



Report to:	STOCKPORT HOMES MEMBER COMMITTEE		
	15 October 2024		
Report of:	DIRECTOR OF CORPORATE SERVICES/DEPUTY CHIEF EXECUTIVE		
Contact Officer and contact details	John Kennedy, Assistant Director of Finance 0161 474 2868 john.kennedy@stockporthomes.org		
Type of Report	Assurance		
Title of Report:	FINANCIAL MONITORING UPDATE		
Purpose of Report:	To provide an update to the Stockport Homes Members Committee on Stockport Homes' financial performance at August 2024.		
Recommendation(s):	The Stockport Homes Members Committee is recommended to 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. Significant variances are highlighted, including higher repairs costs. Financial pressures are expected to continue. Stockport Homes has put in place measures to address these challenges going forward.		
Impact on Risk Appetite and Risk Register	Annual budgets are set in line with risk appetites and this report highlights progress against the budget objectives		
	Risk No.	Risk Description	Risk Mitigation
	17	SHG is not able to meet the long-term stock investment/zero carbon requirements of homes, communal	Regular management accounts reporting ensures progress against annual targets is clear. Analysis of actual performance against

		areas and neighbourhoods	assumptions will inform delivery of the longer-term strategy and enable proactive actions to be taken
	9	SHG does not deliver its approved Business Plan	Approved Business Plans inform the annual budgets set for each SHG company. Regular management accounts reporting ensures progress against annual budgeted targets is clear for all SHG companies and informs future Business Plans.
	10	Available cash resources, income collection and stress testing are insufficient to deliver and sustain SHG and its strategic ambitions	Regular cash flow monitoring, management accounts reporting and stress testing, ensures performance is monitored, risks are identified, and required resources and actions have been put in place as required
Customer Voice	Customers are involved in setting the strategic priorities of SHG and budgets are made available to achieve those objectives.		
Equality, Diversity & Inclusion implications	Budgets support the Group's ongoing investment into achieving equality, diversity, and inclusion across its operations.		
Regulatory compliance	Regular financial reporting supports the Group's compliance with the Governance and Financial Viability Standard.		

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 AUGUST 2024

- 2.1 Since the previous report, some significant areas have emerged which will have an impact on the approved budget position. Both Stockport Homes and Three Sixty are currently forecast to report a surplus for the year, though less than the approved budget. However, overall SHG is forecast to achieve a loss of £726,000 against the budgeted surplus of £919,000.
- 2.2 An annual surplus of £174,000 is forecast for Stockport Homes against a budget of £1,110,000. The largest changes in the annual forecast relate to Repairs and Development activity.
- 2.3 Repairs expenditure is £799,000 higher than expected to August across a number of areas. Adaptations is the main area of overspend due to a backlog of referrals at the Council being cleared. Discussions with the Council are planned around recovering the additional costs. Voids and Damp & Mould are the other main areas of overspend, with voids requiring more works than expected to bring these up to standard. The approach to both areas is under review, along with an updated policy for charging appropriate related costs to the Capital Programme. These changes are expected to begin to control costs going forward, with an overall Repairs overspend of £992,000 forecast for the year.
- 2.4 Development affects schemes being delivered for the Council's HRA and Stockport Homes' owned schemes. Since the budget was set, due to some delays commencing the London Road scheme, less HRA Development Fee income is expected. With regards Stockport Homes' development schemes, completions at the Andrew St and Hempshaw Lane schemes are expected to be later than at the point of budget setting, which has previously been reported. Less rental income is expected within 2024/25 within Stockport Homes as a result due to this timing delay.
- 2.5 Though not a major impact on the annual surplus, the timing of some property sales has been reforecast due to delays at the Andrew St scheme, resulting in some sales now expected to roll into 2025/26. All Shared Ownership properties in the current phases of Melford Road and Hempshaw Lane are under offer.
- 2.6 Three Sixty is reporting a loss of £111,000 to August, which is an adverse variance against the year-to-date budget. This is not the result of adverse in-year performance, but mainly the final outturn from some 2023/24 projects not being as high as expected, along with higher vehicles costs. Processes and controls have been reviewed to prevent this from recurring.
- 2.7 The works underway in 2024/25 are generally performing to expectations. The projection for the remainder of the year is expected to improve, though the forecast surplus remains lower than the original budget. The potential for further works to be undertaken and other actions to improve

the forecast position are being investigated. A profit after tax of £252,000 is currently forecast to the end of the year.

- 2.8 The forecast year-end position for both SKylight and Viaduct remain broadly in line with approved budgets.
- 2.9 Cash flows continue to be regularly monitored and remain positive across the Group for the coming year, although longer term impacts of all the pressures mentioned above will lead to budget pressures and reduced cash balances going forward. Mitigation plans are in place to manage cash flows in the future and a thorough 30 year Financial Plan with associated stress testing is in place.
- 2.10 The HRA forecast at Quarter One is illustrating a surplus for the year of £633,000 which is £460,000 better than budgeted. This surplus is ring-fenced to go towards the recovery of costs already incurred by SHL, e.g. in relation to Project Phoenix.
- 2.11 Positive budget outcomes can be seen across several area including lower interest and bad debts, along with higher rental income due to better than budgeted voids and RTBs. An RCCO payment of £34,000 is scheduled in-year to contribute towards the purchase of 2 units as part of the RSAP scheme as agreed with the Council.

Stockport Homes Ltd

Income & Expenditure Account

At period ending August 24

Period:

5

	Annual Outturn		
	Budget	Forecast	Variance
	2024/25	2024/25	£'000
<u>1. SHL excl Shared Ownership Sales</u>			
Income	59,951	59,960	9
Repairs and Maintenance Expenditure	15,754	16,497	(743)
Other Expenditure	43,509	43,564	(55)
Surplus/(deficit)	688	(100)	(788)

2. Shared Ownership and Outright Sales

Total Income	15,300	11,580	(3,720)
Total Expenditure	(14,878)	(11,305)	3,572
Surplus/(deficit)	423	275	(148)
<u>3. Grand Total</u>			
Total Surplus/(deficit)	1,110	174	(936)

Viaduct Partnerships Limited

Income & Expenditure Account

At period ending August 24

Period: 5

Annual Outturn			
	Budget	Actual	Variance
	2024/25	2024/25	£'000
Total Income	11,790	13,599	1,809
Total Expenditure	11,766	13,560	(1,794)
Surplus	24	39	15

Three Sixty SHG Limited

Income & Expenditure Account

At period ending August 24

Period: 5

Annual Outturn			
	Budget	Actual	Variance
	2024/25	2024/25	£'000
Total Income	32,100	32,505	405

Total Expenditure	31,251	32,253	(1,002)
Surplus	849	252	(597)

SKylight

Income & Expenditure Account

At period ending August 24

Period: 5

Annual Outturn			
Budget	Actual	Variance	
2024/25	2024/25	£'000	
Total Income	3,532	3,232	(300)

Total Expenditure	4,416	4,174	242
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Surplus	(884)	(942)	(58)
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HRA 2024-25 Q1	Annual Budget	Annual Outturn	Variance (Adv)/Fav
Operating Income	65,274	65,122	(152)
Operating Expenditure	(65,176)	(64,530)	646
Impact of capital financing and investment income	75	41	(34)
Surplus/(deficit)	173	633	460
Brought Forward Surplus from 2023-24	1,097	1,097	-

Future Investment Reserve	(173)	(633)	(460)
Minimum Balances	1,097	1,097	-

3 CAPITAL MONITORING

- 3.1 The HRA Capital Programme budget for the year is £15.4m which incorporates the £867,000 underspend rolled forward from the previous year.
- 3.2 At the end of August 2024 £4.35m has been spent. Expenditure is expected to increase going forward as more of the programme of works commences. Out of the works planned within the 2024/25 budget, the majority are underway with 96% of the programme complete or in progress, and a further 4% expected to start in the coming months.

4 NEW BUILD DEVELOPMENT PROGRAMME

- 4.1 To the end of August 2024 the new build development programme is:-

Ownership	Completed	Under Construction	Pipeline	Total
Non HRA – Rented	512	16	-	528
Non HRA - Shared Ownership	350	116	-	449
Non HRA – Outright Sale	-	23	-	23
Total Non HRA	862	155	-	1,017
HRA – Rented	176	52	81	309
HRA – Shared Ownership	76	14	73	163
Total HRA Owned	252	66	154	472

- 4.2 As previously reported new housing development projects face significant challenges in moving forward. Construction costs have significantly increased across the industry, along with increases in the interest rates on the borrowing required to fund these projects. These cost increases are not met by increases in income. The resulting pressures are impacting upon the financial viability of the development pipeline, with options being discussed with the Council to address this, such as utilising additional funding through the funds held by the Council for development, or more flexible loan terms. As a result, in conjunction with challenges to secure contractors, these pressures result in a risk to the development pipeline.

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 completion of the current development schemes underway. The total debt outstanding from this facility as at August 2024 was £65.350m.

6 CONCLUSION

- 6.1 The 2024/25 financial year continues to be a challenging environment, with financial pressure across several key areas. The challenges in particular on the costs of repairs and increased customer expectations in this area is being seen nationally, not just in Stockport. Whilst the outlook in 2024/25 is that some original financial budgets will not be met, the measures Stockport Homes has put in place will ensure these pressures are mitigated and managed going forward.

7 RECOMMENDATION

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