



Report to:	<b>STOCKPORT HOMES MEMBER COMMITTEE</b>		
	4 July 2022		
Report of:	<b>EXECUTIVE DIRECTOR OF RESOURCES</b>		
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Type of Report	Assurance		
Title of Report:	<b>FINANCIAL MONITORING UPDATE</b>		
Purpose of Report:	To provide an update to Member Committee of Stockport Homes' financial performance to March 2022 and an April 2022 update.		
Recommendation(s):	That the Member Committee comment on and note 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		
	Risk Number	Risk Description	Risk Mitigation
		Without a strong financial management function any organisation can fail. Stockport Homes' financial	There is a rigorous financial control framework underpinned by robust policies and strategies around 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	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.
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>The Customers understood that supply chain issues and repairs backlog had impacted the finances within Stockport Homes Group.</p> <p>The Customers were pleased to hear that the budget can be re-forecasted throughout the year which will allow Stockport Homes to explore other ways of supporting its customers when opportunities present themselves.</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 MARCH 2022

- 2.1 An overall management accounts surplus of £836,000 is reported for Stockport Homes to March 2022, which is broadly similar to previous forecasts, though less than the original budget for the year.
- 2.2 Whilst an overall surplus has been achieved for the year for Stockport Homes, the year-end results highlight some significant variances. The budget before property sales has not been achieved, and a deficit is reported in this area, as opposed to a £1m budgeted surplus. The majority of this deficit is attributed to increased repairs costs seen towards the end of the year, resulting from both a greater volume of repairs and increased costs to carry out the works, for example materials and subcontractors. Other elements of this relate to timing differences, most notably the HRA development fee income, which is expected to be achieved in the future.
- 2.3 The significant variance to the property sales budget has been forecast for some time, with both income and expenditure less than budgeted due to the delays in the progression of development schemes, hence preventing sales in the current year. This has been rolled forward into the 2022/23 budget.
- 2.4 Three Sixty achieved a profit of £12,000 for the year, which, whilst still profitable, was less than the original budget. The construction industry generally saw difficult trading conditions during 2021/22, with materials delays, increased costs and labour shortages. The key reasons that lower profits were achieved were due to lower turnover achieved from the Construction and Mechanical and Electrical divisions, and lower profits achieved from the works completed over the course of the year due to increased materials and works costs.
- 2.5 The reported year-end positions for both Viaduct and Foundations remained broadly in line with previous forecasts, with Viaduct reporting a surplus in line with the original budget, and the Foundations position £129,000 favourable to the budget.
- 2.6 Cash flows continue to be regularly monitored and remain positive across the Group.
- 2.7 The financial performance to March is shown below:

**Stockport Homes Ltd**

**Income & Expenditure Account**

**For the Period March 22**

**Period:**

**12**

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

**1. SHL excl Shared Ownership Sales**

Income	45,395	43,822	(1,574)
Repairs and Maintenance Expenditure	10,107	10,739	(632)
Other Expenditure	34,272	33,374	898
Surplus/(deficit)	1,016	(292)	(1,308)
<b><u>2. Shared Ownership Sales</u></b>			
Total Income	32,895	6,036	(26,859)
Total Expenditure	29,143	4,908	24,234
Surplus/(deficit)	3,753	1,128	(2,625)
<b><u>3. Grand Total</u></b>			
Total Surplus	4,769	836	(3,933)

**Viaduct Partnerships Limited**

**Income & Expenditure Account**

For the Period March 22

Period: 12

<b>Annual Forecast</b>			
<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
<b>2021/22</b>	<b>2021/22</b>	<b>£'000</b>	
Total Income	13,045	8,422	(4,624)
Total Expenditure	13,041	8,417	4,625
Surplus	4	5	1

**Three Sixty SHG Limited**

**Income & Expenditure Account**

For the Period March 22

Period: 12

<b>Annual Forecast</b>			
<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
<b>2021/22</b>	<b>2021/22</b>	<b>£'000</b>	
Total Income	18,759	17,679	(1,080)
Total Expenditure	18,337	17,667	670
Surplus	423	12	(411)

**Foundations Stockport Limited****Income & Expenditure Account****For the Period March 22****Period: 12**

	Annual Forecast		
	Budget	Actual	Variance
	2021/22	2021/22	£'000
<b>Total Income</b>	<b>1,053</b>	<b>1,321</b>	<b>269</b>
<b>Total Expenditure</b>	<b>1,554</b>	<b>1,693</b>	<b>(140)</b>
<b>Surplus</b>	<b>(501)</b>	<b>(372)</b>	<b>129</b>

### 3 CAPITAL MONITORING

- 3.1 The HRA capital programme budget was £17.5m for 2021/22. To the end of March £15m was spent, which is £2.5m less than the budget for the year. Within this, grants of £901,000 were received for the year which reduced overall expenditure and will enable additional works to be delivered in the future. The underspend and related works from 2021/22 will be rolled forward and completed in future years.

### 4 NEW BUILD DEVELOPMENT PROGRAMME

- 4.1 To the end of March 2022 the new build development programme was:-

Ownership	Completed	Under Construction	Pipeline	Total
Non HRA – Rented	491	34	2	527
Non HRA - Shared Ownership	280	176	12	468
Non HRA – Outright Sale	-	62	-	62
<b>Total Non HRA Owned</b>	<b>771</b>	<b>272</b>	<b>14</b>	<b>1,057</b>
HRA – Rented	161	-	162	323
HRA – Shared Ownership	63	16	120	199
<b>Total HRA Owned</b>	<b>224</b>	<b>16</b>	<b>282</b>	<b>522</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 to support the ongoing development programme is currently £91.9 million, which will support the shared ownership and affordable homes programmes, along with other potential market rent / outright sale opportunities. The total debt outstanding from this facility as at March 2022 was £69.745m.

## **6 APRIL 2022 UPDATE**

- 6.1 April's financial position shows an overall favourable position generally in line with the Group's annual approved budgets. No significant changes have emerged from the 2021/22 year-end close down which impact on 2022/23, although it is still very early in the financial year.
- 6.2 Stockport Homes is reporting a surplus of £78,000 to April which is £47,000 better than budgeted. Surpluses from shared ownership sales are ahead of budget at the end of April, as two property sales which were previously forecast within the previous financial year have completed in April. The income forecast has been reduced for the year which mainly relates to HRA development fee income, where scheme delays have occurred since the budget was set and will roll forward into 2023/24. The overall annual surplus remains forecast to be achieved. Further work is being undertaken to fully understand any potential impact on the 2022/23 budget from the repairs overspend in 2021/22 and this will be reported when available.
- 6.3 A profit of £29,000 is reported for Three Sixty for April which is a positive start to the year. An external contract to a value of around £600,000 is expected to be confirmed shortly, which would see the majority of the external income budget achieved for the year, and supports achieving the overall annual budgeted profit.
- 6.4 There are no significant areas arising for either Foundations or Viaduct to April, where annual budgets remain expected to be achieved

## **7 CONCLUSION**

- 7.1 The March management accounts detail the year-end position for the Group. Whilst there have been some challenges during 2021/22, around the construction industry and associated materials and supply issues in particular, SHG have managed resources well and still delivered surpluses. Work will be undertaken during 2022/23 to understand trends generally. The update as at April 2022 highlights that annual budgets currently remain expected to be achieved.
- 7.2 The year-end audit has now been completed and no issues have been raised by the auditors. 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.

## **8 RECOMMENDATION**

- 8.1 That Member Committee comment on and note the latest financial results.