

Report to:	<b>STOCKPORT HOMES MEMBER COMMITTEE</b>		
Date of Meeting:	30 September 2020 Customer Monitoring Group 12 October 2020 Stockport Homes Member Committee		
Title of Report:	<b>FINANCIAL MONITORING UPDATE</b>		
Report of:	<b>DIRECTOR OF RESOURCES</b>		
Confidentiality	Non Confidential		
Purpose of Report:	To provide an update to the Stockport Homes Members Committee of Stockport Homes' financial performance to August 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
	1	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.
	2	The effects of Covid-19 negatively impact on	The monthly monitoring of income and expenditure ensures

		income and expenditure budgets.	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. Customers had no concerns regarding the finance report, commenting that they had every confidence in the ability of SHG to maintain their strong financial performance in light of the ongoing challenges around Covid-19.		
Content of Report signed-off by Director	Carmel Chambers 22/09/2020		
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 FINANCIAL UPDATE 2020/21**

### **Covid – 19 Update**

- 2.1 Since the Member Committee were provided with the financial update to April, there have been a number of positive movements to year-end forecasts. Some of the assumed adverse financial effects of Covid-19 are now expected to be less severe than previously, and others are expected to be offset by savings in other areas of the budget. The key changes are highlighted below.
- 2.2 Three Sixty have recommenced construction works sooner than originally expected which has generated more income in the period. A number of projects are now fully operational and Three Sixty are working to achieving the targets of the original budget.
- 2.3 Development schemes also recommenced works sooner than expected with all sites reopening during May. As expected, contractors have confirmed that an extension to forecast completion dates is required, though this is not expected to result in additional costs for Stockport Homes.
- 2.4 Sales activity recommenced during the period, and all of the 8 shared ownership units which were available for sale at the start of the financial year have sold and retained their expected sales value.

### **SHG Financial Update as at August**

- 2.5 As at August 2020, the overall annual budget for the Group is forecast to be achieved. More information on the performance of each Group company is provided below.
- 2.6 Stockport Homes continues to operate within approved budgets. The Stockport Homes positive year-end forecast is made up of a number of variances within several areas. The main variances relate to underspends on overall Repairs and Maintenance costs and staffing costs, which are offsetting any adverse variances related to Covid-19.
- 2.7 Three Sixty continues to generate surpluses to the benefit of the Group. Works have recommenced sooner than previously anticipated and are increasing. Despite the delays caused by Covid-19 it is expected that the original budgeted profit can be achieved, which is a significant improvement from earlier in the year.
- 2.8 Viaduct continues to generate surpluses. Year end forecasts have been updated in light of Covid-19, which show less works forecast to be complete during the year and lower bank interest receivable, which results in the forecast surplus being less than budgeted.
- 2.9 Foundations has not seen any significant adverse effects resulting from Covid-19 to date. Additional funding has been confirmed for several projects including Housing First, Rough Sleepers and Your Local Pantry projects which will be

2.10 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.

## 5

WHOLE ORGANISATION	Annual Forecast		
	Budget	Forecast	Variance
	2020/21	2020/21	£'000
<b>Organisational Total</b>			
<b>Income</b>			
Management Fee from HRA	28,516	28,516	0
Other income	6,765	6,348	(417)
Repair 1st DLO	1,074	919	(155)
Homelessness Service Income	1,368	1,432	64
Income relating to New Build	3,561	3,308	(253)
Water income	897	907	10
Commercial income	613	613	0
<b>Total Income</b>	<b>42,794</b>	<b>42,043</b>	<b>(751)</b>
<b>Expenditure</b>			
Staff Costs	16,967	16,743	224
Premises Costs	3,564	3,556	8
Non pay costs relating to commercial works	581	581	0
Transport Costs	181	180	1
Supplies, Services and Communications	2,387	2,385	2
Legal, Regulatory and Advisory	695	656	39
Service Contracts with Connected Organisations	1,125	1,120	5
Internal Recharges	(1,204)	(1,242)	38
Homelessness Services Expenditure	1,511	1,522	(11)
New Build Expenditure	3,618	3,229	389
Water Expenditure	172	172	0
Repair 1st (DLO) - Costs	1,019	917	102
Repairs and Maintenance	11,711	11,585	128
Contribution to earmarked reserves	0	0	0
<b>Total Expenditure</b>	<b>42,326</b>	<b>41,404</b>	<b>922</b>

**Surplus/(Deficit) before Shared Ownership Sales**

468	639	171
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**Shared Ownership Sales**

Sales Income

5,414	5,179	(235)
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Cost of Sales

5,046	4,761	285
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**Surplus/(deficit) from Shared Ownership Sales**

368	418	50
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**Total Surplus/(Deficit)**

836	1,057	221
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**Viaduct Partnerships Limited**

**Income & Expenditure Account**

For the Period August 20

Period: 5

Total Income

Total Expenditure

Surplus

Annual Forecast		
Budget	Forecast	Variance
2020/21	2020/21	£'000
29,136	23,768	(5,368)
29,125	23,764	5,361
11	4	(7)

**Three Sixty SHG Limited**

**Income & Expenditure Account**

For the Period August 20

Period: 5

Total Income

Total Expenditure

Surplus

Annual Forecast		
Budget	Forecast	Variance
2020/21	2020/21	£'000
8,258	8,492	234
7,911	8,085	(174)
347	407	60

**Foundations Stockport Limited**

**Income & Expenditure Account**

For the Period August 20

Period: 5

Total Income

Total Expenditure

Annual Forecast		
Budget	Forecast	Variance
2020/21	2020/21	£'000
861	933	72
1,094	1,149	(55)

### 3 CAPITAL MONITORING

- 3.1 The total Capital Programme budget for 2020/21 is £19.781m.
- 3.2 Expenditure at the end of August is £6.627m. Though works were paused earlier in the year due to Covid-19, the majority of the works programme is underway, and to be at budgeted levels by the end of the financial year.
- 3.3 In light of Covid-19 the programme of works for 2020/21 has been reviewed in order to optimise the works which can be carried out during the year, e.g. bringing forward external fencing and environmental works.

### 4 NEW BUILD DEVELOPMENT PROGRAMME

- 4.1 To the end of August 2020 the new build development programme is:-

Ownership	Completed	Under Construction	Pipeline	Total
Non HRA – Rented	384	117	96	597
Non HRA - Shared Ownership	237	201	165	603
Non HRA – Outright Sale	0	62	0	62
<b>Total Non HRA Owned</b>	<b>621</b>	<b>380</b>	<b>261</b>	<b>1262</b>
HRA – Rented	133	26	192	351
HRA – Shared Ownership	66	0	252	318
<b>Total HRA Owned</b>	<b>199</b>	<b>26</b>	<b>444</b>	<b>669</b>

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

### 5 STOCKPORT HOMES BORROWING

- 5.1 Stockport Homes' rolling loan credit facility is currently £91.9 million which 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. The total debt outstanding from this facility as at August 2020 is £62.276m.

## **6 CONCLUSION**

- 6.1 The August financial update incorporates the latest position and assumptions regarding Covid-19. A favourable position for the Group is forecast which is better than the forecast provided to the Member Committee earlier in the year. There is of course the potential for Covid-19 to result in further financial impacts in the future, though these are currently unknown. Forecasts will continue to be updated as the year develops and further information becomes available.
- 6.2 The new group structure arrangements have continued to progress well and will provide a Stockport model from which to expand services and house building opportunities in the Borough on a value for money basis.

## **7 RECOMMENDATION**

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