind-set to cope effectively with organisational change, supported by our 'Active Listeners' Group providing support for staff by staff.

Stockport Homes has continued to embed its 'Fierce Leadership Development' approach. This focuses on supporting personal and organisational growth through high quality, meaningful conversations. The 'Fierce' models are employed throughout the organisation to embed leadership skills and behaviour for all employees. Of the Managers and key team members who have already completed the programme, 100% feel confident to use the models, 90% are actively using the Fierce 'principles and models' regularly and stated that this programme has given them 'practical, impactful leadership skills' and 'the ability to make better decisions and develop their teams'. As a consequence of 'living' Fierce two additional specific staff voice groups have been developed (in addition to the organisational wide staff voice group) to support the Repair 1st and Caretaking teams have honest conversations relating to how they can improve the work place to have a positive impact on customers.

Stockport Homes Limited

Strategic report for the year ended 31 March 2018 *(continued)*

EQUALITY AND DIVERSITY

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

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

In September 2017, Stockport Homes Board agreed a new Equality and Diversity Strategy for 2018-2021. This included the objective to develop HR policies and practices that support and develop all staff. A full review of core HR policies, HR system provision and the approach to recruitment has been completed, with the involvement of the Diversity Officer. One of the aims of the Equality and Diversity Strategy is to ensure that Stockport Homes will be an inclusive employer and provide opportunity and development to all staff. This aim incorporates all of the Protected Characteristics, contained within the Equality Act 2010, which includes ensuring the organisation shows a commitment to the recruitment, retention and development of staff who have a disability. Stockport Homes have been accredited as a Disability Confident Employer due to the processes in place to promote the inclusion of disabled people in the workforce. In 2018/19 Stockport Homes will carry out a disability review to identify further areas for improvement. Actions already committed to this year include R&S training for all managers and the introduction of a progression pathway which is aimed at developing staff with potential; this will be actively promoted to staff from minority groups including staff with disabilities.

As part of implementing this strategy Stockport Homes have introduced a Staff Diversity Group whose remit includes looking at ways to support all staff in their employment and development and achieving a representative workforce.

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

Governance

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

The Board consists of customers, independent and stakeholder members. Stockport Homes has developed a constructive relationship with the Stockport Homes Member Committee, a cross-party Council body, which monitors and oversees the company's work. In September 2017 two new Board Members were appointed.

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.

Stockport Homes Limited

Strategic report for the year ended 31 March 2018 (continued)

The Board meets four times per year to make decisions concerning the strategic direction of the organisation. The Board is supported by three committees, Audit & Risk, Operations and Nominations & Appointments, all of which have clear terms of reference. The Board and Committees Groups 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 a former chair of Stockport Homes' Board who sits as chair of Three Sixty and a member of Audit & Risk who sits as chair of Viaduct. A robust appraisal process is completed for Board members involving self-assessment by all members and peer assessment of the Chair. Training and recruitment is used to address any gaps within the Stockport Homes Parent Board and the respective subsidiary boards for Viaduct and Three Sixty.

During 2017/18 the Board undertook training on issues related to audit and development. Board members attend externally hosted events to widen their knowledge of issues relevant to their roles, for example run by the National Federation of ALMOs and the Chartered Institute of Housing. Tours have been organised to see Stockport Homes' innovative services and new developments that are being built. Board Away Days have been used to inform members about changes in the national policy environment and to debate how the Group can best respond to these.

An agreement has been reached to modernise the provision of support and electronic papers for Board members and a supplier has been engaged to deliver this work.

Stockport Homes' Customer Scrutiny Panel (CSP) completed one service review during 2017/18 in relation to the mutual exchange of properties resulting in recommendations which are being implemented by the service. The fieldwork for a second review, in relation to Older Persons Activities, has been completed and recommendations are being finalised.

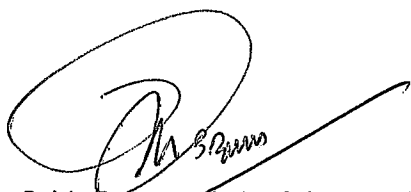
Results of CSP reviews are reported to Board who are requested to approve management action plans to meet CSP recommendations for improvement.

The Board also receives a CSP 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 4th June 2018



Robin Burman Chair of the Board

Stockport Homes Limited

Independent auditor's report

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

We have audited the financial statements of Stockport Homes Limited "the parent association" and its subsidiaries ("the group") for the year ended 31 March 2018 which comprise the consolidated Statement of Comprehensive Income and Retained Earnings, the consolidated and parent company Statement of Financial Position, the consolidated and parent association 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 association's affairs as at 31 March 2018 and of the group's surplus / deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

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.

Stockport Homes Limited

Independent auditor's report (*continued*)

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent association and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the board's report.

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

- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent association 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 9, 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.

In preparing the financial statements, the board is responsible for assessing the group's and the parent association'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.

Stockport Homes Limited

Independent auditor's report (*continued*)

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 <http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>. This description forms part of our auditor's report.

Beever and Struthers

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

Date: 13 JUNE 2018

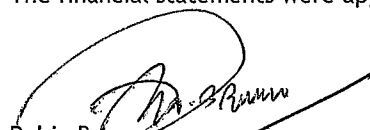
Stockport Homes Limited

Consolidated Statement of Comprehensive Income for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	4	45,587	40,524
Cost of sales	4	(6,347)	(1,771)
Operating costs	4	(36,526)	(34,543)
Operating surplus	4	2,714	4,210
Gain on sale	6	16	-
Other interest receivable and similar income	12	35	37
Interest and financing costs	13	(827)	(387)
Net interest on pension	27	(463)	(413)
Change in Valuation of investment properties	17	(32)	-
Surplus before taxation		1,443	3,447
Taxation on surplus	14	(332)	(180)
Surplus for the financial year		1,111	3,267
Actuarial gains/(losses) on defined benefit pension scheme	27	2,232	(4,066)
Total comprehensive income for year		3,344	(799)

The notes on pages 33 to 64 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 4th June 2018.


 Robin Burman
 Chair of the Board

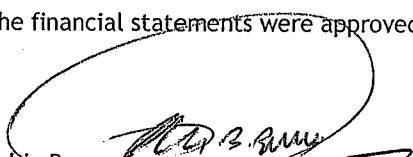
Stockport Homes Limited

Company Statement of Comprehensive Income for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	4	43,188	40,304
Cost of sales	4	(3,501)	(1,409)
Operating costs	4	(37,137)	(34,591)
Operating surplus	4	2,550	4,304
Gain/loss on disposal	6	16	0
Other interest receivable and similar income	12	35	37
Interest and financing costs	13	(827)	(387)
Net interest on pension	27	(463)	(413)
Change in Valuation of Investment Properties	17	(32)	0
Surplus before taxation		1,279	3,541
Taxation on surplus	14	(318)	(180)
Surplus for the financial year		962	3,361
Actuarial (losses)/gains on defined benefit pension scheme	27	2,232	(4,066)
Total comprehensive income for year		3,194	(705)

The notes on pages 33 to 64 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 4th June 2018.

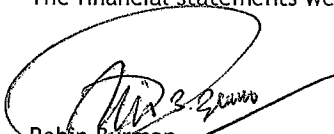

Robin Burman
Chair of the Board

Stockport Homes Limited

Consolidated Statement of Financial Position at 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets - housing properties	15	44,808	30,867
Tangible fixed assets - other	16	14,612	12,176
Investment Property	17	75	-
		59,496	43,043
Current assets			
Stocks	19	5,214	3,766
Debtors - receivable within one year	20	4,826	3,911
Cash and cash equivalents		9,456	8,770
		19,496	16,447
Creditors: amounts falling due within one year	21	(8,883)	(7,145)
Net current assets		10,613	9,302
Total assets less current liabilities		70,108	52,345
Creditors: amounts falling due after more than one year	22	(52,253)	(38,237)
Net assets excluding provisions		17,855	14,108
Provisions for liabilities			
Pension liability	27	(17,241)	(16,589)
Other provisions	28	(176)	(425)
Net assets/ (liabilities)		438	(2,906)
Capital and reserves			
Income and expenditure reserve		438	(2,906)
		438	(2,906)

The financial statements were approved by the Board of Directors and authorised for issue on 4th June 2018.


 Robin Burman
 Chair of the Board

The notes on pages 33 to 64 form part of these financial statements.


Company number 04521257

Stockport Homes Limited

Company Statement of Financial Position at 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets - housing properties	15	44,808	30,867
Tangible fixed assets - other	16	14,598	12,158
Investment property	17	75	0
Investment in subsidiaries	18	10	10
		59,492	43,035
Current assets			
Stocks	19	5,214	3,766
Debtors - receivable within one year	20	4,044	4,018
Debtors - receivable after one year	20	142	192
Cash and cash equivalents		8,099	8,428
		17,499	16,404
Creditors: amounts falling due within one year	21	(7,746)	(7,000)
Net current assets		9,753	9,404
Total assets less current liabilities		69,244	52,439
Creditors: amounts falling due after more than one year	22	(51,445)	(38,237)
Net assets excluding provisions		17,799	14,202
Pension liability	27	(17,241)	(16,589)
Other Provisions	28	(176)	(425)
Net assets/ (liabilities)		382	(2,812)
Capital and reserves			
Income and expenditure reserve		382	(2,812)
		382	(2,812)

The financial statements were approved by the Board of Directors and authorised for issue on 4th June 2018.


 Robin Burman
 Chair of the Board

The notes on pages 33 to 64 form part of these financial statements.

Company number 04521257

Stockport Homes Limited

Statement of Changes in Reserves for the year ended 31 March 2018

Group	Income and expenditure reserve
	£'000
Balance at April 2017	(2,906)
Surplus for the year	1,112
Actuarial gains on defined benefit pension scheme	2,232
Total comprehensive income for the year	3,344
Balance at 31 March 2018	438

Company	Income and expenditure reserve
	£'000
Balance at April 2017	(2,812)
Surplus for the year	962
Actuarial gains on defined benefit pension scheme	2,232
Total comprehensive income for the year	3,194
Balance at 31 March 2018	382

Stockport Homes Limited

Consolidated Statement of Cash Flows for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Surplus for the financial year		1,112	3,267
Adjustments for:			
Depreciation of fixed assets - housing properties	15	508	544
Depreciation of fixed assets - other	16	304	16
Amortised grant	23 & 24	(78)	(171)
Interest payable and finance costs	13	834	387
Interest received	12	(35)	(38)
Taxation expense	14	332	180
Decrease in valuation of property	17	32	-
Gain/loss on disposal of fixed assets	6	(16)	-
Difference between net pension expense and cash contribution	27	2,884	989
Decrease / (increase) in trade and other debtors		(1,769)	866
(Increase) in stocks		(1,448)	(1,567)
(Decrease) in trade creditors		3,069	(691)
Cash from operations		5,729	3,782
Taxation paid		(186)	(175)
Net cash generated from operating activities		5,543	3,607
Cash flows from investing activities			
Purchase of fixed assets - housing properties	15	(15,767)	(8,504)
Purchases of fixed assets - other	16	(3,358)	(8,350)
Receipt of grant	23	4,526	2,089
Proceeds from sale of fixed assets	15	127	-
Interest received	12	36	29
Net cash from investing activities		(14,436)	(14,736)
Cash flows from financing activities			
Interest paid	13	(823)	(388)
New loans	25	10,947	14,425
Repayment of loans	25	(545)	(348)
Net cash used in financing activities		9,579	13,689
Net increase in cash and cash equivalents		686	2,560
Cash and cash equivalents at beginning of year		8,770	6,210
Cash and cash equivalents at end of year		9,456	8,770

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018

INDEX OF NOTES

General notes

- 1 Legal status
- 2 Accounting policies
- 3 Judgements in applying accounting policies and key sources of estimation uncertainty

SOCI related notes

- 4 Particulars of turnover, cost of sales, operating costs and operating surplus
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Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

1 Legal status

Stockport Homes Limited is registered with Companies House as a company limited by guarantee and is registered with Homes England 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

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 2014, “Accounting by registered social housing providers” 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 2018. The group accounts consolidate the accounts of the associations and its subsidiaries at 31st March 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:

Income

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

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 *(continued)*

2 Accounting policies *(continued)*

- 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

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.

Supported housing schemes

Stockport Homes receives Supporting People income from SMBC. The income received in the period as well as costs incurred in the provision of support services have been included in the Income and Expenditure Account. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

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.

Finance costs

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

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 *(continued)*

2 Accounting policies *(continued)*

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 PPE 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.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2017 (*continued*)

2 Accounting policies (*continued*)

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.

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
Canopy Roofs	20
Gutters / Fascia / Waste Stack / Downpipes	20
Gates / Fences	25
Consumer Units	30
Smoke Detectors/Carbon Monoxide Detectors/Extractors	10
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.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

2 Accounting policies (continued)

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.

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. 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 2018 (*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. 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, including housing properties developed for transfer to other registered providers; 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

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 *(continued)*

2 Accounting policies *(continued)*

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

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 2018 (*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, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.
- the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.
- the critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, 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.
- whether leases entered into by the group either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- 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
- what constitutes a cash generating unit when indicators of impairment require there to be an impairment review

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 17)*

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 2018 (continued)

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

Group	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2018 £'000	2018 £'000	2018 £'000	2018 £'000
Social housing lettings (Note 5)	1,444	-	(845)	599
Other Social Housing Activities				
First tranche low cost home ownership sales	4,613	(3,501)	-	1,111
Management Fee and associated charges from Stockport MBC	28,129	-	(25,330)	2,799
Income from customers and miscellaneous	3,928	-	(3,739)	189
Supporting People Income	224	-	(224)	-
Charges to capital programme	6,419	(2,849)	(3,286)	284
Water initiative	821	-	(675)	146
Development services to SHL from Viaduct	-	3	-	3
Market rent lettings	10	-	(6)	4
Net pension cost	-	-	(2,421)	(2,421)
	44,144	(6,347)	(35,681)	2,115
	45,588	(6,347)	(36,526)	2,715
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2017 £'000	2017 £'000	2017 £'000	2017 £'000
Social housing lettings (Note 5)	1,347	-	(1,043)	304
Other Social Housing Activities				
First tranche low cost home ownership sales	2,016	(1,409)	-	607
Management Fee and associated charges from Stockport MBC	28,183	-	(25,091)	3,092
Income from customers and miscellaneous	4,534	-	(3,869)	665
Supporting People Income	232	-	(232)	-
Charges to capital programme	3,365	(362)	(3,018)	(15)
Water initiative	847	-	(712)	134
Development services	-	-	(2)	(2)
Net pension cost	-	-	(576)	(576)
	39,177	(1,771)	(33,500)	3,906
	40,524	(1,771)	(34,543)	4,210

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

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

Company	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2018 £'000	2018 £'000	2018 £'000	2018 £'000
Social housing lettings (Note 5)	1,444	-	(845)	599
Other Social Housing Activities				
First tranche low cost home ownership sales	4,613	(3,501)	-	1,112
Management Fee and associated charges from Stockport MBC	28,129	-	(25,330)	2,799
Income from customers and miscellaneous	3,935	-	(3,962)	(27)
Supporting People Income	224	-	(224)	-
Charges to capital programme	3,553	-	(3,274)	279
Water initiative	821	-	(675)	146
Intercompany	461	-	(400)	61
Market Rent lettings	10	-	(6)	4
Net pension cost	-	-	(2,421)	(2,421)
	41,746	(3,501)	(36,292)	1,951
	43,188	(3,501)	(37,137)	2,550
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2017 £'000	2017 £'000	2017 £'000	2017 £'000
Social housing lettings (Note 5)	1,347	-	(1,043)	304
Other Social Housing Activities				
First tranche low cost home ownership sales	2,016	(1,409)	-	607
Management Fee and associated charges from Stockport MBC	28,183	-	(25,091)	3,092
Income from customers and miscellaneous	4,534	-	(3,869)	665
Supporting People Income	232	-	(232)	-
Charges to capital programme	3,059	-	(2,966)	93
Water initiative	847	-	(712)	134
Intercompany	86	-	(102)	(16)
Net pension cost	-	-	(576)	(576)
	38,957	(1,409)	(33,548)	4,000
	40,304	(1,409)	(34,591)	4,304

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

5 Income and Expenditure from social housing lettings

Group and Company

	General needs	Low cost home ownership	Total	Total
	£'000	£'000	2018 £'000	2017
Income				
Rents net of identifiable service charges	1,134	149	1,283	1,067
Service charge income	51	27	78	76
Amortised government grants	70	8	78	171
Other income	4	0	4	33
Bad Debt reduction	0	0	0	0
Turnover from social housing lettings	1,259	184	1,444	1,347
Expenditure				
Management	(76)	(29)	(105)	(87)
Service charge costs	(51)	(27)	(78)	(76)
Maintenance	(104)	0	(104)	(90)
			0	
Bad debts	0	0	0	(3)
Depreciation of housing properties:				
- annual charge	(381)	(127)	(508)	(544)
Other costs	(29)	(21)	(50)	(243)
Operating expenditure on social housing lettings	(641)	(204)	(845)	(1043)
Operating surplus/(deficit) on social housing lettings	619	(20)	599	304
Void losses	0	0	0	(1)

6 Gain/(loss) on disposal of fixed assets

Group and Company

	2018 £'000	2017 £'000
Shared Ownership Staircasing Sales		
Proceeds of sales	127	-
Less costs of sales	(111)	-
Surplus	16	-
Capital grant recycled	2	-

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

7 Units of housing stock

Group and Company	2018 Number	2017 Number
General needs housing:		
- Social	89	85
- Affordable	84	46
- Market Rent	1	1
- Intermediate	52	52
Low cost home ownership	121	69
Outright Sale - Held at Year End	1	1
Total owned	348	254
Accommodation managed for others	11,190	11,287
Total managed accommodation	11,190	11,287
Total owned and managed accommodation	11,538	11,541
Units under construction	294	217

8 Operating surplus

Group	2018 £'000	2017 £'000
This is arrived at after charging:		
Depreciation of housing properties	508	544
Depreciation of other tangible fixed assets	304	15
Operating lease charges - land & building	270	425
Operating lease charges - other	526	630
Auditors' remuneration (excluding VAT):		
- fees payable to the company's auditor for the audit of the group's annual accounts	19	17
- fees for tax computations	2	2
- fees for audit related assurance	0	0
Defined benefit pension cost (see note 27)	2,421	576

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

8 Operating surplus (continued)

Company	2018 £'000	2017 £'000
This is arrived at after charging:		
Depreciation of housing properties	508	544
Depreciation of other tangible fixed assets	300	14
Operating lease charges - land & building	270	425
Operating lease charges - other	526	614
Auditors' remuneration (excluding VAT):		
fees payable to the company's auditor for the audit of the company's annual accounts	14	14
- fees for tax computations	1	1
fees for audit related assurance	0	0
Defined benefit pension cost (see note 27)	2,421	576

9 Employees

Group	2018 £'000	2017 £'000
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	14,220	13,390
Social security costs	1,314	1,219
Cost of defined benefit scheme (see note 27)	2,313	2,262
Cost of defined contribution scheme	25	0
Pension Valuation Adjustments	2,421	576
	20,293	17,447

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:

	2018 Number	2017 Number
Administration	101	98
Development	159	144
Housing, Support and Care	269	287
	529	529

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

9 Employees (continued)

Company	2018 £'000	2017 £'000
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	13,321	13,213
Social security costs	1,232	1,204
Cost of defined benefit scheme (see note 27)	2,313	2,258
Pensions Valuation Adjustments	2,421	576
	19,287	17,251

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:

	2018 Number	2017 Number
Administration	101	97
Development	134	138
Housing, Support and Care	258	280
	493	515

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	2018 £'000	2017 £'000
Executive directors' emoluments	479	551
Amounts paid to non-executive directors	30	23
Contributions to defined benefit pension schemes	33	32
Employers NI contributions	62	62
	604	668

Group and company

The Board of Management received £2,324 (2017: £2,779) for board expenses during the year. Compensation for loss of office payments for the year totalled nil (2017: £55,000).

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £145,616 (2017 - £144,693). 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 2018 (continued)

10 Directors' and senior executive remuneration (continued)

There were 5 directors in the local government pension scheme during the year (2017: 5).

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

	2018 No.	2017 No.
£60,000 - £69,999	1	2
£70,000 - £79,999	1	1
£80,000 - £89,999	2	2
£90,000 - £99,999	-	-
£100,000 - £109,999	-	1
£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
	£		
David Beckett	3,000	x	
John Bowker	500		
Robin Burman	5,000		
Peter Fitzhenry	3,000		x
Sarah Keenan	2,000		x
Ken Lee	2,000	x	
Alanna Vine	2,000	x	
Christine Woolridge	2,000	x	
David Wright	3,000		
Jamie Hirst	1,033		x
Jenny Osbourne	2,333		
Josephine Hague	2,000		x
Steve Partridge	1,033	x	

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

12 Interest receivable and income from investments

Group and company	2018 £'000	2017 £'000
Interest receivable and similar income	35	37
	35	37

13 Interest payable and similar charges

Group and company	2018 £'000	2017 £'000
Loans from group undertakings	827	387
	827	387

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	2018 £'000	2017 £'000
<i>UK corporation tax</i>		
Current tax on surplus for the year	346	184
Adjustment in respect of previous periods	(14)	(3)
Taxation on surplus on ordinary activities	332	181

	2018 £'000	2017 £'000
Surplus/ on ordinary activities before tax	1,444	3,447
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2016-17 - 20%)	274	655
Effects of:		
Expenses not deductible for tax purposes	72	(471)
Adjustment to tax charge in respect of previous periods	(15)	(3)
Total tax charge for period	331	181

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

14 Taxation on surplus/(deficit) on ordinary activities (continued)

Company	2018 £'000	2017 £'000
<i>UK corporation tax</i>		
Current tax on surplus for the year	315	184
Adjustment in respect of previous periods	3	(3)
Taxation on surplus on ordinary activities	318	181

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:

	2018 £'000	2017 £'000
Surplus/ on ordinary activities before tax	1,280	3,447
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2016-17 - 20%)	243	655
Effects of:		
Expenses not deductible for tax purposes	72	(471)
Adjustment to tax charge in respect of previous periods	3	(3)
Total tax charge for period	318	181

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

15 Tangible fixed assets - Housing properties

Group and Company	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Market Rent-Acquisition	Outright Sale - Acquisition	Outright Sale - Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost:</i>								
At 1 April 2017	17,270	8392	3653	3,161	79	-	-	32,555
Additions	387	9,934	617	8,639	28	22	15	19,642
Completed schemes	4,726	(4,726)	5,370	(5,370)	-	-	-	-
Transfer (to)/from stock	-	-	(3,343)	(1,566)	-	(22)	(15)	(4,946)
Staircasing Disposals	-	-	(111)	-	-	-	-	(111)
Adjustment to opening balance	(29)	-	-	-	-	-	-	(29)
Gain / (loss) from adjustment in fair value	-	-	-	-	(32)	-	-	(32)
Reclassification of investment property	-	-	-	-	(75)	-	-	(75)
At 31 March 2018	22,354	13,600	6,186	4,864	-	-	-	47,004
<i>Depreciation:</i>								
At 1 April 2017	(1,528)	-	(160)	-	-	-	-	(1,688)
Charge for the year	(381)	-	(127)	-	-	-	-	(508)
At 31 March 2018	(1,909)	-	(287)	-	-	-	-	(2,196)
Net book value at 31 March 2018	20,445	13,600	5,899	4,864	-	-	-	44,808
Net book value at 31 March 2017	15,742	8,392	3,493	3,161	79	0	0	30,867

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

15 Tangible fixed assets - Housing properties (continued)

	2018	2017
	£'000	£'000

The net book value of housing properties may be further analysed as:

Freehold	43,896	29,931
Long leasehold	912	936
	44,808	30,867

Works to properties

Improvements to existing properties capitalised	68	82
	68	82

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

Capital grant - Housing Properties	12,516	9,217
	12,516	9,217

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 2015/16 a full impairment review was performed to assess the impact of the four year 1% rent reduction announced by the Government which demonstrated that there were no impairments. During 2016/17 and 2017/18 further reviews were carried out. There were no impairments arising from these reviews.

Valuation

In carrying out the impairment review Stockport Homes undertook a valuation of the properties. The valuation was carried out as a desktop exercise on an EUV-SH basis using discounted cashflows.

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

16 Other tangible fixed assets			
Group	Office Buildings £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<i>Cost</i>			
At 1 April 2017	11,794	470	12,264
Additions	1,665	1111	2,776
Disposals	0	(35)	(35)
At 31 March 2018	13,459	1,546	15,005
<i>Depreciation</i>			
At 1 April 2017	-	(88)	(88)
Charge for year	(151)	(188)	(339)
Disposals	-	35	35
At 31 March 2018	(151)	(241)	(392)
<i>Net book value</i>			
At 31 March 2018	13,308	1,304	14,612
At 31 March 2017	11,794	382	12,176
Company			
	Office Buildings £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<i>Cost</i>			
At 1 April 2017	11,794	450	12,244
Additions	1,665	1111	2,776
Disposal	-	(35)	(35)
At 31 March 2018	13,459	1,526	14,985
<i>Depreciation</i>			
At 1 April 2017	-	(86)	(86)
Charge for year	(151)	(184)	(335)
Disposal	-	35	35
At 31 March 2018	(151)	(235)	(386)
<i>Net book value</i>			
At 31 March 2018	13,308	1,290	14,598
At 31 March 2017	11,794	364	12,158

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

17 Investment Properties held for letting

Group and Company	Total 2018 £'000	Total 2017 £'000
At 1 April 2017	79	-
Additions	28	79
Gain / (Loss) from adjustment in fair value	(32)	-
At 31 March 2018	75	79

Investment properties were valued at 31 March 2018 by Thomson Associates (Chartered Surveyors). The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

18 Investments in subsidiaries

Company	Total 2018 £'000	Total 2017 £'000
<i>Cost</i>		
At 1 April 2017	10	10
Additions	-	-
At 31 March 2018	10	10

19 Stock

Group and company	Other consumables	First tranche shared ownership properties	Outright Sale	Total	Total
	2018 £'000	2018 £'000	2018 £'000	2018 £'000	2017 £'000
Work in progress	-	4,750		4,750	3,170
Completed properties	-	189	98	287	423
Consumables	177	-		177	173
	177	4,939	98	5,214	3,766

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

20 Debtors

Group	2018 £'000	2017 £'000
Due within one year		
Rent and service charge arrears	56	50
Less: Provision for doubtful debts	(9)	(10)
	47	40
Amounts owed by SMBC and associated companies	2,422	1,325
Trade debtors	376	510
Other debtors	44	331
Prepayments and accrued income	1,314	1,584
Social housing grant receivable	0	122
Taxation	623	0
	4,826	3,911

Company	2018 £'000	2017 £'000
Due within one year		
Rent and service charge arrears	56	50
Less: Provision for doubtful debts	(9)	(10)
	47	40
Amounts owed by SMBC and associated companies	2,079	1,310
Trade debtors	376	510
Other debtors	38	331
Prepayments and accrued income	1,314	1,584
Social housing grant receivable	-	122
Intercompany debtors	190	121
	4,044	4,018
Due after one year		
Intercompany debtors	142	192
	4,186	4,209

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 *(continued)*

21 Creditors: amounts falling due within one year

Group	2018	2017
	£'000	£'000
Loans and borrowings (note 25)	1,039	616
Trade creditors	799	1,025
SHG in advance	1,448	-
Social housing grant in advance	-	343
Amounts owed to SMBC and associated companies	801	262
Taxation and social security	812	545
Other creditors	643	812
Deferred capital grant (Note 23)	119	87
Accruals and deferred income	3,221	3,455
	8,882	7,145
Company	2018	2017
	£'000	£'000
Loans and borrowings (note 25)	1,039	616
Trade creditors	729	1,016
Social housing grant in advance	1,448	343
Amounts owed to SMBC and associated companies	801	262
Taxation and social security	706	505
Other creditors	638	806
Deferred capital grant (Note 23)	119	87
Accruals and deferred income	1,903	3,363
Amount owned from group undertakings	362	2
	7,745	7,000

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

22 Creditors: amounts falling due after more than one year

Group	2018 £'000	2017 £'000
Loans and borrowings (Note 25)	39,431	29,450
Deferred capital grant (Note 23)	11,931	8,787
Recycled Capital Grant (Note 24)	45	-
Accruals and deferred income > 1 year	24	-
Trade Creditors	808	-
Sinking Fund	14	-
	52,253	38,237

Company	2018 £'000	2017 £'000
Loans and borrowings (Note 25)	39,431	29,450
Deferred capital grant (Note 23)	11,931	8,787
Recycled Capital Grant (Note 24)	45	-
Accruals and deferred income > 1 year	24	-
Sinking Fund	14	-
	51,445	38,237

23 Deferred capital grant

Group and Company	2018 £'000	2017 £'000
At 1 April	8,874	4,150
Grants received during the year	3,299	4,894
Released to income during the year	(81)	(171)
Recycled Grant Fund	(43)	-
At 31 March	12,049	8,873
Amount due to be released < 1 year	119	87
Amount due to be released > 1 year	11,931	8,786
	12,050	8,873

24 Recycled capital grant fund

Group and Company	2018 £'000	2017 £'000
At 1 April	-	-
Inputs from Deferred Capital Grant	43	-
Inputs from Shared Ownership Staircasing Sales	2	-
At 31 March	45	-

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

25 Loans and borrowings

Maturity of debt:

Group and Company

	2018 £'000	2017 £'000
In one year or less, or on demand	1,039	616
In more than one year but not more than two years	1,286	734
In more than two years but not more than five years	4,077	2,357
In more than five years	34,068	26,359
	40,470	30,066

Of the loans of £40.5m, £15.4m has an interest rate of less than 3%, £24.4m 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:

	2018 £'000	2017 £'000
Financial assets		
Financial assets measured at fair value through profit or loss		
- Investment property at market value	75	79
Financial assets measured at amortised cost		
- Trade receivables	2,845	1,875
- Other receivables	1,633	1,485
- Cash and cash equivalents	9,456	8,770
Total financial assets	14,009	12,209
Financial liabilities		
Financial liabilities measured at amortised cost		
- Loans payable	40,470	30,066
Financial liabilities measured at amortised cost		
- Trade creditors	2,408	1,287
- Other creditors	17,973	13,715
Total financial liabilities	60,851	45,068

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 2018 (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 £24,636 (2017 £4,477), and at the Statement of Financial Position date there were contributions outstanding of £2,685 (2017 £4,477).

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 2016. Results from this valuation have been rolled forward to 31 March 2018 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 2016
- Individual pensioner data in respect of LGPS unfunded pensions
- Latest numbers of employees, deferred pensioners and pensioners
- Actual payroll information up to the latest available date
- 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 from 1 April 2014 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 2018 *(continued)*

27 Pensions *(continued)*

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2016. The accounting balance sheet position as at 31 March 2018 is based on a roll forward from the 2016 formal valuation. This differs to the 31 March 2016 balance sheet which was based on a roll forward from the 2013 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.

	2018 £'000	2017 £'000
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	(77,159)	(58,192)
Current service cost	(4,673)	(2,696)
Interest cost	(2,065)	(2,083)
Actuarial gains/ (losses)	1,961	(14,138)
Benefits paid	96	86
Past service costs	(61)	(136)
At the end of the year	(81,901)	(77,159)
	2018 £'000	2017 £'000
<i>Reconciliation of fair value of plan assets</i>		
At the beginning of the year	60,570	46,658
Interest income on plan assets	1,602	1,670
Actuarial gains	271	10,072
Contributions by employer	2,313	2,256
Benefits paid	(96)	(86)
At the end of the year	64,660	60,570
Fair value of plan assets	64,660	60,570
Present value of plan liabilities	(81,901)	(77,159)
Net pension scheme liability	(17,241)	(16,589)

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

27 Pensions (continued)

	2018 £'000	2017 £'000
Amounts recognised in other comprehensive income are as follows:		
Included in administrative expenses:		
Current service cost	4,673	2,696
Past service cost	61	136
	4,734	2,832
Amounts included in other finance costs		
Net interest cost	463	413
Analysis of actuarial gain / (loss) recognised in Other Comprehensive Income	2018 £'000	2017 £'000
Actual return less interest income included in net interest income	271	10,072
Experience gains and losses arising on the scheme liabilities	-	2,075
Changes in assumptions underlying the present value of the scheme liabilities	1,961	(16,213)
	2,232	(4,066)
	2018 £'000	2017 £'000
Composition of plan assets		
Equities	66%	75%
Bonds	16%	16%
Property	7%	5%
Cash	11%	4%
Total plan assets	100%	100%
Actual return on plan assets	3.0%	24.1%
Principal actuarial assumptions used at the balance sheet date	2018	2017
Discount rates	2.7%	2.6%
Future salary increases	3.2%	3.2%
Future pension increases	2.4%	2.4%
Average future life expectancies		
for a male aged 65 now	21.5 years	21.5 year
at 65 for a male member aged 45 now	23.7 years	23.7 year
for a female aged 65 now	24.1 years	24.1 year
at 65 for a female member aged 45 now	26.2 years	26.2 year

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

28 Provision for other liabilities and charges

Group and Company	2018 £'000	2017 £'000
At 1 April	425	-
Transfer from accruals	-	200
Transfer to Statement of Comprehensive Income Released in year	(178)	225
At 31 March	176	425

Provision has been made for dilapidations costs in relation to the move from the previous office accommodation, to the new head office. This provision is expected to be 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 2018 the value of this liability is £3.904m (2017 £3.904m)

During 2017/18 an inspection was undertaken by HMRC into the operation of the Construction Industry Scheme by Stockport Homes Limited which resulted in an estimate of under deductions of withholding tax from sub-contractors of £3.4M, which was issued in June 2018. Stockport Homes Limited have engaged professional experts and are challenging this estimate and consider that payment of this tax liability and any related interest and penalties is uncertain and accordingly no provision for any liability has been made in these financial statements. In the event that the outcome of the inspection results in a tax liability, Stockport Homes Limited will seek reimbursement from its respective subcontractors to the extent of the liability.

30 Operating leases

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

Amounts payable as Lessee	2018 £'000	2017 £'000
Not later than 1 year	624	668
Later than 1 year and not later than 5 years	1,208	1,102
More than 5 years	720	-
Total	2,552	1,769

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

31 Capital commitments

Group and Company	2018 £'000	2017 £'000
Commitments contracted but not provided for	16,261	14,345
Commitments approved by the Board but not contracted for	37,196	7,806
	53,457	22,151

Capital commitments for the company will be funded as follows:

	2018 £'000	2017 £'000
Social Housing Grant	7,965	3,949
New loans	17,236	6,823
Sales of properties	27,116	8,345
Reserves	1,140	3,034
	53,457	22,151

Stockport Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Net loan movements advances/(repayments)	10,403	14,012	-	-
Net sales and purchases of goods and services	6,579	4,584	(204)	(267)
Management fees received	28,129	28,182	-	-

Payable by Association to associated companies	Stockport Council		Solutions SK	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Loan advances	40,470	30,067	-	-
Trading Balances	728	236	72	10

Payable to Association to associated companies	Stockport Council		Solutions SK	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trading Balances	2,422	1,324	-	-

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

In 2017/18 Stockport Homes charged schools within Stockport £714k (£680k for the year ended 31st March 2017) in relation to the provision of repairs and maintenance services.

As at 31 March 2018, 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 2018 *(continued)*

32 Related party disclosures (continued)

The Board includes two tenant members who hold a tenancy agreement on normal terms and one shared-owner; these members cannot use their position to their advantage. At 31 March 2018 Mrs Christine Woolridge, Mrs Jo Hague and Mr Jamie Hirst continued to act as Board Members. Rent charged to tenant Board members during the period was £11,977. Tenant Board members had arrears of £nil 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.

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 2017/18 charges between Stockport Homes Limited and its subsidiaries were as follows:

Three Sixty SHG Ltd

Stockport Homes Limited charged Three Sixty SHG Ltd £238,000 and received charges of £400,000. In addition Stockport Homes Limited charged Three Sixty SHG Ltd £58,000 relating to its loan capital repayment.

Viaduct Partnerships Ltd

Stockport Homes Limited charged Viaduct Partnerships Ltd £223,000 and received charges of £12,098,000.

