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| Report to: | STOCKPORT HOMES MEMBER COMMITTEE | | |
| Date of Meeting: | 15 February 2021 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 Members Committee of Stockport Homes' financial performance to December 2020. | | |
| Type of Report | Information | | |
| Recommendation(s): | The Stockport Homes Members 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 | <p>The Stockport Homes Monitoring Group provided comments relating to the Financial Monitoring Update:</p> <ul style="list-style-type: none"> Customers highlighted that under the circumstances of the pandemic, the financial performance is clearly still very good. Customers acknowledged that the fact that some of the Capital Programmes had been put back, but this was to be expected. Customers commended Stockport Homes' positive way of approaching the Covid-19 pandemic which had helped to ensure the financial impacts were minimised. | | |
| Content of Report signed-off by Director | <p>Carmel Chambers 28/01/2021</p> | | |
| Contact Officer | John Kennedy | | |
| Contact Details | <p>0161 474 2868 John.kennedy@stockporthomes.org</p> | | |

1 PURPOSE

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

2 FINANCIAL UPDATE 2020/21

- 2.1 As at December 2020, the overall annual budget for the Group is forecast to be achieved. Financial forecasts to March 2021, continue to be better than outlined earlier in the year in relation to Covid-19, as some impacts have been less severe than modelled, and others have been offset by savings within other areas of the budget. More information on the performance of each Group company is provided below.
- 2.2 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. Due to the pause in construction works earlier in the year relating to Covid-19, a number of shared ownership sales are expected to take place early in 2021/22.
- 2.3 Three Sixty continues to generate surpluses to the benefit of the Group. Works have recommenced sooner than previously anticipated and are increasing, resulting in the financial position for Three Sixty gradually improving as the year has progressed, with some works now expected to complete early in 2021/22.
- 2.4 Viaduct continues to generate surpluses to the benefit of the Group. 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.
- 2.5 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 used to expand these service offers. The year-end position is forecast to be within approved budgets.
- 2.6 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 Dec 20

Period:

9

WHOLE ORGANISATION

Organisational Total

| Annual Forecast | | |
|-----------------|----------|----------|
| Budget | Forecast | Variance |
| 2020/21 | 2020/21 | £'000 |
| | | |

| | | | |
|--|---------------|---------------|----------------|
| Income | | | |
| Management Fee from HRA | 28,516 | 28,516 | 0 |
| Other income | 6,767 | 6,037 | (729) |
| Repair 1st DLO | 1,074 | 827 | (247) |
| Homelessness Service Income | 1,368 | 1,532 | 163 |
| Income relating to New Build | 3,561 | 3,223 | (337) |
| Water income | 897 | 920 | 23 |
| Commercial income | 613 | 628 | 15 |
| Total Income | 42,796 | 41,683 | (1,113) |
| Expenditure | | | |
| Staff Costs | 16,967 | 16,403 | 563 |
| Premises Costs | 3,564 | 3,419 | 145 |
| Non pay costs relating to commercial works | 581 | 580 | 1 |
| Transport Costs | 181 | 185 | (4) |
| Supplies, Services and Communications | 2,387 | 2,217 | 170 |
| Legal, Regulatory and Advisory | 695 | 608 | 87 |
| Service Contracts with Connected Organisations | 1,125 | 1,110 | 15 |
| Internal Recharges | (1,204) | (1,267) | 63 |
| Homelessness Services Expenditure | 1,511 | 1,625 | (114) |
| New Build Expenditure | 3,618 | 3,192 | 426 |
| Water Expenditure | 172 | 172 | 0 |
| Repair 1st (DLO) - Costs | 1,019 | 826 | 193 |
| Repairs and Maintenance | 11,713 | 11,425 | 288 |
| Total Expenditure | 42,328 | 40,495 | 1,833 |
| | | | |
| Surplus/(Deficit) before Shared Ownership Sales | 468 | 1,188 | 721 |
| Shared Ownership Sales | | | |
| Sales Income | 5,414 | 2,414 | (3,001) |
| Cost of Sales | 5,046 | 2,199 | 2,848 |
| Surplus/(deficit) from Shared Ownership Sales | 368 | 215 | (153) |
| Total Surplus/(Deficit) | 836 | 1,403 | 567 |

Viaduct Partnerships Limited

Income & Expenditure Account

For the Period Dec 20

Period: 9

| Annual Forecast | | |
|------------------------|-----------------|-----------------|
| Budget | Forecast | Variance |
| 2020/21 | 2020/21 | £'000 |

| | | | |
|-------------------|--------|--------|---------|
| Total Income | 29,136 | 20,177 | (8,959) |
| Total Expenditure | 29,125 | 20,173 | 8,952 |
| Surplus | 11 | 4 | (7) |

Three Sixty SHG Limited

Income & Expenditure Account

For the Period Dec 20

Period: 9

| | Annual Forecast | | |
|-------------------|-----------------|----------|----------|
| | Budget | Forecast | Variance |
| | 2020/21 | 2020/21 | £'000 |
| Total Income | 8,403 | 6,235 | (2,169) |
| Total Expenditure | 8,055 | 6,099 | 1,955 |
| Surplus | 349 | 135 | (213) |

Foundations Stockport Limited

Income & Expenditure Account

For the Period Dec 20

Period: 9

| | Annual Forecast | | |
|-------------------|-----------------|----------|----------|
| | Budget | Forecast | Variance |
| | 2020/21 | 2020/21 | £'000 |
| Total Income | 861 | 888 | 27 |
| Total Expenditure | 1,094 | 1,087 | 7 |
| Surplus | (233) | (199) | 34 |

3 CAPITAL MONITORING

- 3.1 The total Capital Programme budget for 2020/21 is £19.024m.
- 3.2 Expenditure at the end of December is £13.493m. Though works were paused earlier in the year due to Covid-19, the majority of the works programme is underway, and expected 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 December 2020 the new build development programme is:-

| Ownership | Completed | Under Construction | Pipeline | Total |
|----------------------------|------------------|---------------------------|-----------------|--------------|
| Non HRA – Rented | 410 | 96 | 170 | 676 |
| Non HRA - Shared Ownership | 281 | 170 | 41 | 492 |
| Non HRA – Outright Sale | 0 | 62 | 0 | 62 |
| Total Non HRA Owned | 691 | 328 | 211 | 1230 |
| | | | | |
| HRA – Rented | 133 | 26 | 153 | 312 |
| HRA – Shared Ownership | 64 | 0 | 123 | 187 |
| Total HRA Owned | 197 | 26 | 276 | 499 |

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 December 2020 is £70.803m.

6 CONCLUSION

6.1 The December financial update incorporates the latest position and assumptions regarding Covid-19. A favourable position for the Group continues to be forecast. 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 deliver on building opportunities in the Borough.

7 RECOMMENDATION

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