

Report to:	STOCKPORT HOMES MEMBER COMMITTEE		
Date of Meeting:	06 July 2020 Stockport Homes Member Committee		
Title of Report:	FINANCIAL MONITORING UPDATE		
Report of:	DIRECTOR OF RESOURCES		
Confidentiality	Non Confidential		
Purpose of Report:	To provide an update to the Stockport Homes Member Committee of Stockport Homes' financial performance to April 2020.		
Type of Report	Information		
Recommendation(s):	The Stockport Homes Member Committee is recommended to note and comment on the latest financial results.		
Risk Implications of the recommendations	Risk Number	Risk Description	Risk Mitigation
		Without a strong financial management function any organisation can fail. Stockport Homes' financial management is a key priority for the company. Without real-time information on budgets sound business decisions cannot be made and therefore monies cannot be used in the most advantageous way for tenants.	There is a rigorous financial control framework underpinned by robust policies and strategies around financial management. This ensures financial resources are safeguarded against fraud, error and negligence.
		The effects of Covid-19 negatively impact on income and expenditure budgets.	The monthly monitoring of income and expenditure ensures that any variances which may affect the

			financial position are detected at an early stage and corrective action can be taken.
Council Impact Assessment (CIA)	Does a CIA need to be completed? No	If so, has one been completed? No	
Comments of The Stockport Homes Monitoring Group	The Stockport Homes Monitoring Group provided comments relating to the Financial Monitoring Update. The comments covered: <ul style="list-style-type: none">The customers had no concerns regarding the finance report and see no reason why SHG cannot catch up if lockdown continues to ease.		
Content of Report signed-off by Director	Carmel Chambers 12/06/2020		
Contact Officer	John Kennedy		
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1 PURPOSE

- 1.1 The purpose of this report is to update the Stockport Homes Member Committee on the financial performance of Stockport Homes and the budgets it manages on behalf of the Council.

2 YEAR-END OUTCOMES 2019/20

- 2.1 The financial year ending March 2020 was a successful year for all members of Stockport Homes Group, and the Council's HRA, with all companies exceeding their financial targets for the year.
- 2.2 The external audit of the 2019/20 SHG financial statements is substantively complete, with the audit feedback reporting no issues with either the financial results reported, or the financial controls in place, for any of the SHG companies.
- 2.3 The international situation regarding Covid-19 is widely reported, and towards the end of March 2020, the impact of this began to affect some of the operations of SHG, mainly through construction works temporarily pausing as both SHG and external contractors followed Government guidelines. This did not have a significant impact on the 2019/20 financial year, with the impacts more clearly seen in 2020/21 and are discussed further below.

3 FINANCIAL UPDATE 2020/21

- 3.1 This is the first financial report for 2020/21 and covers the month of April. The latest information provided regarding Covid-19 has been incorporated into the updated year-end forecasts, which mainly relate to construction works.
- 3.2 All construction works were paused during April including the new build development programme and works for the HRA Capital Programme, including those delivered through Three Sixty. This is currently expected to be a timing delay for both the newbuild development programme and the HRA Capital Programme, with works taking place later than expected. This delay means that Three Sixty are expected to deliver less works during the year, and hence generate a lower surplus than budgeted. Works have begun to recommence during May, including works on all newbuild development sites.
- 3.3 Given both the limited information to date at this early stage of the financial year, and the highly unusual nature of the Covid-19 situation, there remains uncertainty across a number of areas. Financial forecasts will continue to be updated throughout the year as more information becomes available. The overall position for the Group however remains a surplus position to the year-end at this point in time.
- 3.4 The Stockport Homes forecast position is generally in line with the budget. Though lower income is forecast resulting from the delay in development work, this is expected to be recovered in the future.
- 3.5 Three Sixty continues to generate surpluses to the benefit of Foundations. As discussed above, a surplus to the year-end is currently forecast, though is less than the budget. This relates to the pause in construction works during April resulting from Covid-19. Some work streams have now begun to recommence through a phased approach.

- 3.6 Viaduct surpluses are in line with the budget, with offsetting items of income and expenditure. Works across all sites were paused during April, though have recommenced during May. Year-end forecasts have been updated in light of Covid-19, which show less works forecast to be complete during the year, though the surplus is unaffected.
- 3.7 A number of activities are being undertaken with Foundations, including the Housing First project, the Rough Sleeping Initiative, Your Local Pantry, Furniture Recycling and the continuation of the Motiv8 project. Foundations has not seen any significant effects resulting from Covid-19 to date and the financial position is in line with the budget.
- 3.8 Cash flows continue to be regularly monitored and remain positive. The Stockport Homes Audit and Risk Committee have approved a further pot of monies for future investments.

Stockport Homes Ltd

Income & Expenditure Account

For the Period April 20

Period:

1

WHOLE ORGANISATION

Organisational Total

Income

	Budget	Forecast	Variance
	2020/21	2020/21	£'000
Management Fee from HRA	28,516	28,516	0
Other income	6,765	6,386	(378)
Repair 1st DLO	1,074	1,074	0
Homelessness Service Income	1,368	1,368	0
Income relating to New Build	3,561	3,292	(269)
Water income	897	897	0
Commercial income	613	613	0
Total Income	42,794	42,147	(647)

Expenditure

Staff Costs	16,967	16,967	0
Premises Costs	3,564	3,569	(5)
Non pay costs relating to commercial works	581	581	0
Transport Costs	181	181	0
Supplies, Services and Communications	2,387	2,386	1
Legal, Regulatory and Advisory	695	695	0
Service Contracts with Connected Organisations	1,125	1,125	0
Internal Recharges	(1,204)	(1,193)	(11)
Homelessness Services Expenditure	1,511	1,521	(10)
New Build Expenditure	3,618	3,214	404

Water Expenditure	172	172	0
Repair 1st (DLO) - Costs	1,019	1,019	0
Repairs and Maintenance	11,711	11,554	157
Contribution to earmarked reserves	0	0	0
Total Expenditure	42,326	41,791	535
Surplus/(Deficit) before Shared Ownership Sales	468	356	(111)
Shared Ownership Sales			
Sales Income	5,414	5,283	(131)
Cost of Sales	5,046	4,934	112
Surplus/(deficit) from Shared Ownership Sales	368	349	(19)
Total Surplus/(Deficit)	836	706	(130)

Viaduct Partnerships Limited

Income & Expenditure Account

For the Period April 20

Period: 1

Annual Forecast			
	Budget	Forecast	Variance
	2020/21	2020/21	£'000
Total Income	29,136	23,864	(5,271)
Total Expenditure	29,125	23,853	5,271
Surplus	11	11	0

Three Sixty SHG Limited

Income & Expenditure Account

For the Period April 20

Period: 1

Annual Forecast			
	Budget	Forecast	Variance
	2020/21	2020/21	£'000
Total Income	8,483	6,787	(1,696)
Total Expenditure	8,050	6,657	1,393
Surplus	433	130	(303)

Foundations Stockport Limited

Income & Expenditure Account

For the Period April 20

Period: 1

	Annual Forecast		
	Budget	Forecast	Variance
	2020/21	2020/21	£'000
Total Income	862	862	0
Total Expenditure	1,095	1,095	0
Surplus	(233)	(233)	0

4 CAPITAL MONITORING

- 4.1 The total Capital Programme budget for 2020/21 is £19.781m.
- 4.2 Expenditure at the end of April is £0.195m. April's expenditure has been significantly affected due Covid-19 as all sites remained closed during April.
- 4.3 The Asset Team are currently reviewing the 2020/21 programme, to re-phase and optimise the works to be carried out in the year. This will be updated when available.

5 NEW BUILD DEVELOPMENT PROGRAMME

- 5.1 To the end of April 2020 the new build development programme is:-

Ownership	Completed	Under Construction	Pipeline	Total
Non HRA – Rented	384	119	94	597
Non HRA - Shared Ownership	237	213	205	655
Non HRA – Outright Sale	0	62	0	62
Total Non HRA Owned	621	394	299	1314
HRA – Rented	133	26	148	307
HRA – Shared Ownership	66	0	252	318
Total HRA Owned	199	26	400	625

- 5.2 The new build development programme is progressing well and in line with budget. Sales of shared ownership remain strong.

6 STOCKPORT HOMES BORROWING

- 6.1 Stockport Homes' rolling loan credit facility has been increased from £77 million to £91.9 million following the approval from the Council in February 2020. The total debt outstanding from this facility as at April 2020 is £51.713m.
- 6.2 The increase in the facility will enable the completion of the HCA's shared ownership and affordable homes programmes to 2021, along with other potential market rent / outright sale opportunities.

7 CONCLUSION

- 7.1 The April financial update incorporates the latest position and assumptions regarding Covid-19. Though year-end forecasts for both Stockport Homes and Three Sixty are currently worse than budgeted, this is not currently expected to continue beyond 2020/21 and an overall surplus is still expected to be achieved. Positive movements against the assumptions made for Covid-19 are possible and would change forecasts favourably, however it is possible that there is an increase in costs, which is currently unknown which may have an adverse impact on forecasts.
- 7.2 The new group structure arrangements have continued to progress well and will provide a Stockport model, which can protect and deliver services and improve house building opportunities in the Borough.

8 RECOMMENDATION

- 8.1 The Stockport Homes Member Committee is recommended to note and comment on the latest financial results.