



Report to:	STOCKPORT HOMES MEMBER COMMITTEE 14 February 2022
Report of:	EXECUTIVE DIRECTOR OF RESOURCES
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Type of Report	Assurance
Title of Report:	FINANCIAL MONITORING UPDATE
Purpose of Report:	To provide an update to the Stockport Homes Member Committee of Stockport Homes' financial performance to November 2021.
Recommendation(s):	That the Stockport Homes Member Committee note and comment on the latest financial results
Confidentiality	Non Confidential
Resource Implications	The report highlights the financial performance of each company for the year. Reported surpluses will support SHG in its future ambitions
Impact on Risk Appetite and Risk Register	An audited set of financial statements ensures SHG's statutory and regulatory requirements are met SHG has an 'open' appetite around finance and income collection. This report provides an update on progress against budgets, set in line with this risk appetite.

		Risk Number	Risk Description	Risk Mitigation
		N/A	Without a strong financial management function any organisation can fail. Stockport Homes' financial management is a key priority for the 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.
		N/A	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.
Customer Voice	N/A			
Equality, Diversity & Inclusion implications	N/A			
Regulatory compliance	An audited set of financial statements fulfils the regulatory requirement			
Comments of the Stockport Homes Monitoring Group	<p>The Stockport Homes Monitoring Group discussed the report. The discussion covered:</p> <p>Customers felt that SHG's finances were really well managed. They added that its ability to get through a pandemic and still largely achieve its financial targets was remarkable.</p>			

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 2021/22

- 2.1 The financial position for Stockport Homes is broken down into two distinct areas, with the income and expenditure relating to Shared Ownership Sales shown separately to the remainder of the organisation. With the exception of Shared Ownership Sales, Stockport Homes is broadly operating within approved budgets. Both forecast income and expenditure relating to Shared Ownership Sales are significantly less than budgeted, resulting in lower forecast surpluses for the year. This is due to delays in construction within the newbuild development programme from issues outside of the control of Stockport Homes. Less properties are forecast to be completed by the end of the financial year than expected, and hence less sales able to take place. However, this is a timing issue and the overall property sales picture remains positive. Sales originally budgeted within 2021/22 are now expected to take place during 2022/23 and will be incorporated into future budgets. Interest has remained strong with significant demand resulting in high numbers of reservations. Property valuations have increased, and properties are being reserved at higher first tranche sale %'s than expected at budget setting, both of which will result in greater surpluses when these sales complete in the future.
- 2.2 The financial position for Three Sixty has changed since the previous report, with a lower surplus for the year now forecast. There are many factors which have contributed to the change in the financial position, including a prolonged delay starting the main construction programmes, and challenges seen in the wider industry such as longer lead in periods for sub-contractors, availability of plant, materials and sub-contractors, in addition to a slower than expected start in the new Mechanical and Electrical division. The team are striving to turn this around, and continue to work closely with Stockport Homes to maximise the works completed to the end of March.
- 2.3 The forecast position for both Viaduct and Foundations remains generally in line with the budget.
- 2.4 Cash flows continue to be regularly monitored and remain positive across the Group.

Stockport Homes Ltd

Income & Expenditure Account

For the Period November 21

Period:

8

Annual Forecast		
Budget	Forecast	Variance
2021/22	2021/22	£'000

1. SHL excl Shared Ownership Sales

Income	45,395	44,000	(1,396)
Repairs and Maintenance Expenditure	10,107	9,964	143
Other Expenditure	34,272	32,953	1,319
Surplus/(deficit)	1,016	1,083	67
2. Shared Ownership Sales			
Total Income	32,895	8,360	(24,536)
Total Expenditure	29,142	7,511	21,631
Surplus/(deficit)	3,753	848	(2,904)
3. Grand Total			
Total Surplus	4,769	1,932	(2,837)

Viaduct Partnerships Limited

Income & Expenditure Account

For the Period November 21

Period: 8

Annual Forecast			
	Budget	Forecast	Variance
	2021/22	2021/22	£'000
Total Income	13,046	12,359	(688)
Total Expenditure	13,041	12,354	688
Surplus	5	5	0

Three Sixty SHG Limited

Income & Expenditure Account

For the Period November 21

Period: 8

Annual Forecast			
	Budget	Forecast	Variance
	2021/22	2021/22	£'000
Total Income	18,759	17,791	(969)
Total Expenditure	18,337	17,665	672
Surplus	423	126	(297)

Foundations Stockport Limited

Income & Expenditure Account

For the Period November 21

Period: 8		
Annual Forecast		
Budget	Forecast	Variance
2021/22	2021/22	£'000
Total Income	1,053	1,247
		194
Total Expenditure	1,554	1,632
		(78)
Surplus	(501)	(385)
		116

3 CAPITAL MONITORING

- 3.1 The total Capital Programme budget for 2021/22 is £17.541m with expenditure to the end of November of £9.5m. The annual budget remains forecast to be achieved.

4 NEW BUILD DEVELOPMENT PROGRAMME

- 4.1 To the end of November 2021 the new build development programme is:-

Ownership	Completed	Under Construction	Pipeline	Total
Non HRA – Rented	483	32	9	524
Non HRA - Shared Ownership	318	176	12	506
Non HRA – Outright Sale	1	62	-	63
Total Non HRA Owned	802	270	21	1,093
HRA – Rented	159	3	151	313
HRA – Shared Ownership	73	16	109	198
Total HRA Owned	232	19	260	511

- 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, along with other potential market rent / outright sale opportunities. The total debt outstanding from this facility as at November 2021 is £79.162m.

6 CONCLUSION

- 6.1 The November financial update shows a positive financial position for the Group. Though forecast in year surpluses are less than budgeted, these are expected to be recovered in the future. 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.

7 RECOMMENDATION

- 7.1 That the Stockport Homes Member Committee note and comment on the latest financial results.