

Stockport Homes Limited

Directors' Report and Financial Statements

Company Limited by Guarantee

Company Number 04521257

Year Ended

31 March 2011

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

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BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND PROFESSIONAL ADVISERS

BOARD OF DIRECTORS

Mr R Phillips, Chair	(appointed 23.09.05)
Councillor C Corris	(appointed 23.09.05)
Councillor CEJ Baker	(appointed 05.06.06)
Mr J Bowker	(appointed 29.09.08)
Ms S McCambridge Ackers	(appointed 23.09.05, resigned 07.06.10)
Ms AE Todhunter	(appointed 23.09.05, resigned 20.09.10)
Mr D Wright	(appointed 15.10.07)
Ms MT Rowles	(appointed 29.09.08, appointed Vice Chair 21.09.09)
Councillor A Smith	(appointed 21.01.09, resigned 05.04.10)
Councillor C Murphy	(appointed 08.06.09)
Mrs B King	(appointed 21.09.09)
Mr P Fury	(appointed 18.11.09)
Councillor P. Porgess	(appointed 15.07.10)
Mrs. J. Clayton	(appointed 20.09.10)
Mr. C. Lennard	(appointed 20.09.10)
Mr. D Beckett	(appointed 03.12.10)
Mr D Kirwan,	(appointed 22.12.09, resigned 20.09.10, appointed as co-optee 20.09.10)

REGISTERED OFFICE

Stockport Homes Ltd
1 St. Peter's Square
Stockport
Cheshire
SK1 1NZ

BANKERS

The Co-operative Bank Ltd
Stockport Branch
1 St Peter's Square
Stockport
Cheshire
SK1 1NX

SOLICITORS

Stockport Metropolitan
Borough Council
Litigation Department
Stopford House
Piccadilly
Stockport
SK1 3XE

EXTERNAL AUDITORS

PKF (UK) LLP
5 Temple Square
Temple Street
Liverpool
L2 5RH

INTERNAL AUDITORS

Deloitte LLP
2 Hardman Street
Manchester
M60 2AT

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BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND PROFESSIONAL ADVISERS (continued)

EXECUTIVE OFFICERS

Helen McHale	Chief Executive
Sandra Coleing	Director of Quality
Elaine Dishong	Director of Housing Need & Support Services
April Higson	Director of Housing Management
Mark Hudson	Director of Technical Services

The five permanent executive officers were appointed to their positions on 1st October 2005.

The executive officers act within the authority delegated to them under the Company's Scheme of Delegation approved by the Board. The detailed scrutiny of performance, the development of strategies/policies and procedures, and the approvals of expenditure within budget are carried out by the executive officers who meet as a Management Team every two weeks.

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year 1 April 2010 to 31 March 2011.

DATE OF INCORPORATION

The date of incorporation was 29 August 2002 with trading commencing on 1 October 2005. These accounts are for the fifth full year of operations for Stockport Homes Limited. In the opinion of the Directors, the Directors' Report has endeavoured to follow the requirements for disclosures as per the SORP "Accounting by registered social housing providers update 2010".

PRINCIPAL ACTIVITIES

The Company's principal activity is to manage and maintain the stock of houses owned by Stockport Metropolitan Borough Council (SMBC), including the management of the capital programme for the modernisation of the properties which numbered 11,469 as at 31 March 2011. Stockport Homes Ltd manages the allocation of homes and works on behalf of Stockport Council to fulfil their statutory responsibilities around preventing homelessness.

Stockport Homes Limited is known as an Arms Length Management Organisation or ALMO. This means that while the Council established the company, it operates independently from it on day-to-day matters. Under a Management Agreement with SMBC, Stockport Homes Limited receives a sum of money to carry out the business of managing and maintaining the housing stock on behalf of SMBC. The Management Fee for 2010/11 was £22.601m.

The total turnover for the year of £30.003m also includes income from other sources of £7.303m. The Management Agreement allows Stockport Homes to employ building contractors to undertake the Capital Investment Programme of which there was a budget of £25.167m in 2010/11.

Stockport Homes continues to build new homes. Its first New Build scheme of 17 units was completed during 2009/10 with a further 18 properties being built during 2010/11. Ownership of these new homes for rent rests with Stockport Homes. During 2010-11 Stockport Homes applied for registration to the Tenant Services Authority (TSA) to become a registered provider of housing in order to be able to draw down final grant monies for the Mendip and Marlhill schemes and also to be eligible to bid for funding from the Homes and Communities Agency (HCA) in the future. The TSA confirmed that Stockport Homes was accepted as a registered provider of housing on 8 February 2011.

Stockport Homes collects water charges from tenants on behalf of United Utilities. This resulted in additional income being received from SMBC of £639k which covers the costs of collection and an element of the commission gained by the arrangement to invest in new services relating to social and financial inclusion.

Stockport Homes continue to operate an "umbrella" brand of Repair 1st to deliver quality repairs and efficient repair services to customers. This is a partnership arrangement delivered by the in-house Direct Labour Organisation and the contractor Jackson Lloyd. By partnering this arrangement maximum efficiencies and cross-sector expertise can be obtained.

Stockport Homes seeks to deliver high quality housing services, provide continuous improvement and improve the efficiency of its service. Any surplus after tax will be used to finance service improvements to customers and ensure the Mission and Aims of Stockport Homes are delivered. Stockport Homes purchase a number of essential services from Stockport Council. These include insurance, legal services, IT infrastructure, financial systems and payroll. There are Service Contracts in place, which give detailed information on

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DIRECTORS' REPORT (continued)

the services provided, including service standards and performance indicators, and the costs of such provision.

LEGAL STATUS OF COMPANY

The Company is limited by guarantee and does not have any share capital.

MISSION AND AIMS

Stockport Homes' Mission is to deliver a customer-driven service, providing quality homes where people want to live.

Stockport Homes has six Aims which are:

- To provide an inclusive service, which values its diverse communities, empowers its staff and makes effective use of its resources.
- To ensure that all of our homes meet the Decent Homes Standard by 2010 and are then maintained to that standard, as a minimum.
- To deliver high quality housing services that continue to improve and meet customers' needs and aspirations.
- To deliver consistent, clear and well-publicised services to tenants and leaseholders which proactively seek to improve our estates in partnership with customers.
- To provide appropriate accommodation (temporary and permanent) and support for the most vulnerable and socially excluded.
- To make a real contribution to the Council's wider strategic and housing objectives, helping to build social inclusion and safer sustainable neighbourhoods.

CORPORATE GOVERNANCE

The Board of Stockport Homes consists of 13 voluntary members (5 tenants, 4 nominees of Stockport Council and 4 independent members). The make up of the Board and their term of office is determined by Stockport Homes Ltd's Memorandum and Articles of Association, which govern the Company. For part of the financial year 2010/11 a co-opted Board Member has complemented the 13 substantive appointments. This appointment was agreed at the company's annual general meeting on 20 September 2010.

The Board is responsible for the strategic direction of the organisation and Board members are registered as the Company Directors with Companies House. They have been selected to collectively provide the skills and competencies to successfully steer the Company in accordance with its Mission and Aims.

Stockport Homes has a Management Team which is led by the Chief Executive and supported by four Directors and the Head of Finance and is responsible for the day to day operations of the organisation. The Chief Executive reports to the Board of Stockport Homes.

The Board meets five times per year to make decisions concerning the strategic direction of the organisation. The Board is supported by four Sub-Groups: Finance and Audit, Human Resources and Governance, Asset Management and Sustainability (formerly known as Maintenance and Investment), and Performance, all of which have clear terms of reference. The Board and Sub-Groups are supported by the Governance Team which uses a range of different tools to ensure the effectiveness of the Board's decision-making. This includes the Forward Plan, Proformas (which ensure the right decisions are made by the right group), Action Monitors and clear reporting lines between the Sub-Groups and the Board.

To help ensure continuous improvement in governance, the Board undergo an Annual Personal Development Review process which gives Board members the opportunity to reflect

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on personal and collective performance. The outcomes from this process feed into a Governance Improvement Plan which incorporates the Board's learning and development priorities. During 2010/11 the Board undertook training on a range of Issues including Equality & Diversity, the Comprehensive Spending Review, and changes in the operating environment arising from the change of government. Five Board Members completed the University of Derby Certificate of Social Housing Governance and one Board Member completed an Institute of Leadership & Management Certificate for housing organisation Board members in the north-west.

During the year the Board approved the establishment of a Customer Scrutiny Panel (CSP) in line with the co-regulatory framework that has been established by the Tenant Services Authority. A CSP Pilot Group was formed in April 2010 and developed terms of reference and a code of conduct for how the panel would work. The CSP was formed in November 2010 with six customer members and began its first review in December 2010. CSP recommendations will be made to the Performance Sub-Group.

OPERATING AND FINANCIAL REVIEW OF THE YEAR

Stockport Homes has continued to operate efficiently, pro-actively and effectively within the terms of the Management Agreement with Stockport Council. At the forefront of Stockport Homes' financial management is its consistent and dedicated approach to Value for Money. All areas of the business are constantly reviewed via business plans and service reviews to ensure any opportunities for cost reduction and/or income maximisation are achieved. These savings are captured by the organisation's efficiency log. Recent examples include the innovative contractor partnership arrangement for the delivery of the repair services, the approach to procurement initiatives, and the in-sourcing of works to enable maximum efficiencies. The Audit Commission inspection report that assessed Stockport Homes as a 3 Star ALMO in May 2010 for the second time stated that "costs are fully understood, value for money is evidenced and benchmarking identifies areas for improvement".

As a result of this committed approach Stockport Homes has delivered services provided by the Management Fee with optimum efficiency, resulting in a surplus position at the year-end. However the reserves position at the 31 March 2011 is made up of projects that are committed to be spent during the coming financial year, or are ear-marked reserves for planned spend-to-save initiatives which will in turn continue to generate year-on-year efficiencies. Stockport Homes will operate in an increasingly difficult economic environment and will therefore manage its finances during the coming year to prepare for this. In light of the Government's new agenda and drive for efficiencies it is particularly pleasing to note that Stockport Homes are fully championing this ethos whilst continuing to deliver excellent services.

The Management Team continues to manage and scrutinise the organisation's finances with monthly reviews of management accounts, variance analysis and continual forecasting. This allows thorough transparency on monies available and effective decision making in the release of those monies for expenditure within the business. Business planning remains a primary focus for Stockport Homes with the aim to have a comprehensive understanding of the organisation's threats and opportunities going forward. During 2010/11 detailed business plans were produced for Repair 1st, Concierge, and long-term financial viability models are in place for all New Build schemes. This work will be incorporated into an updated organisation-wide Business Plan during 2011/12.

Stockport Homes continued to make the best use of available cash resources by making short-term investments within the Treasury Management Policy parameters during 2010/11. Interest yield however remained relatively low during the period due to the ongoing difficult global economic conditions.

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OPERATIONAL AND PERFORMANCE REVIEW OF THE YEAR

The following section gives an overview of the operational and performance review of the company's business during the financial year. The first area looks at the key performance indicators including targets and outturn for the year. The next area relates to the Capital Investment Programme where Stockport Homes was allocated £105m up to 2010/11 to be used for expenditure related to meeting the Decent Homes Standard. The third area relates to the various accreditations received by the organisation during the year.

1. Scorecard update

At the end of the financial year performance against Stockport Homes' indicators in the Corporate Scorecard was positive, as 83% of the measures (or 34 out of 41) either met or exceeded their targets.

Table One below provides a list of key business indicators and performance against these at the end of 2010-11.

Table One: Performance Indicator	2010-11 target	2010-11 outturn
% of responsive repairs for which an appointment was made and kept	96.5%	96.6%
% urgent repairs completed in government time limits	98.5%	98.6%
Average time for non-urgent repairs	9 days	9 days
% gas services completed	100%	100%
Proportion of rent collected (HouseMark definition)	100.8%	100.27%
Average void cost	£1,800	£1,769
Average responsive repair cost	£77	£76.96
Average time taken to re-let empty properties	19 days	13 days
Customer satisfaction with Repairs	96.25%	96.3%
Customer satisfaction with Investment works	95%	95.1%
Customer satisfaction that Anti Social Behaviour was resolved	93%	94%

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2. Decent Homes Performance to date

Table Two below describes the last four year's performance in meeting the Decent Homes Standard (as per National Indicator 158 methodology).

Table Two:	2007/8	2008/9	2009/10	2010/11
% Properties Decent	75%	83%	95.4%	100%
Number of properties decent	8,648	9,497	10,960	11,469

Following four years of increased expenditure on the housing stock, related to the Decent Homes standard, the completion of the Decent Homes target was successfully achieved in July 2010. Around £150m has been invested in total in the previous four years.

The original planning of these works flowed from significant numbers of feasibility studies, surveys and consultation carried out over the last few years which has brought an enhanced and more detailed understanding of both customer needs and aspirations and the more technical aspects of long term asset management requirements. Over 70% of the work has been directed through the Procure Plus Consortium which has delivered around £10m in efficiency savings over the four year period. The planning window looking forward now extends over a 30 year timeframe and therefore allows much more strategic planning to take place and broader themes and solutions are being put into place.

The capital programme has seen a steady increase in customer satisfaction and also the number of trainee placements and job opportunities. The current satisfaction levels are in excess of 95% and for every £1m of labour spend put through the Procure Plus framework, 2 trainees are recruited. A total of 27 were placed up to March 2011 and the more difficult ex-offender placements are being placed, including the successful permanent employment of two ex-offenders last year within Stockport Homes itself.

3. Awards and Accreditations

During the 2010/11 year Stockport Homes were awarded the following awards and accreditations, which reflect the continual improvement and excellent service delivery that Stockport Homes are proud of:

Audit Commission Inspection

Stockport Homes was re-inspected by the Audit Commission in February 2010, with the result of three stars with excellent prospects for improvement being announced in May 2010, the highest possible rating an organisation can receive. This is the second time that Stockport Homes has been awarded this result, and means that the organisation is just one of a handful that have received three stars on two consecutive occasions.

Highlights from the inspection report include:

- customers have high levels of satisfaction for most services;
- performance is strong (often in the top 25%);
- homes are improved to a high standard, meaning all customers will live in Decent Homes by July 2010;
- services are accessible and provide choices to people in housing need
- new tenancy sign ups are excellent;
- initiatives to prevent homelessness are robust; and
- Anti-Social Behaviour is dealt with effectively and witnesses are supported to make allegations safely.

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TPAS Award

Stockport Homes won the northern region Tenant Participation Advisory Service (TPAS) Award 'Best Practice in Supporting People' for the innovative work of Housing Need and Support Service and Customer Involvement staff working in partnership to develop the H3 group (Helping the Homeless into Housing). The H3 is a constituted group of current and former residents who meet every two months to discuss issues and improvements relating to the three Temporary Accommodation Schemes. The group scrutinizes policies and procedures, identifies gaps in provision and also submits bids for funding to improve services at the schemes. It also looks at areas such as training and fundraising to provide an enhanced service to people who have been homeless.

The Sunday Times Top 100 Public Sector and Best Companies Awards

Stockport Homes has been ranked at 29 out of the UK's Top 100 Public Sector / Third Sector Employers in this prestigious award. The award, from The Sunday Times and Best Companies, lists the Top 100 Best Places to Work in the Public / Third Sector across the UK and surveyed 49,000 employees nationwide.

In addition to its ranking within the Top 100 employers, Best Companies also increased Stockport Homes' star award from 'one to watch' to 'two stars' which equates to a company rating of 'outstanding'. Stockport Homes' position in the list reflects its dedication to making the organisation a place where people want to work. Employees who were surveyed praised the organisation for having a positive, friendly environment where employees feel happy and motivated.

Housing Heroes Awards

The organisation has been shortlisted for two Housing Heroes awards, one relating to the 'Care Support Team' for the Rehousing Services Team and another for 'Inspirational Resident Award' for someone who helped tackle Anti Social Behaviour in their local neighbourhood.

The Rehousing Services Team supports people in housing need in the Borough. The nomination noted how the team of Housing Options Officers and Housing Assistants work closely together, devising rehousing solutions and delivering the Homelessness Strategy. In addition, a case study was provided relating to the Offender Service, which is provided to those in contact with the criminal justice system to have access to housing advice and tailored accommodation plans.

The Resident of the Year award was submitted for a homeowner suffering from Anti-Social Behaviour (ASB) caused by a Stockport Homes tenant. Despite intimidation, the customer maintained her robust stance and started her campaign to improve life on her troubled estate. This resulted in the customer giving evidence at Court and a Closure Order was granted on the property.

Housing Excellence Awards

Stockport Homes were awarded a Housing Excellence Award for the Family Intervention Project which is managed by the Resettlement Team. The main objective of this project was to support families who were known to have high level ASB issues and who were either at risk of losing their properties or who were already at the point of eviction or in temporary accommodation on losing their homes due to ASB issues.

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Customer Service Excellence

In line with Stockport Homes' commitment to delivering a 'customer driven service,' the organisation has undergone a Customer Service Excellence Aware (formerly CharterMark) and has met 100% of the criteria for the fourth time. This is a significant achievement for Stockport Homes, and reflects the high standards of customer care delivered by the organisation and its partners.

Telecare Services Association

Stockport Homes has been re-assessed against the Telecare Services Association (TSA) and retained its Premium Member status for the Carecall service (the community alarm and warden response service). The Code of Practice sets out service standards that are expected of the TSA's members and the service passed the full audit. As with all inspections, services are expected to evidence those high standards year-on-year and Carecall is proud to have demonstrated that the team consistently apply those standards to every customer, all year round.

HouseMark ASB (Anti Social Behaviour) Accreditation

Stockport Homes has been awarded the new ASB accreditation which is the first of its kind and allows landlords to demonstrate to their customers and partners how they are responding to one of tenants' key concerns.

The accreditation process offers an independent assessment of the ASB service, providing a robust and critical challenge to ensure continual improvement.

Disability Symbol

Stockport Jobcentre Plus have awarded the 'Disability Symbol' to Stockport Homes for the fifth year running. Stockport Homes have retained this prestigious award in recognition of its positive work to recruit disabled employees.

The 'two-ticks' award is given to employers who meet five commitments to the recruitment, training, retention, consultation and promotion of disability awareness.

STRATEGIC PRIORITIES 2011-14

Stockport Homes has an embedded continuous improvement framework, including the Service Improvement Plan (SIP), which has been developed over the last few years. It provides a clear plan of activity to ensure sustained improvement across all areas of activity. The six Strategic Priorities 2011-14 are detailed below:

1. **Maximise the use of resources to do more**
2. **Being a sector leader**
3. **Being an employer of choice**
4. **Ensure customers continue to lead, drive and shape service direction**
5. **Effective asset management**
6. **Maximise the contribution to social inclusion**

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DEVELOPMENT ACTIVITY REVIEW OF THE YEAR

Stockport Homes' development activity has continued during 2010/11. During the year Stockport Homes constructed nine new family homes at Marlhill Close in Offerton and a further nine new family homes at Mendip Close in Heaton Norris. All 18 units were constructed to meet level 4 of the Code for Sustainable Homes and as such incorporate renewable technologies such as solar thermal panels and mechanical ventilation with heat recovery.

Grant funding has been secured for a new development of four family houses at Bideford Close in Offerton. Work commenced on site in November 2010 and is due to complete in August 2011. As part of the planning requirements for this site, a nearby obsolete garage site has been landscaped to provide high quality green open space for local residents.

Further Grant funding has been secured for the development of eight new family homes on a former primary school site, Tame Valley, in Brinnington. The units are expected to be completed in early winter 2011 when the new homes will be available to those who meet the eligibility criteria, for sale on a shared ownership basis.

With the benefit of grant funding from the Homes and Communities Agency, Stockport Homes also commenced the acquisition of properties via the Mortgage Rescue programme. Mortgage Rescue is a national scheme aimed at helping people to stay in their homes who have got into difficulty with their mortgage repayments and are in danger of becoming homeless. During 2010/11 Stockport Homes acquired three new properties through the programme. A further 17 properties are expected to be acquired during 2011/12.

The Development Team continues to work up a pipeline of new schemes which will become live as funding becomes available. An "in principle" offer was submitted by Stockport Homes and Stockport Council to the Homes and Communities Agency on 3 May 2011 outlining a potential development programme over the next four years under the new Affordable Homes framework. The Development Team have also, in consultation with customers, Board members, consultants, and staff, completed a "Design Guide" for the development of new housing by Stockport Homes. The Design Guide sets out the organisation's vision and expectations in terms of the design of its new homes.

ENVIRONMENTAL AND SUSTAINABILITY MATTERS

Stockport Homes is committed to creating and maintaining sustainable neighbourhoods. To help the organisation deliver genuinely sustainable communities, close partnership working is required with customers, other agencies and partners. This has led to the delivery of a range of physical and activity based projects. This year funding for the Capital Programme was secured from the former Department for Children, Schools and Families, the Play Builder Programme with Stockport Play Partnership, and the Big Lottery. Also, in partnership with Groundwork, funding was secured from the Youth of Today Reaching Out Fund.

Within Stockport Homes' Management Fee customers have benefited from the annual Estate Improvement budget of £ 400k to support a range of cleaner, greener and safer community projects. Also a £40k Community Fund was made available for customers to access funding to support community projects which genuinely make a difference to the lives of residents. This has included support, fun days, trips, equipment, and materials for local community groups. Customers, including children and young people, are at the forefront in identifying projects and involved in the decision making process as to which projects are implemented and are involved in the design stages of the projects.

Stockport Homes continues to work with Stockport MBC in development of neighbourhood management across Stockport's priority neighbourhoods, taking the lead in chairing both

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Brinnington and Offerton Neighbourhood Management Boards and providing support to the other two areas, Stockport Central and Adswold and Bridgehall. Partnership work continues to be developed and strengthened with existing environmental partnerships, including the Groundwork Trust, NW Liveability Foundation and Keep Britain Tidy.

Stockport Homes prides itself on taking environmental matters seriously. It has a Green Agenda and Green Champions representatives across the organisation to help it focus on energy efficient measures. As part of the organisation's commitment to reduce carbon emissions, a range of projects and activities have taken place. In addition to the work already carried out as part of the Capital Programme, a successful bid for CERT funding (Carbon Emissions Reduction Target) of £597k was secured for the Capital Programme to implement an insulation programme across the Borough. Working in partnership with the Carbon Trust funding has also been secured to carry out a feasibility project to reduce energy consumption within multi storey accommodation.

Stockport Homes successfully secured £750k funding from CESP (Community Energy Saving Programme) and was one of only five bids in Greater Manchester to secure £617k from ERDF (European Regional Development Funds), making Stockport Homes the first organisation in the country to obtain both these funding streams for the purpose of retrofitting domestic properties with renewable technologies. These will be delivered by Stockport Homes within the Capital Programme and will be used to deliver a new biomass district heating system at the Lancashire Hill site, expected to be completed in September 2011.

Stockport Homes is also leading the way in the sector being one of the first ALMO's in the country to install PV (photo-voltaic) panels to the roofs of properties. This will attract a feed-in tariff payment from the government and will also reduce energy bills for customers.

Stockport Homes will continue to work with partners and customers to identify environmental projects and secure funding for the financial year 2011/12.

CAPITAL STRUCTURE AND TREASURY POLICY

To protect Stockport Homes from adverse movements in interest rates Stockport Homes fixes the cost of its borrowing through fixed rate loans. As at 31st March 2011 100% of Stockport Homes' debt is hedged in this way.

All our borrowings and available facility are from Stockport Council through the use of prudential borrowing.

The principal falls due for payment in:

	2011 £000	2010 £000
0-1 year	39	14
1-2 years	40	12
2-5 years	133	41
More than 5 years	1,828	683
Total	2,040	750

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RISK MANAGEMENT

Stockport Homes' Board has overall responsibility to set the strategic direction and values of the organisation and to ensure it's financial stability. Part of this responsibility is to work with the Management Team to identify, control and monitor financial and other risks which affect the organisation. On a day to day basis the responsibility is delegated to the Chief Executive, Directors and the Finance and Audit Sub-Group for the management of risk. A quarterly risk report is presented to the Management Team and the Finance and Audit Sub-Group. To further embed a culture of risk management, and to ensure emerging risks are captured and mitigated throughout the year, a cross-directorate Risk Management Working Group was set up during 2010-11 which meets quarterly to discuss the current business activities and monitors the emerging risk register.

Each year the Board approves the annual risk register which outlines the key risks facing the organisation along with risk control actions to mitigate the risks. A matrix scoring system rates the risks based on the likelihood and impact of the risk before actions are taken and a score is then also applied to the risk after the risk control actions are carried out.

The 2010-11 Risk Register was written in consultation with Directors and Managers. It was approved by Stockport Homes Board in May 2010.

KEY RISKS 2010/11

The 2010/11 Risk Register identified 21 key risks to the organisation of which 16 were classed as medium risk and five as low risk before mitigating actions were applied.

The risks deemed as a medium risk to the organisation were:-

1. Failure to collect water rates in line with agreement with United Utilities.
2. Failure to retain the Supporting People (SP) Carecall contract to its current value and scope.
3. Failure to renegotiate Asylum and Refugee contracts.
4. Loss of SP Resettlement Contracts and SP funding not sufficient to cover increased costs.
5. Failure to maximise income.
6. Risk of contractors / suppliers going into administration.
7. Failure to sell properties within the Shared Ownership new build scheme.
8. Lack of resources to deliver the new build schemes if the Homes and Communities Agency approve too many schemes.
9. Lack of control of new build : Financial viability of schemes / monitoring to include shared ownership.
10. A breach of Health and Safety of Staff.
11. Risk of death if correct and appropriate measure are not taken to prevent fire and the spread of fire.
12. Failure to monitor contractor competency on Health and Safety.
13. Failure to have effective Board members.
14. Failure to retain and develop the right staff.
15. Failure to meet Repair 1st business plan targets and potential subsequent deficits in the trading accounts.
16. Failure to protect long term future of SHL and dissipate success it has achieved.

10 of the 21 risks in the 2010-11 risk register had all of their mitigating actions completed as at the end of 2010-11. The 11 remaining risks have been incorporated into the 2011-12 risk register for further monitoring and updates.

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Further work has been undertaken during the year to further embed a risk culture in the organisation including incorporating risk briefings into the management corporate induction events. A cross directorate risk management working group meets quarterly to discuss emerging risks during the year and escalate any risks which are deemed to be high level.

Stockport Homes has continued to give Risk Management serious focus during the year and have identified the different risks facing the organisation from the changing environment such as Welfare Reform. An internal audit was carried out by Deloitte during the year which came up with no recommendations in this area. The new internal auditors Price Waterhouse Cooper will be linking the internal audit plan more closely with the risk register to further enhance organisational performance in risk management.

STOCKPORT HOMES EMPLOYEES

Stockport Homes is a large sized organisation (establishment of 434.5 full time equivalent posts as at 31 March 2011) which is well established in the local community. Stockport Homes highly value its employees, which is evidenced by the recent achievement in the Sunday Times and Best Companies award, and the IIP (Investors in People) Gold status it currently holds. Stockport Homes' HR Strategy 2009-11 is a framework for applying people management practices to achieve business outcomes. It recognises that employees are the most important assets of an organisation and the way in which they are trained, developed, rewarded and motivated influences how services are delivered. The Strategy determines the kind of employer Stockport Homes aims to be and sets out how this will be achieved. It has six Strategic Themes of Health and Well Being, Pay and Reward, Performance Management, People Management, Staff Involvement and Employee Relations, and Equality and Diversity. Implementation of the Strategy will be achieved through the Action Plan, whose progress is monitored by Stockport Homes Management Team and HR and Governance Sub Group.

Stockport Homes is also committed to ensuring that it provides equal opportunities in employment to existing employees and anyone who applies for a job with the organisation. This makes good business sense and is in line with good practice elsewhere and Stockport Homes is legally required to do so. As such, the following statement has been adopted:

"We reaffirm our opposition to unfair discrimination in recruitment, employment or pay. We will ensure that the selection, training and promotion of employees is based solely on the criteria of merit and ability. No job applicant, employee or ex employee will receive less favourable treatment on the grounds of: race; religion; gender; marital status; sexual orientation; disability; offending past; caring responsibilities; status as a refugee; social class; or age."

The principle behind this statement is intended to cover discrimination in employment occurring on any other unjustified grounds. As such, all job applicants describing themselves as disabled are guaranteed an interview if they meet the essential criteria. Implementing equal opportunities for employees is a continuing process that we keep under constant review. The process involves devising codes of practice; establishing procedures; promoting good practice within the organisation and setting goals to ensure continuing progress.

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DIRECTORS' REPORT (continued)

INTERNAL CONTROLS ASSURANCE

The Board accept their ultimate responsibility for ensuring the company has in place a system of controls that are appropriate to the various business environments in which it operates. The system of internal controls includes financial controls but also includes a comprehensive performance management framework to ensure a high standard of service delivery is maintained. The system of internal control was established with reference to the organisation's Risk Register. The Register identifies priority risks using a recognised risk management framework. In December 2009 the Board approved a three year Risk Management Strategy (2009-11). The aim of the Strategy is to define the structure for monitoring, review and gaining assurance about the management of risk within the organisation. It explains the way in which the Risk Register and evaluation criteria is established and reviewed. The Strategy also shows how risk management will be embedded within the organisation.

In summary the system of internal controls is designed to give reasonable assurance with respect to:

- The reliability of financial and other non-financial performance information used within the Company or for publication;
- The actions taken by the Company to ensure its objectives are met and stated standards of performance are achieved;
- The maintenance of proper accounting records; and
- The safeguarding of assets against unauthorised use or disposition.

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss.

The system of internal control includes the following key elements:

- A risk management framework is in place in which priority risks are reviewed quarterly by the Chief Executive and Directors and reported to Finance and Audit Sub-Group
- Formal policies and procedures are in place for both financial and operational activities. These include Financial Regulations, Staff Scheme of Delegation and Contract Procedure Rules. The Staff Scheme of Delegation sets out clearly the levels of financial approvals across the organisation. This protects against unauthorised use of the Company's assets, as well as aiding effective service delivery.
- Appointment of experienced and suitably qualified staff to take responsibility for important business functions. Annual Performance Development Reviews including training and development needs analysis are well established to maintain standards of performance. Effective recruitment and selection processes are in place to ensure only suitable people are employed.
- Forecasts and budgets are prepared which allow the Board of Directors and management to monitor the key financial risks and objectives and progress towards financial plans for the year and the medium terms. Monthly management accounts are prepared promptly, providing relevant and reliable financial information. The monthly management accounts are considered in detail by Stockport Homes Management Team along with the Corporate Scorecard each month, and include the investigation of any significant variances and any necessary management action to ensure services and programmes are delivered to budget.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Directors/Sub-Groups and the Management Team.

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

DIRECTORS' REPORT (continued)

- The Board of Directors receives the annual external auditors report. The Board is offered the opportunity to meet with the external auditors without officers present to allow them to raise any concerns directly.
- A full range of insurance is in place to safeguard assets.
- A detailed Strategy and Policy Register is in place with separate procedures where required to ensure that strategies and policies are regularly reviewed, approved and remain operational.
- There is an internal audit programme in place based on assessment of risks. This programme is agreed by the Finance and Audit Sub-Group and the Stockport Homes Management Team. The relevant service manager will write the management response and, where appropriate, give a date to complete the required action. All reports and resulting action plans are presented to the Stockport Homes Management Team and the Finance and Audit Sub-Group for scrutiny and monitoring on a regular basis.

During 2010-11 six internal audits were conducted on the following areas:

- Concierge ASB responses
- Estate Management
- Responsive Repairs
- Cash and Banking
- Equality and Diversity
- Risk Management

The Cash and Banking internal audit looked at procedures relating to cash and banking, petty cash and treasury management, testing that cash was held safely and securely and that transactions are bona-fide. There were seven recommendations which arose from this audit. There was only one recommendation arising from the Risk Management audit which was in relation to ensuring that the Board Scheme of Delegation is annually updated rather than as and when changes occur – there were no recommendations relating specifically to risk management, evidencing the organisation's comprehensive framework already in place.

Over the six audits there were 24 recommendations made, these included:

- No Priority 1 recommendations,
- Nineteen Priority 2 recommendations, and
- Five Priority 3 recommendations.

During 2010-11, the Internal Audit contract was re-procured and from April 2011, PriceWaterhouseCoopers (PwC) have been appointed as Stockport Homes' new internal auditor. A joint re-procurement exercise took place, alongside Rochdale Boroughwide Housing and First Choice Homes Oldham. A framework agreement was chosen to be the best approach. The Invitation to Tender was advertised through Chest, a web-based e-procurement portal. This approach ensured OJEU (Official Journal of the European Union) requirements were adhered to. Five companies were selected to be part of the framework agreement, with PwC best meeting Stockport Homes' criteria.

It should be noted that during the year reviews of internal controls are undertaken via the internal audit programme and management review. During 2010/11 the Contract Procedure Rules were updated and approved by the Board.

No weaknesses were found in the internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report of the financial statements. The Board of Directors is of the opinion that the Company has suitable internal controls for maintaining adequate accounting records, safeguarding the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

STOCKPORT HOMES LTD
Directors' Report and financial Statements
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DIRECTORS' REPORT (continued)

INVESTMENT FOR THE FUTURE

A range of strategies have been implemented to help the organisation focus on the continuous improvement and value for money of the services provided. These include:

- staff trained in quality methodologies, tools and techniques
- a comprehensive approach to service assessment and improvement
- a range of resident involvement options to engage with customers
- investment and training in Information Technology
- investment and training in staff development

Stockport Homes plan to borrow a further £3.8m for the acquisition and development of new homes in the next two years. The organisation is working closely with SMBC to maximise further developments where possible. These developments are subject to the allocation of grant by the Homes and Communities Agency.

GOING CONCERN

At its meeting on 19 September 2011 the Board of Stockport Homes Ltd approved the statement that in their opinion, Stockport Homes Ltd has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements. This was based on the contract in place with SMBC to pay Management Fees in return for delivery of housing management and maintenance services, as prescribed in the Management Agreement. The Directors confirm that the Management Agreement for providing Housing Services was renewed in October 2009 and expires in October 2015.

The financial statements have been prepared on a going concern basis. The Company's Balance Sheet shows a net asset which includes pension liabilities or assets required under FRS 17. SMBC provides indemnity covering the value of any liabilities that would have been incurred under this scheme. For 2010/11 the pension funds were valued at a liability value of £1.172m as at 31 March 2011 (liability of £10.711m as at 31 March 2010). The position this year is better than it was last year, principally due to future pension increases and liabilities now being linked to the CPI rate of interest and not RPI.

APPOINTMENT OF AUDITORS

By an elective resolution of the company, PKF (UK) LLP, Registered Auditors, are deemed re-appointed as auditors for the succeeding year.

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

DIRECTORS' REPORT (continued)

INFORMATION GIVEN TO AUDITORS

So far as each of the Directors are aware at the time the report is approved:

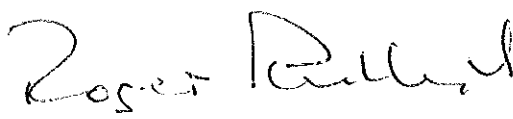
- There is no relevant audit information of which the company's auditors are unaware, and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board on 19 September 2011

STATEMENT OF COMPLIANCE

The Board has endeavoured to follow the principles as detailed in the revised 2008 SORP in the production of its Operating and Financial Review. The Board is of the opinion that the Operating and Financial Review meets the requirement of Reporting Standard 1: Operating and Financial Review.

Roger Phillips
Chair


19.9.2011

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law and law applicable to registered social housing providers in England require the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Housing SORP;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Housing and Regeneration Act 2008. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF STOCKPORT HOMES LIMITED

We have audited the financial statements of Stockport Homes Limited ("the Company") for the year ended 31 March 2011 which comprise the income and expenditure account, the statement of total recognised surpluses and deficits, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to Stockport Homes Limited in accordance with section 137(1) of the Housing and Regeneration Act 2008 and to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company and the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2011 and of the income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and in accordance with the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors, for the financial year for which the financial statements are prepared is consistent with the financial statements.

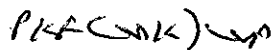
STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF STOCKPORT HOMES LIMITED (continued...)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 or the Housing and Regeneration Act 2008 require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Brian Ricketts (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
Liverpool, UK

Dated: 29 September 2011

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £'000s	2010 £'000s
Turnover	2	30,003	28,917
Operating costs		(28,964)	(28,059)
Past service gain on pension assets	7	3,199	-
Operating surplus	4	4,238	858
Interest receivable and similar income		36	23
Net interest (deficit) on pension	7	(170)	(221)
Interest payable and similar charges	5	(53)	(6)
Surplus on ordinary activities before taxation		4,051	654
Tax on surplus on ordinary activities	6	(7)	(5)
Surplus on ordinary activities after taxation		4,044	649
Transfer to/from resources		-	-
Retained surplus for the year		4,044	649

All amounts relate to continuing activities.

STOCKPORT HOMES LTD
Directors' Report and financial Statements
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**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011 £'000s	2010 £'000s
Reported surplus/(deficit) for the year		4,044	649
Actuarial gain/(loss) in pension plan	7	6,867	(8,703)
Total recognised surplus/(deficits) for the financial period		<u>10,911</u>	<u>(8,054)</u>

All recognised gains and losses have been included in the above statement.

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

BALANCE SHEET
AT 31 MARCH 2011
Company Number 04521257

	Notes	2011 £'000s	2010 £'000s
Fixed assets			
Housing Property			
Cost less Depreciation	8	4,444	2,267
Less Social Housing Grant	8	(2,342)	(1,135)
Other tangible assets	8	15	32
		<u>2,117</u>	<u>1,164</u>
Current assets			
Stock and Work in Progress	9	156	113
Debtors	10	2,026	4,356
Cash at bank and in hand		4,269	3,988
		<u>6,451</u>	<u>8,457</u>
Creditors amounts falling due within one year	11	(3,860)	(7,536)
Net current assets		<u>2,591</u>	<u>921</u>
Total assets less current liabilities		<u>4,708</u>	<u>2,085</u>
Creditors amounts falling due after one year	12	(2,001)	(750)
Net assets before pension liability		<u>2,707</u>	<u>1,335</u>
Provisions for liabilities			
Pension liability	7	(1,172)	(10,711)
Total Assets		<u>1,535</u>	<u>(9,376)</u>
Capital and Reserves			
Revenue reserve	15	1,535	(9,376)
Total funds	15	<u>1,535</u>	<u>(9,376)</u>

These financial statements were approved and authorised for issue by the Board of Directors on 19 September 2011

Signed on behalf of the Board of Directors



Roger Phillips
Chair

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	2011 £'000s	2010 £'000s
Reconciliation of operating surplus to net cash inflow from operating activities		
Operating surplus	4,238	858
FRS17 net deficit	357	(302)
Depreciation	43	16
FRS 17 past service gain	(3,199)	-
Movement in stocks	(43)	(52)
Movement in debtors	2,330	(1,741)
Movement in creditors	(2,425)	3,919
Net cash inflow from operating activities	1,301	2,698
 Cash flow statement		
Net cash inflow from operating activities	1,301	2,698
Return on investments and servicing of finance (note 1)	(17)	17
Capital expenditure (note 2)	(996)	(868)
Taxation (note 3)	(7)	(21)
Increase in cash	281	1,826
 Reconciliation of net cash flow to movement in net funds (note 4)		
Increase in the year	281	1,826
Net funds at 31 March 2010	3,988	2,162
Net funds at 31 March 2011	4,269	3,988

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	2011		2010	
	£'000s	£'000s	£'000s	£'000s
NOTE 1 TO				
CASH FLOW STATEMENT				
Gross cash flows				
Returns on investments and servicing of finance				
Interest received	36		23	
Interest paid	(53)		(6)	
	<u> </u>	<u>(17)</u>	<u> </u>	<u>17</u>
 NOTE 2 TO				
CASH FLOW STATEMENT				
Capital expenditure	996		854	
Payments to acquire fixed assets	-		14	
	<u> </u>	<u>996</u>		<u>868</u>
 NOTE 3 TO				
CASH FLOW STATEMENT				
Taxation paid	(7)		21	
	<u> </u>	<u>(7)</u>	<u> </u>	<u>21</u>
 NOTE 4 TO				
CASH FLOW STATEMENT				
Cash in hand and at bank	At 31.3.10 £'000s 3,988	Cash Flows £'000s 281	At 31.3.11 £'000s 4,269	
Bank overdraft	-	-	-	
Total	<u>3,988</u>	<u>281</u>	<u>4,269</u>	

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

1 Principal accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current accounting period.

Accounting Policy – Basis of Accounting

The financial statements have been prepared in accordance with applicable Accounting Standards and Statements Of Recommended Practice. The accounts comply with the Housing and Regeneration Act 2008, the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement Of Recommended Practice published by the National Housing Federation in March 1999 and updated in 2010.

Going concern

The financial statements have been prepared on a going concern basis. The Company's Balance Sheet shows a net asset of £1.535m. This includes the deficit on pensions under FRS17 of £1.172m. Stockport Council have confirmed the indemnity of the pension liability if required. Net current assets before FRS17 are £2.590m. The Directors can confirm that the management agreement for providing housing services was renewed in October 2009 until October 2015.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Tangible Fixed Assets

Housing properties are principally properties available for rent and are stated at cost. Any additions include the cost of acquiring land and buildings, development costs and expenditure incurred in respect of enhancements to existing properties.

Other fixed assets are included in the Balance Sheet at historical cost, less depreciation where appropriate. A de minimus value of £5,000 applies to individual items. Depreciation is provided at a rate calculated to write off the cost of fixed assets, less their estimated residual value over their estimated useful lives on the following basis:

- Computer Equipment 33.33% Straight Line

Housing Properties for Rent – Fixed Asset Capitalisation and Depreciation

Housing properties for rent are stated at cost less accumulated depreciation and related social housing grant. Houses are transferred to completed properties when they have reached practical completion.

Where a housing property comprises two or more major components with substantially different useful economic lives, each component is be accounted for separately and depreciated over its individual useful economic life. Expenditure

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011
Continued...

relating to the subsequent replacement or renewal of components is capitalised as incurred.

Depreciation is charged on a straight-line basis after taking into account Social Housing Grant over the asset's expected economic useful life as shown below:

New build housing structure (including on-costs)	100	Years
Other housing structure	50	Years
Boundary walls & car hard-standings	50	Years
Roofs	70	Years
Windows	30	Years
Electrical	30	Years
Bathrooms	30	Years
Structural cladding	25	Years
Front Doors	25	Years
Back Doors	30	Years
Boilers	20	Years
Heating systems	30	Years
Kitchens	20	Years
Canopy Roofs	20	Years
Gutters / Fascia / Waste Stack / Downpipes	20	Years
Gates / Fences	25	Years
Consumer Units	30	Years
Smoke Detectors / Carbon Monoxide Detectors/Extractors	10	Years

Housing properties under construction

New Build schemes under construction are stated at cost and are not depreciated. Assets under construction have been partly funded by Social Housing Grant. The excess of grant over expenditure is held as grants in advance in other creditors until the expenditure is incurred.

Capitalisation of directly attributable costs

Salary and other costs directly attributable to development costs are capitalised and apportioned on the basis of works costs.

True and Fair Override

Capital grant income received as a contribution towards capital cost of fixed assets is deducted from the fixed asset cost in accordance with the statement of Standard Accounting Practice (SSAP4). This treatment is contrary to the Regulations under the Companies Act 2006 which states fixed assets should be stated at purchase price, or valuation, less any provision for depreciation or diminution in value. The purpose of the capital grants is to subsidise the cost of the social housing and the income from properties is a function of net cost. Accordingly the Board considers it necessary to adopt the treatment set out in SSAP4 in order to give a true and fair view of the financial position of the company.

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011
Continued

Grants

Revenue grants are credited to the income and expenditure account as the related expenditure is incurred. Where grant is received as a contribution towards the capital cost of fixed assets it is deducted from the fixed asset cost.

Investments

Short-term cash investments are in line with the treasury management policy. Future investments to be held as fixed assets are stated at cost less provision for any impairment.

VAT Accounting Policy

The majority of the Stockport Homes turnover is exempt from VAT, however the VAT incurred on the new build construction on-costs and maintenance is non-reclaimable and so Stockport Homes is only able to recover part of the VAT incurred in expenditure. Any VAT payable that cannot be recovered is included in costs or assets as appropriate.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work In Progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity, based on a schedule of rates. Provision is made for any foreseeable losses where appropriate.

Operating leases

Operating lease rentals are charged direct to the income and expenditure account in equal amounts over the lease term. The value of leased assets is not reflected in the Balance Sheet.

Pension costs

The Company participates in the Greater Manchester Pension Fund. The scheme is a final salary pension scheme and retirement benefits to the employees of the Company are funded by contributions from all employers and employees in the scheme.

Payments are made to a fund operated by Tameside Metropolitan Borough Council. These payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable to the various participating organisations. All costs, liabilities, assets and investment returns are accounted for in accordance with FRS 17.

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011
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Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or reversed) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2 Turnover

Stockport Homes Ltd's principal source of income (75% of turnover) is the management fee, paid by Stockport Metropolitan Borough Council, for managing and maintaining the Council's housing stock. It receives other income in addition to the management fee, as detailed below:

Note A

	Turnover £000's	2010/11 Operating Costs £000's	Operating Surplus £000's	Turnover £000's	2009/10 Operating Costs £000's	Operating Surplus £000's
Social Housing Lettings (Note B)	99	95	4	13	17	(4)
	99	95	4	13	17	(4)
Other Social Housing Activities						
Management Fee from Stockport MBC	22,601	21,796	805	22,257	21,500	757
Income from customers and miscellaneous	4,211	4,091	120	2,587	2,587	-
Supporting People grants	1,385	1,385	-	1,408	1,408	-
Charges to Capital Programme	1,068	1,068	-	2,191	2,191	-
Water Initiative	639	529	110	461	356	105
Pension Gain	-	(3,199)	3,199	-	-	-
Sub Total	29,904	25,670	4,234	28,904	28,042	862
Total	30,003	25,765	4,238	28,917	28,059	858

STOCKPORT HOMES LTD
Directors' Report and financial Statements
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011
Continued...

Note B

	2010/11 General Needs Housing £000's	2009/10 General Needs Housing £000's
Income		
Rent Receivable	70	13
Service Charges	1	-
New Build Grant	28	-
Turnover from social housing	99	13
Expenditure		
Management	6	1
Maintenance	3	1
Depreciation	26	6
Interest on borrowing	53	6
Other	7	3
Total Expenditure	95	17
Operating surplus/(deficit)	4	(4)

STOCKPORT HOMES LTD
Directors' Report and financial Statements
31st March 2011

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011
Continued...

3 Information regarding Directors and employees

Directors' emoluments

The Directors are defined as being the members of Stockport Homes Ltd's Board. None of the Directors received any emoluments but were entitled to reimbursement of incidental expenses incurred when attending Board meetings and other formal events in their capacity as Board members. These expenses totalled £4,704 in the year to 31 March 2011 (£2,830 in the twelve months to 31 March 2010).

Executive Officers' emoluments

There are five permanent Executive Officers. Executive Officers comprise the Chief Executive and those Executive Officers listed at page two.

	2011 £'000s	2010 £'000s
Aggregate emoluments - Executive Officers	418	425
Aggregate Pension Contributions - Executive Officers	61	55
	<u>479</u>	<u>480</u>
Emoluments Paid to the Highest Paid Executive Officer	123	115
Pension contributions – Highest Paid Executive Officer	<u>18</u>	<u>16</u>

The Chief Executive is the highest paid Executive Officer and is an ordinary member of the Greater Manchester Pension Fund.

Average number of persons employed	2011	2010
Operations	223	213
Repairs and Maintenance	81	64
Administration	82	86
	<u>386</u>	<u>363</u>

Staff costs during the period (including Directors)	2011 £'000s	2010 £'000s
Wages and salaries	9,516	9,012
Social security costs	701	661
Pension costs	1,548	778
Post Service Credit (note 7)	<u>(3,199)</u>	<u>-</u>
	<u>8,566</u>	<u>10,451</u>

4 Operating surplus

	2011 £'000s	2010 £'000s
The operating surplus is after charging:		
Depreciation	43	16
Rentals under operating leases	738	689
Auditors' remuneration - audit	12	11
- non-audit services	<u>2</u>	<u>1</u>

STOCKPORT HOMES LTD
Directors' Report and financial Statements
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NOTES TO THE FINANCIAL STATEMENTS
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5 Interest payable and receivable

Interest of £53k on the borrowing for the New Build completed schemes was payable during the year to 31 March 2011 (£6k during the financial year to 31 March 2010). Interest due on Treasury activities during the year 31 March 2011 was £36k (£23k during the financial year to 31 March 2010).

6 Tax on surplus/(deficit) on ordinary activities

	2011 £'000s	2010 £'000s
United Kingdom corporation tax	<u>7</u>	<u>5</u>
Factors affecting tax charge for year		
Surplus on ordinary activities before tax	<u>4,051</u>	<u>654</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% adjusted for small companies marginal relief	1,134	183
Effects of:		
Non taxable income and deductions	<u>(1,127)</u>	<u>(178)</u>
	<u>7</u>	<u>5</u>

7 Pensions

The Company joined the Greater Manchester Pension Fund, administered by Tameside Metropolitan Borough Council, on 1 October 2005 with its employees transferring from Stockport Metropolitan Borough Council.

The latest formal valuation of the Fund was as at 31 March 2010. Results from this valuation have been rolled forward to 31 March 2011 using approximate methods. The roll-forward allows for:

- Changes in financial assumptions
- Additional benefit accrual
- Estimated cash flows over the period, and
- Membership information.

A summary of the data used for valuation is as follows:

- Individual membership data submitted as at 31 March 2010
- Individual pensioner data in respect of LGPS unfunded pensions
- Latest numbers of employees, deferred pensioners and pensioners
- Estimated employer and employee contributions up to the latest available date
- Actual split of Fund assets as at the latest available date
- Actual Fund returns provided up to the latest available date
- The mid-market value of Fund assets as at the latest available date, and
- Any new early retirements from 1 April 2010 to the latest available date on unreduced pensions which are not anticipated in the normal employment service cost

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The financial assumptions used for the purpose of the FRS17 calculations are as follows:

Year Ended:	31 Mar 2011 % p.a.	31 Mar 2010 % p.a.
Pension Increase Rate	2.8%	3.8%
Salary Increase Rate*	4.3%	5.3%
Expected Return on Assets	6.6%	6.9%
Discount Rate	5.5%	5.5%

*the salary increase assumption for 31 March 2011 is 1.0% p.a. for the first 2 years, moving to 4.30%p.a. from year 3

The assets in the scheme and the expected rate of return were:

Year Ended:	31 Mar 2011 % p.a.	31 Mar 2010 % p.a.
Equities	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%

Mortality assumptions - life expectancy is based on the Fund's VitaCurves with improvements in line with the Medium Cohort and a 1% p.a. underpin from 2010. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Year Ended:	Males	Females
Current Pensioners	20.1 years	22.9 years
Future Pensioners*	22.5 years	25.0 years

* Future pensioners are assumed to be currently aged 45

Historic mortality:

Year Ended:	Prospective Pensioners	Pensioners
31 March 2010	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007
31 March 2009	Calendar year 2033	Calendar year 2017
31 March 2008	Calendar year 2033	Calendar year 2017
31 March 2007	Calendar year 2017	Calendar year 2004

The fair value of employer assets were:

Year Ended:	31 Mar 2011 £(000)	31 Mar 2010 % p.a.
Equities	15,651	13,652
Bonds	4,031	3,260
Property	1,186	1,223
Cash	2,846	2,241
Total	23,714	20,376

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The above asset values as at 31 March 2011 are at bid value as required under FRS17. No details have been provided to the pension fund in respect of the difference between mid market and bid value of assets for the Fund as a whole by the Administering Authority. Accordingly, the bid value of assets has been estimated by applying an adjustment of - 0.3% to the Employer's mid market value asset share as at 31 March 2011.

The amounts recognised in the balance sheet are as follows:

Year Ended:	31 Mar 2011 £(000)	31 Mar 2010 £(000)
Fair Value of Employer Assets	23,714	20,376
Present Value of Funded Liabilities	(24,886)	(31,087)
Net (Under)/Overfunding in Funded Plans	(1,172)	(10,711)
Present Value of Unfunded Liabilities	-	-
Unrecognised Past Service Cost	-	-
Net (Liability) / Asset	(1,172)	(10,711)
Amount in the Balance Sheet		
Liabilities	1,172	10,711
Assets		
Net (Liability) / Asset	(1,172)	(10,711)

The amounts recognised in the profit or loss are as follows:

Year Ended:	31 Mar 2011 £(000)	31 Mar 2011 % of pay	31 Mar 2010 £(000)	31 Mar 2010 % of pay
Current Service Cost	1,539	19.1%	761	9.8%
Interest Cost	1,612	20.0%	1,137	14.6%
Expected Return on Employer Assets	(1,442)	(17.9%)	(916)	(11.8%)
Past Service Cost / (Gain)	(3,199)	(39.7%)	-	-
Losses / (Gains) on Curtailments & Settlements	-	-	-	-
Total	(1,490)	(18.5%)	982	12.6%
Actual Return on Plan Assets	1,403		5,209	

Changes in the present value of the defined benefit obligation are as follows:

Year Ended:	31 Mar 2011 £(000)	31 Mar 2010 £(000)
Opening Defined Benefit Obligation	31,087	16,011
Current Service Cost	1,539	761
Interest Cost	1,612	1,137
Contributions by Members	526	490
Actuarial Losses/(Gains)	(6,065)	12,991
Past Service Costs / (Gains)	(3,199)	-
Losses / (Gains) on Curtailments	-	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(614)	(303)
Closing Defined Benefit Obligation	24,886	31,087

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Changes in the fair value of plan assets are as follows:

Year Ended:	31 Mar 2011	31 Mar 2010
	£(000)	£(000)
Opening Fair Value of Employer Assets	20,376	13,922
Expected Return on Assets	1,442	916
Contributions by Members	526	490
Contribution by the Employer	1,182	1,063
Contributions in respect of Unfunded Benefits	-	-
Actuarial Gains/(Losses)	802	4,288
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Unfunded Benefits Paid	-	-
Benefits Paid	(614)	(303)
Closing Fair Value of Employer Assets	23,714	20,376

The major categories of plan assets as a percentage of total plan assets:

Year Ended:	31 Mar 2011	31 Mar 2010
Equities	66%	67%
Bonds	17%	16%
Property	5%	6%
Cash	12%	11%

Amounts for the current and previous accounting periods:

Year Ended:	31 Mar 2011	31 Mar 2010
	£(000)	£(000)
Fair Value of Employer Assets	23,714	20,376
Present Value of Defined Benefit Obligation	(24,886)	(31,087)
(Deficit) / Surplus	(1,172)	(10,711)
Experience Gains / (Losses) on Assets	802	4,288
Experience Gains / (Losses) on Liabilities	697	-

Amounts for the current and previous accounting periods:

Year Ended:	31 Mar 2009	31 Mar 2008	31 Mar 2007
	£(000)	£(000)	£(000)
Fair Value of Employer Assets	13,922	15,677	12,559
Present Value of Defined Benefit Obligation	(16,011)	(15,658)	(14,448)
(Deficit) / Surplus	(2,089)	19	(1,889)
Experience Gains / (Losses) on Assets	(3,899)	1,508	74
Experience Gains / (Losses) on Liabilities	-	(3,445)	-

The amount recognised in the Statement of Total Recognised Gains and Losses is a gain of £6.867m (2010: loss £8.703m).

The best estimate for employers contributions for the year to 31 March 2012 is approximately £1,245,000.

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8 Tangible Fixed Assets

Cost	Completed Housing Properties For Rent £000	Housing under Construction		Computer assets £000	Total £000
		For Rent £000	For shared ownership £000		
At 1 April 2010	2,036	237	-	52	2,325
Additions	332	1,861	10	-	2,203
At 31 March 2011	2,368	2,098	10	52	4,528
Depreciation					
At 1 April 2010	6	-	-	20	26
Charge for year	26	-	-	17	43
At 31 March 2011	32	-	-	37	69
Cost less Depreciation					
At 31 March 2011	2,336	2,098	10	15	4,459
At 31 March 2010	2,030	237	-	32	2,299
Social Housing Grant					
At 1 April 2010	1,020	115	-	-	1,135
Additions	176	1,028	3	-	1,207
At 31 March 2011	1,196	1,143	3	-	2,342
Net Book Value					
At 31 March 2011	1,140	995	7	15	2,117
At 31 March 2010	1,010	122	-	32	1,164

Social housing grant received for capital projects to date is shown above and includes grant from the Homes and Communities Agency.

The breakdown of expenditure on works to existing properties is as follows:-

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	2011	2010
Expenditure on works to existing properties	£000	£000
Amount capitalised	2,203	1,881
Amount charged to income and expenditure account for maintenance	3	1
	<u>2,206</u>	<u>1,882</u>
Land owned		
Stockport Homes owned freehold and leasehold land as at 31 March 2011 which was transferred from Stockport Council to Stockport Homes at nil consideration.		
9 <u>Stock and Work in Progress</u>	2011 £'000s	2010 £'000s
Raw materials and consumables	156	113
10 <u>Debtors</u>	2011 £'000s	2010 £'000s
Due from Stockport MBC and its subsidiaries	1,027	3,738
Trade debtors	241	165
Other debtors	292	142
Prepayments and accrued income	466	311
	<u>2,026</u>	<u>4,356</u>
11 <u>Creditors:</u> amounts falling due within one year	2011 £'000s	2010 £'000s
Due to Stockport MBC and its subsidiaries	508	1,081
Trade creditors	1,477	909
Corporation tax	7	5
Other taxation and social security	245	231
Other creditors	761	1,991
Accruals and deferred income	862	3,319
	<u>3,860</u>	<u>7,536</u>
12 <u>Creditors:</u> amounts falling due after one year	2011 £'000s	2010 £'000s
Housing Loans (due to Stockport MBC)	2,001	750
	<u>2,001</u>	<u>750</u>
	2011 £'000s	2010 £'000s
Repayments are due as follows:		
In 1 to 5 years	173	67
In 5 years or more	1,828	683

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The housing loans are currently on fixed rates of interest; Lantern Close 4.80%, Mendip Close 5.37% and Marlhill Close 4.02%. Stockport Homes has £183,119 of loans to draw down from Stockport Metropolitan Borough Council in relation to 3 properties purchased under the mortgage rescue scheme prior to 31 March 2011. This is expected to be drawn down in 2011/12.

13 SHG Received and Receivable as at 31st March 2011

SHG received into the bank as at 31st March 2011 is £2,389,715 relating to completed assets and assets under construction. There is a further £213,394 which is receivable at that date in relation to works carried out within the financial year.

14 Reconciliation of Housing Properties Managed

	<u>Owned and managed by Stockport Homes</u>		<u>Managed on behalf of Stockport Council</u>
	Completed	Assets Under Construction	
Number of Dwellings Properties as at 1st April 2010	17	18	11,483
Sales via Right To Buy			(14)
Acquisitions of Properties	3		
New Schemes Commenced		12	
Number of Dwellings Properties as at 31st March 2011	20	30	11,469

15 Reconciliation of movement in reserves

	Revenue Reserve 2011 £'000s	Revenue Reserve 2010 £'000s
Operating surplus (after taxation) for the financial period	4,044	649
Actuarial gains/losses in pension plan in Statement of Total Recognised Surpluses and Deficits (see Note 7)	6,867	(8,703)
Net addition to/(deduction) from revenue reserve	10,911	(8,054)
Opening value of reserves	(9,376)	(1,322)
Closing value of reserves	1,535	(9,376)

16 Commitments

At 31 March 2011 the company was committed to making the following payments during the next year, in respect of non-cancellable operating leases:

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	2011 £'000s	2010 £'000s
Motor Vehicles:		
Leases which expire:		
Within one year	34	57
Within two to five years	<u>300</u>	<u>345</u>

Commitments continued...

	2011 £'000s	2010 £'000s
Land & Buildings:		
Leases which expire:		
Within one year	-	-
Within two to five years	284	290
After more than five years	<u>-</u>	<u>-</u>

There were no capital commitments at the year end.

17 Parent undertaking

The company is a local authority controlled company within the meaning of Part V of the Local Government and Housing Act 1989, being a company under the control of Stockport Metropolitan Borough Council. Copies of the financial statements for Stockport Homes Ltd can be obtained from Finance, Stockport Homes Ltd, 1 St. Peter's Square, Stockport, SK1 1NZ.

The Directors consider that, by virtue of the management agreement between the two organisations, Stockport Metropolitan Borough Council is the ultimate controlling party.

18 Related party transactions

During the year Stockport Homes Ltd received income from Stockport Metropolitan Borough Council, its parent company, and paid for services provided by Stockport Metropolitan Borough Council. Stockport Homes also borrowed from Stockport Metropolitan Borough Council £1.306m for the organisation's New Build schemes. During the year Stockport Homes Ltd also paid for services provided by Solutions SK Ltd, a wholly owned subsidiary of Stockport Metropolitan Borough Council formed on 1st October 2006, and NPS Stockport Ltd, in which Stockport Metropolitan Borough Council acquired a 20% holding on transfer of activities to this organisation part way through the year.

In 2010/11 the management fee and other charges to the Council amounted to £26.275m (£25.950m as at 31st March 2010). Outstanding balances at the year end amounted to £1.027m (£3.738m as at 31st March 2010).

During the financial period ended 31st March 2011, Stockport Metropolitan Borough Council charged Stockport Homes Ltd £3.814m for the provision of support services (£4.206m to 31st March 2010). Outstanding balances at the year end amounted to £354k (£866k as at 31st March 2010). There were also £2.040m of housing loan balances outstanding.

In 2010/11 Solutions SK Ltd and its subsidiary Waste Solutions SK Limited charged Stockport Homes Ltd £953k for the provision of services related to repairs, maintenance

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and fleet services (£901k to 31st March 2010). Outstanding balances at the year end amounted to £115k (£215k as at 31 March 2010). NPS Stockport Ltd charged Stockport Homes Ltd £364k for the provision of services related to repairs, maintenance and management services (£464k for the year ended 31st March 2010). Outstanding balances at the year end amounted to £34k (£15k as at 31st March 2010).

Stockport Homes Ltd's bank balances are held by the same bankers as those of Stockport Metropolitan Borough Council, however the Council does not have control of the bank balances of Stockport Homes Ltd.

Five of the Board members at any time are also tenants. During the financial year to 31 March 2011, the tenants acting as Board members for the full financial year were Mrs Maureen Rowles, Mrs Barbara King and Mr. Peter Fury; Ms AE Todhunter served until 20 September 2010. Mr David Kirwan served until 20 September 2010 and subsequently as a co-opted member. Mrs. Jane Clayton and Mr. Colin Lennard served from 20 September 2010. These tenants have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefit as other tenants. There are no significant rental arrears to report in relation to these tenants as at the year end.