

NOTTINGHAM CITY HOMES LIMITED
GROUP BOARD MEETING



Date: 1 February 2024

Time: 5.30pm

Place: Training Station, Harvey Road, Bilborough, NG8 3BB

Directors of the Board are requested to attend the above meeting on the date and at the time and place stated to transact the following business:

A handwritten signature in black ink, appearing to read "George Pashley".

George Pashley
Head of Governance and Compliance

AGENDA

1	INTRODUCTORY ITEMS	Time
1.1	WELCOME	
1.2	APOLOGIES FOR ABSENCE	5.30
1.3	DECLARATION OF INTERESTS	
1.4	ITEMS FROM THE CHAIR	
1.5	MINUTES OF THE MEETING HELD ON 4 DECEMBER 2023	5.35
1.6	MATTERS ARISING	
2	ITEMS FOR DISCUSSION AND DECISION	
2.1	GOVERNANCE REPORT Head of Governance and Compliance	5.40
2.2	QUARTERLY PERFORMANCE MONITORING REPORT Executive Assistant	5.55
2.3	QUARTERLY FINANCE MONITORING REPORT Assistant Director of Finance	6.10
2.4	BUSINESS PLAN NCH Management Group	6.25
2.5	SERVICE CONTRACT NCH Management Group	6.45
2.6	RENT REVIEW AND OPTIONS FOR 120 AFFORDABLE NCH HOMES Executive Assistant/Company Solicitor	7.00

3 CONFIDENTIAL ITEMS

3.1 CONFIDENTIAL MINUTES OF THE MEETING HELD ON 4
DECEMBER 2023

3.2 HAND ARM VIBRATION SYNDROME RISK 7.15
Head of Governance and Compliance

4 CLOSING ITEMS

4.1 ANY OTHER BUSINESS

4.2 DATE OF NEXT MEETING – 27 JUNE 2024

Members wishing to raise matters under Any Other Business should note that items will only be accepted if referred to and agreed by the Chair of the Board prior to commencement of the Meeting. Members wishing to submit their apologies should do so by contacting boardmeetings@nottinghamcityhomes.org.uk This agenda was issued by SharePoint on

Distribution List:

All Group Board Members:

Kevin Lowry

NCC Shareholder Representative

Report Authors; Mark Lawson, Mona Sachdeva, George Pashley, Andrew Berry, Tracy Martin, Tim Shirley

* Members of the public wishing to attend this meeting should email boardmeetings@nottinghamcityhomes.org.uk for joining details

ITEM: 1.5

NOTTINGHAM CITY HOMES LIMITED

THE GROUP BOARD

MINUTES of the MEETING held on 4 DECEMBER 2023

Board Members

Madeleine Forster (Chair)
Vicky Evans (VE)
Mark Martin (MM)
Monni Ryatt (MR)
Kieran Timmins (KT)
Sam Webster (SW)

Also in Attendance:

Neil McArthur (NM)

Mark Lawson (ML)
Tracy Martin (TM)
George Pashley (GP)
Mona Sachdeva (MS)
Tim Shirley (TS)

Head of Companies and Commercial Oversight (NCC Shareholder representative)
Executive Assistant
Group Accountant
Head of Governance and Compliance
Company Solicitor
Head of Commercial Property & Contract Management

1 WELCOME, INTRODUCTIONS & CHAIR'S ANNOUNCEMENTS

1.1 The Chair extended a warm welcome to attendees. She informed the meeting that she had been unable to appoint to the Chief Operating Officer position and would look at this again in the New Year. However, it might be possible to bring someone in to provide support with the Business Planning process.

1.2 The Chair had also met with Sajeeda Rose and Kevin Lowry to discuss the implications of the Section 114 Notice issued last week on the Company and would invite NM to provide a further update to the Board at the meeting.

2 APOLOGIES FOR ABSENCE

2.1 None.

3 DECLARATIONS OF INTEREST

3.1 None.

4	IMPACT OF NCC'S SECTION 114 NOTICE ON NCH GROUP																							
4.1	NM explained that NCC had a minimum 21 days after issuing the Section 114 notice to draw up strict spending controls to demonstrate how it would set its budget for the next financial year. The Council is not bankrupt but needed to balance its budget for next year and put the right controls in place to ensure it was managed effectively.																							
4.2	The strict controls on new spending introduced following the Section 114 notice mainly apply to NCC, and companies and subsidiaries can continue as is unless new arrangements are being proposed such as new loans or contributions to sinking funds or proposals to acquire new assets. NCH Phase 2 proposals for asset disposal should not be affected. However, recruitment is affected and this may impact on availability of staff such as trades employees to deliver services to NCH.																							
5.	MINUTES OF THE MEETING OF 9 NOVEMBER 2023																							
5.1	The minutes of the meeting of 9 November 2023 were agreed as a true record. It was confirmed that NCH RP had agreed to end the lease for 6 Helmsdale Gardens.																							
6.	CURRENT ACTION LOG																							
6.1	The current action log is detailed below for information.																							
	<table border="1"> <thead> <tr> <th></th> <th>ACTION</th> <th>OWNER</th> <th>COMPLETION DATE</th> <th>UPDATE</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Internal audit program including data integrity to be brought back to a future Board Meeting</td> <td>ADF</td> <td></td> <td>ADF/HGC have met with Mazars on two occasions. Internal audit program currently being drawn up in collaboration with NCC. Data Integrity to be prioritised. Brief sent to Mazars.</td> </tr> <tr> <td>2.</td> <td>Introduce payment for ARCC Members</td> <td>HGC</td> <td>5/1/24</td> <td>Contracts sent to ARCC members. Length of tenure after March 2024 to be resolved by Group Board.</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>					ACTION	OWNER	COMPLETION DATE	UPDATE	1.	Internal audit program including data integrity to be brought back to a future Board Meeting	ADF		ADF/HGC have met with Mazars on two occasions. Internal audit program currently being drawn up in collaboration with NCC. Data Integrity to be prioritised. Brief sent to Mazars.	2.	Introduce payment for ARCC Members	HGC	5/1/24	Contracts sent to ARCC members. Length of tenure after March 2024 to be resolved by Group Board.					
	ACTION	OWNER	COMPLETION DATE	UPDATE																				
1.	Internal audit program including data integrity to be brought back to a future Board Meeting	ADF		ADF/HGC have met with Mazars on two occasions. Internal audit program currently being drawn up in collaboration with NCC. Data Integrity to be prioritised. Brief sent to Mazars.																				
2.	Introduce payment for ARCC Members	HGC	5/1/24	Contracts sent to ARCC members. Length of tenure after March 2024 to be resolved by Group Board.																				
7.	GOVERNANCE REPORT																							

7.1	The Board considered their training needs for the next twelve months. Based on current Company business it was felt that the priority should be finance, and compliance and regulation. Board induction could continue to be provided in-house. A further analysis of training needs would come out of the Board appraisal process conducted in the middle of the year.
7.2	The Board also noted the update from November's NCH RP Board meeting.
	The Board
	1. AGREED to prioritise finance and regulatory/compliance training over the next twelve months;
	2. NOTED the update from November's NCH RP Board Meeting.
8.	CORPORATE RISK REGISTER
8.1	The Board has requested an update on the Corporate Risk Register at every other meeting. Progress on the Service Contract, Asset Disposal and Business Planning had helped mitigate some of the Governance and Finance risks. The Property risks had been updated in line with previous discussions on fire risk assessments and damp and mould.
8.2	It was considered that the Service Contract (GOV6) needed to be populated with costs and measurements before the April deadline shown on the Register and officers agreed to try and resolve this before the end of the calendar year. Significant costs could be realised if the budget issues are not resolved soon. Board training would be added as a mitigation to Risk REG1 which requires Board to have full knowledge of its regulatory obligations.
	The Board NOTED the current position on the Corporate Risk Register and AGREED for the Target Date on Risk GOV6 to be changed to 31 December 2023 and a training mitigation to be added to risk REG1.
9.	NCH SOCIAL RENT HOMES PERFORMANCE REPORT
9.1	There were six key measurements in the report
	<ol style="list-style-type: none"> 1. Number of Stage 1 Complaints relative to the size of the landlord 2. Proportion of Homes that don't meet the Decent Homes Standard 3. Ensure that all properties have a valid EICR 4. % of rent collected 5. Full average let time 6. Number of lettable voids
9.2	At present there is no customer trends analysis and a stock condition survey is needed sometime in the future. The over 100% rent collection rate shown masked a large level of historic and current debt owed by a significant proportion of the 120 tenancies. Arrears as a percentage of the annual debit is almost 10%, which is unacceptably high. The figure should be nearer 2%. Bad debt provision is currently not in place for these properties. There was also a question of whether we should be disposing of the properties given that they are exempt from Right to Buy legislation. This should be considered in the Business

	Plan. There was one void relet during the period. It had taken 85 days to turn the property around.
	The Board NOTED the report and did not provide authorisation to sell NCH owned assets once they became void.
10.	QUARTERLY FINANCE MONITORING REPORT – PERIOD 6
10.1	NCH Ltd generated a surplus of £27k at Period 6 compared to a budgeted loss of £13k, a positive variance of £40k. This was mainly due to higher rental income generated from affordable housing (£20k) and underspends in the arboretum cost centre that needs further investigation (£45k), partially offset by a higher estimated corporation tax charge of 15k and various other small overspends, mostly relating to periodics and voids. The Group is now forecasted to generate a loss of £353k for 2023/24, compared to original budgeted surplus of £11k and a budget latest loss of £54k.
10.2	NCH RP Ltd is reporting an improvement to yearend forecasted surplus (£275k from £205k) however NCHEL has seen an increase in the expected loss for the year as a direct result of the asset disposal programme, with losses now forecasted to be £581k (from £212k previously predicted).
10.3	NCH Ltd has £9.944m in cash as at 30th September 2024 and total cash across the Group totalling £13.62m. The updated NCH Ltd cashflow shows the forecasted cash to be c.£7.2m in March 2024. The focus is now on clearing the balances on the balance sheet, with a view to firming up the forecasted cash position during Quarter 4.
10.4	NCHEL Ltd is requesting that the payment of NCH creditor amounting to c.£475k is delayed to 31 st March 2025, to protect the NCHEL yearend cash position during the disposal process. This would need to be taken up with the NCC Shareholder representative.
10.5	NCH Ltd is expecting to receive payment for the vehicle fleet (£1.120m) and furniture purchases (£798k) from NCC in the next few weeks. Approval was requested to repay this money once received as part settlement of the HRA surplus
	The Board
	1. NOTED the financial position as at P6 for NCH Ltd and the Group.
	2. NOTED the likely inclusion of a provision for the 22/23 HRA surplus refund, to be included in the 2023/24 accounts (This is expected to be in the region of £1m).
	3. NOTED the updated forecasted yearend loss position for the Group and the associated ongoing work to clear prior year transactions in NCH Ltd.
	4. APPROVED a repayment of HRA surplus to NCC of £1.918m from fleet sale and furniture receipts, once received.
	5. APPROVED payment of invoices over £150k as set out in the report
	6. AGREED to request a delay of the NCHEL creditor payment owed to NCH Ltd of c.£475k to 31st March 2025.
11.	NCH BUSINESS PLAN

11.1	A draft Business Plan was produced for Board's consideration. It's due to be sent to NCC by 9 January so that it can be considered by NCC's Governance Executive Committee on 16 January. The draft Plan was based on the 7 key strategic objectives previously set for the Board by NCC.
11.2	It was considered that the document could be less wordy with more succinct financial analysis in the main body rather than in the appendices. More visuals should also be included. The plan could be split into short term (up to twelve months) and medium to longer term (3-5years) priorities. The former would be more detailed as the work and planning would be taking place in the present time. The latter would scope out potential options and priorities still to be fully evaluated. The Plan should also set out what is viable and what will be more difficult to achieve and what is expected of NCC in terms of support and direction as well as a measure for success.
11.3	<p>Board members also considered that the plan should clearly itemise ambitions and recommendations for the Council to consider such as</p> <ul style="list-style-type: none"> • Asset Disposal including Arboretum • Options for the remaining stock • Retention of Temporary Accommodation – and should it be increased if viable to do so and if so how would this be done if there is no Company in place longer term. • Financial planning including repayment of debt and how this will be achieved and the risks involved. • Management of retained stock including Service Contract, compliance and regulation • Longer term ambitions and potential for the Group/subsidiaries such as NCH RP <p>An action plan could then support the short and medium/longer term ambitions and outline a measure of success year on year. This should involve quarterly updates on progress against the plan.</p>
The Board AGREED to the draft Business Plan to be amended as set out above and submitted to NCC for consideration.	
12	ANY OTHER BUSINESS
12.1	None.
13.	DATE OF NEXT MEETING
13.1	1 February 2024@ 5.30pm at Loxley House.
Signed.....Dated.....	

NOTTINGHAM CITY HOMES**REPORT OF THE HEAD OF GOVERNANCE AND COMPLIANCE****THE GROUP BOARD
1 FEBRUARY 2024****GOVERNANCE REPORT****1 EXECUTIVE SUMMARY**

- 1.1 The Board needs to review Board and Committee member contracts and it is recommended that these are extended for a further twelve-month period to March 2025. NCH RP will be considering converting to Community Benefit Society status at its next meeting as this will exempt it from paying Corporation Tax. Board is asked to support the proposal at this stage. An update from the ARCC meeting on 15 January is also included.

2 RECOMMENDATIONS

It is recommended that the Board

- 2.1 AGREES to extend Board and Committee member contracts to March 2025;**
- 2.2 SUPPORTS NCH RP's consideration of attaining Community Benefit Society status**
- 2.3 NOTES the update from the Audit Risk and Compliance meeting on 15 January.**

3 REPORT**3.1 Board Tenure**

- 3.1.1 All non-executive Board and Committee member contracts are due to expire on 31 March 2024. This was the date originally agreed by NCC following the TUPE transfer in March 2023. The Board needs to make a decision on how much longer to extend these contracts for at this time. NCC has indicated this is a Board decision to make. A significant amount of the Business Plan including the asset disposal aspects are due for completion at the end of March 2025 and Board may wish to review its Governance structure including Board and Committee membership at that time.
- 3.1.2 In addition, several Board members have now gone beyond the preferred six-year tenure and while given the uncertainty surrounding the Company at this time this may not be the time to change things, the Board would be under some pressure to review Non-Executive Director roles in 2025.
- 3.1.3 Board and Committee pay have only just been agreed in the past twelve months so no further review is required at this time.

The Board is asked to AGREE to extend all existing Board and Committee member contracts to 31 March 2025.

3.2 NCH RP converting to a Community Benefit Society

- 3.2.1 NCH RP was created as a private company limited by guarantee without share capital in 2015. It was then registered as a not-for-profit provider of Social Housing with the Regulator in accordance with the Housing and Regeneration Act 2008. Whilst being a not-for-profit private company, any surpluses made by NCH RP are liable for Corporation Tax and therefore reduce the funds available to it to spend elsewhere.
- 3.2.2 Charitable organisations are generally exempt from corporation tax on their income from “primary purpose trading”, interest, rental income and capital gains as long as that income is used for charitable purposes. The Community Benefit Society (CBS) structure is the most prevalent for Registered Providers of Social Housing. Community Benefit Societies are registered with HM Revenue and Customs as ‘exempt charities’ which are outside the regulatory ambit of the Charity Commission. Although not regulated by the Charity Commission, a Community Benefit Society is still a charity and under the Regulator of Social Housing’s Governance and Financial Viability Standard will be required to abide by charity law.
- 3.2.3 NCH RP CBS rules follow very closely a set of approved model rules issued by the National Housing Federation for charitable CBSs that are RPs. These Rules are the standard form used across the housing sector and the FCA approves their use. The new rules would need to be drawn up and agreed by Board before the new entity is registered with the FCA. Prior to this NCH RP would need to agree to move to CBS status. Board’s support in exploring this opportunity would be helpful before NCH RP considers this on 20 February. A review of the Group and NCH RP Articles would be required as part of this. A final report would be brought back to Board for approval following the NCH RP meeting

Board is asked to SUPPORT NCH RP’s consideration of Community Benefit Society status with a further report to be brought back for approval if required at a later date.

3.3 Audit Risk and Compliance Committee Update

- 3.3.1 The Committee met on 15 January 2024. It agreed the External Audit Plan for the year ending March 2024. The Internal Audit Programme was also considered. Further discussions were still needed between NCC Housing, NCC Internal Audit, Mazars and NCH before a final programme can be agreed.
- 3.3.2 The Committee agreed to add the Hand Arm Vibration Risk to the Corporate Risk Register as well as an additional risk relating to the NCC Service Contract. Officers were asked to consider alternative arrangements should the Contract continue to fail.
- 3.3.3 Most of the Property Compliance indicators were currently showing 100% compliance though Fire Safety risks remain outstanding for now. New fire doors are being installed in establishments in the coming months. The Committee noted that one default notice had been served on NCC linked to the outstanding

FRAs. A recent inspection of fire alarms had found that they were all working and having timely periodic checks.

- 3.4 The Committee also received a report on Damp and Mould. Analysis shows that 80 inspections have been raised on NCH group properties in 2023/24 to December, with just under 50% (39) being surveyed within the 15-day target. There is a marked improvement from October onwards where it is understood that a dedicated Damp and Mould team has been put in place and more staff resources have been recruited and applied, with more to come.

4. FINANCIAL, LEGAL AND RISK IMPLICATIONS

4.1 Financial Implications

- 4.1.1 Budgets are in place for existing Board Member allowances to be paid in 2024/25.

4.2 Legal Implications

- 4.2.1 All of the initiatives within this report are carried out to ensure compliance with good practice and legislation including the Companies Act 2006 and NCH's Governance processes.

4.3 Risk Implications

- 4.3.1 The Group needs to have experienced and well qualified Board Members in place to run the Company and paying Board Members helps with their recruitment and retention

5 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

- 5.1 In line with having a knowledgeable Board with the skills to manage the NCH Group.

6 EQUALITY IMPACT ASSESSMENT

- 6.1 Has the equality impact of these proposals been assessed?
 Yes (EIA attached)
 No (this report does not contain proposals for significant changes to process at this stage).

7 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 7.1 NHF Code of Governance 2020.

CONTACT OFFICER: George Pashley
Head of Governance and Compliance

Loxley House
Station Street
Nottingham
NG2 3NJ
Tel: 07962 395269
E-mail: george.pashley@nottinghamcity.gov.uk

DATE: 18 JANUARY 2024

NOTTINGHAM CITY HOMES

NCH SOCIAL RENT HOMES PERFORMANCE REPORT

THE GROUP BOARD

1 FEBRUARY 2024

REPORT OF THE EXECUTIVE ASSISTANT

1. EXECUTIVE SUMMARY

- 1.1 This report updates the Board in relation to the key performance and building compliance measures for the 120 NCH affordable (Social Housing) homes as at Quarter 3, 2023/24.

2. RECOMMENDATIONS

- 2.1 **Note and comment** on the performance position as provided.
- 2.2 **Agree** any areas that the Board requires exploring in relation to under-performance.

3 REPORT

- 3.1 All services received by the 120 NCH homes and tenants are delivered by Nottingham City Council (NCC) Housing Services under the NCC/ NCH Service Contract.
- 3.2 Nominated NCH lead officers continue to work with the NCC Housing Services Business Transformation team to improve the quality of performance data to support management of the NCC/ NCH Service Contract and for Board.
- 3.3 Some measures are performing strongly; building safety compliance showing good performance. Rent collection and average re-let time less so and complaints are on the rise.
- 3.4 Where performance does not meet expectations and/ or the requirements under the NCC/ NCH Service Contract, these are raised in accordance with the procedure listed in the contract

4 FINANCIAL IMPLICATIONS

- 4.1 Poor rent collection rates and over-target average relet times adversely affect financial viability in both the profit and loss for a property group that is already loss making, with a negative impact on cashflow projections.

5 LEGAL IMPLICATIONS

- 5.1 Legal action is being commenced or progressed against tenants who are in breach of their tenancy agreement for failure to pay their rent. This may result in eviction

at a future date or surrender of tenancies by those who can no longer afford their rent.

5.2

Services should meet the Home Standard. This states:

1. Registered providers shall ensure a prudent, planned approach to repairs and maintenance of homes and communal areas. This should demonstrate an appropriate balance of planned and responsive repairs, and value for money. The approach should include responsive and cyclical repairs, planned and capital work, work on empty properties, and adaptations.

Registered providers shall:

2. provide a cost-effective repairs and maintenance service to homes and communal areas that responds to the needs of, and offers choices to, tenants, and has the objective of completing repairs and improvements right first time
3. meet all applicable statutory requirements that provide for the health and safety of the occupants in their homes.

6 IMPLICATIONS FOR NOTTINGHAM CITY HOMES' OBJECTIVES

- 6.1 Robust and effective monitoring of performance is critical to ensure the delivery of homes and places where people want to live.

7 EQUALITY AND DIVERSITY IMPLICATIONS

- 7.1 Has the equality impact of these proposals been assessed?
 Yes (EIA attached)
 No (this report does not contain proposals which require an EIA)

8 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 8.1 Appendix 1 – Performance report for Quarter 3, 2023/24

Contact officers: Name: Mark Lawson
Address: Loxley House, Station Street, Nottingham NG2 3NJ
E-mail: mark.lawson@nottinghamcity.gov.uk

Date: 23 January 2024

NCH SOCIAL BOARD REPORT – Q3 2023/24

Key to icons used in this report			
	Performance is meeting or exceeding target		Meeting target, performance is better than 2022/23
	Performance is not meeting the target		Meeting target, performance is worse than 2022/23
	Performance is best yearly ever recorded		Not meeting target, performance is better than 2022/23
	No change in performance from 2022/23 or no target set		Not meeting target, performance is worse than 2022/23
	Benchmarking: Top quartile performance		Benchmarking: Upper median performance
	Benchmarking: Lower median performance		Benchmarking: Bottom quartile performance
	Benchmarking: No benchmarking figure		

Report Summary

The draft NCH Business Plan 2024-27 sets out our future direction as a company, our plans and our priorities and those of our sole-member, NCC.

This report details our performance as at the end of December 2023 with comparisons against the 2022-23 year end.

It highlights whether performance measures are on target or not and provides trends and commentary. NCH-nominated officers are working with NCC colleagues to improve the quality and depth of performance measures and indicators.

Benchmarking data, where this exists, is provided from the HouseMark benchmarking data service for all housing organisations that submit data to them.

Dashboard

NCH Social Report Qtr. 3 23-24 to December 2023

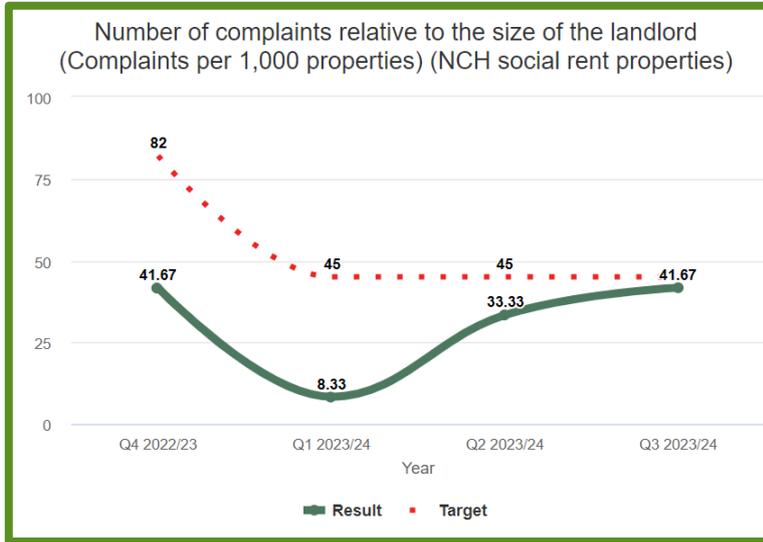
	23/24 Result Qtr. 3	23/24 Target	Status	Short Trend	H/mark Quartile	Previous Quarter
Number of stage one complaints relative to the size of the landlord (Complaints per 1,000 properties)	41.67	45.00	G	↓	■ ■ ■ ■	33.33
Proportion of homes that do not meet the Decent Homes Standard	0.88%	0.00%	G	↓	■ ■ ■ ■	0.00%
Ensuring that all properties (domestic and non-domestic) have a valid EICR (except where A6 is applicable)	100.00%	100.00%	G	-	■ ■ ■ ■	100.00%
% of rent collected - RP NCH Social	101.08%	100.70%	R	↓	■ ■ ■ ■	100.20%
Full average relet time - no exclusions - RP NCH Social	85	25	R	↓	■ ■ ■ ■	85
Number of lettable voids - RP NCH Social	1	3	G	↑	■ ■ ■ ■	0

CH01-RSPO

CH01-RSPO Number of stage one complaints relative to the size of the landlord (Complaints per 1,000 properties)



Quarter: **41.67** Target: **45**



No Benchmarking figure



Meeting target, performance is better than 2022/23

Whilst there has been an increase in volume of Stage 1 Complaints logged for this period mainly with repairs and appointment times for works, the overall performance is still within target. This will be monitored closely due to the significant increase in complaints since Q1.

RP01-SO NCH Social Board-Proportion of homes that do not meet the Decent Homes Standard



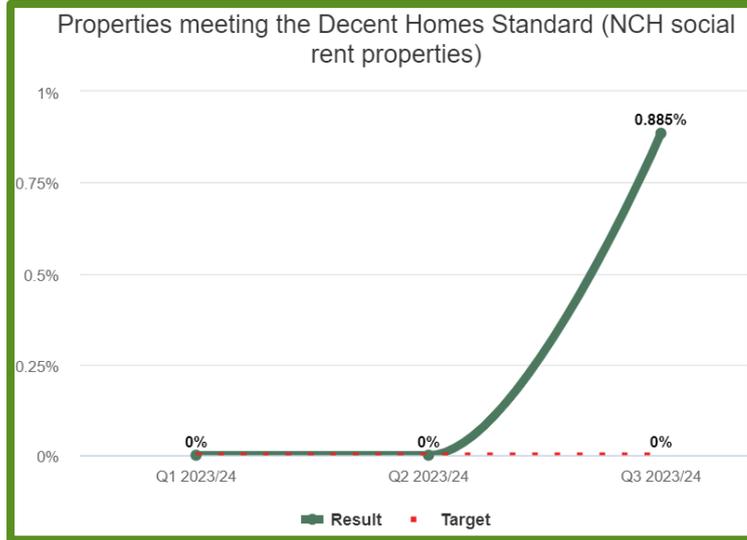
Quarter: **0.88%** Target: **0%**



No Benchmarking figure



Meeting target, performance is same as 2022/23



We are currently reporting 0.88% non-decency, which is based on 94.2% (113 properties) stock condition data. The property which is not meeting decency has a reported case of Damp and Mould, which has been programmed in to be visited and work undertaken in the coming weeks.

EICR001-SO Ensuring that all properties (domestic and non-domestic) have a valid EICR (except where A6 is applicable)



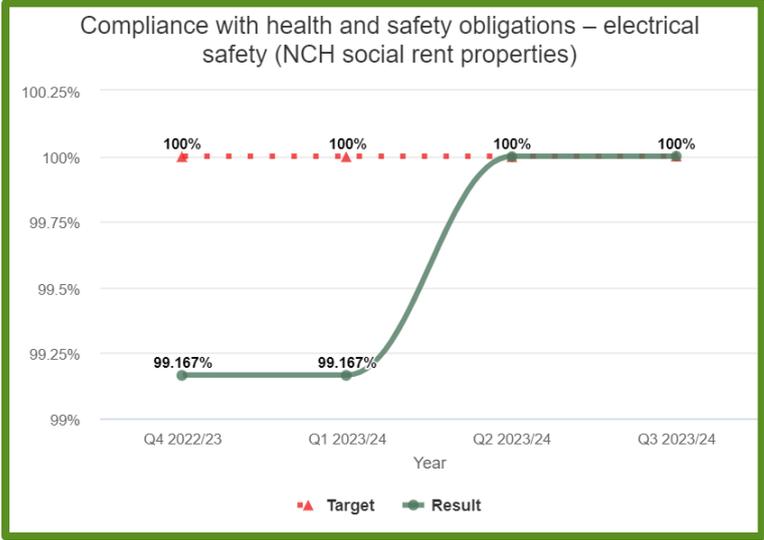
Quarter: 100% Target: 100%



No Benchmarking figure



Meeting target, performance is better than 2022/23



All 120 NCH affordable properties have a valid EICR.

HIM6-RPSO % of rent collected - RP NCH Social



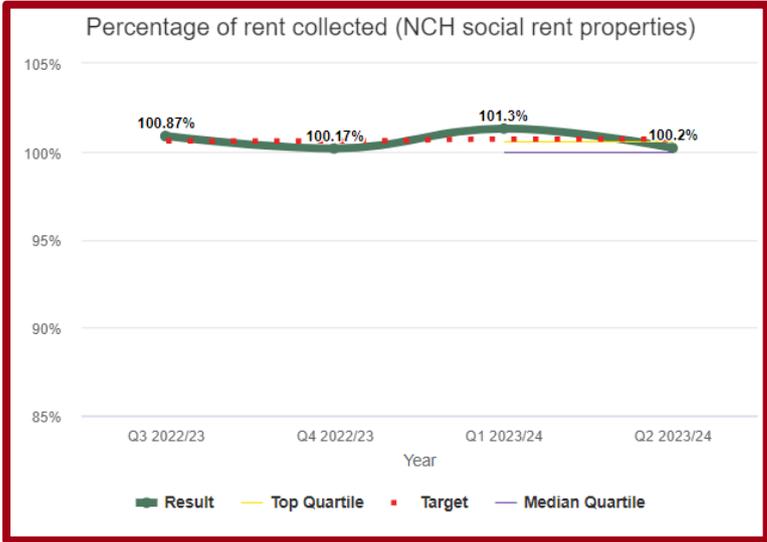
Quarter: **101.08%** Target: **100.7%**



**Benchmarking:
Upper Median
Performance**



**Meeting target,
performance is better
than 2022/23**



Graph hasn't been updated.

In year collection rate remains above 100% meaning that current tenancy rent arrears are reducing, albeit with £64k still owed by 75 tenants.

Since October, over 20 NSPs have been served, possession applications have been submitted and 2 eviction dates listed.

NCH had had to make additional provision for bad debts in the 2023/24 accounts because of the level of indebtedness.

ALL ART-RPSO Full average relet time - no exclusions - RP NCH Social



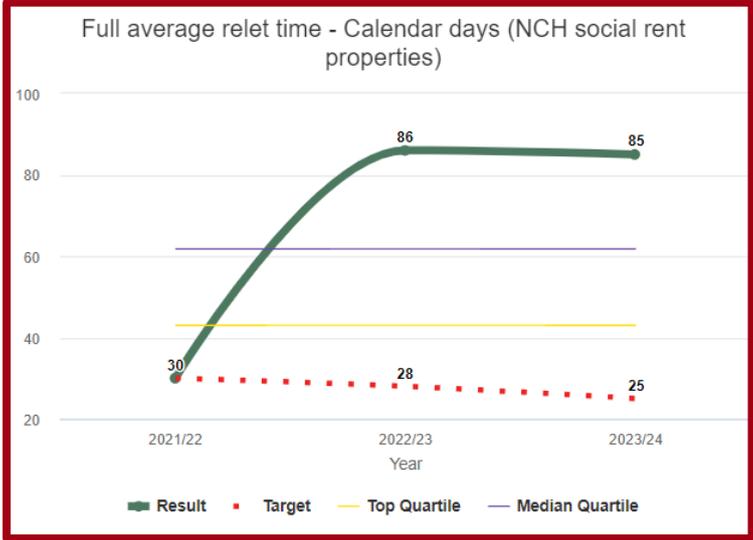
Quarter: **85** Target: **25**



Benchmarking: Lower median performance



Not meeting target, performance is better than 2022/23



No NCH Ltd homes were let during quarter 3.

There has been only one letting for NCH Ltd so far this year, during quarter 2, with a re-let time of 85 days. NCC report that this property required a heavy clearance prior to works commencing which had an impact on the overall void time.

Irrespective of heavy clearance, a re-let time that is in excess of three times the target number of days is not acceptable and the corresponding rent loss contributes to poor overall financial performance.

Voids-RPSO Number of lettable voids - RP NCH Social



**Benchmarking:
Upper Median
Performance**



**Meeting target,
performance is better
same as 2022/23**

Quarter: 1 Target: 3



There is one void property within NCH owned affordable homes at the end of quarter 3 and works are progressing to ensure that this is swiftly let.

In view of the previous lengthy void turnaround in Quarter 2, progress will be monitored closely.

Appendix 2

Q3 NCH Social Homes Stock Compliance Dashboard

Compliance Area	No. of Properties Affected	No. Complying	Percentage Compliance	Percentage Compliance last reported	Trend since previous report	Servicing Frequency	Responsible
GAS							
Gas Safety Domestic	120	120	100.00%	100.00%	↔	Annually	Mechanical and Electrical Team
ELECTRICAL							
Electrical Installation Condition Report (EICR)	120	120	100.00%	100.00%	↔	5 Yearly	Technical Services Team
FIRE SAFETY							
Fire Risk Assessments	0	0	NA	NA	↔	Annually	Building Safety Team
High Risk Actions (Overdue)	0	0	NA	NA	↔	N/A	Building Safety Team
ASBESTOS							
Inspections of Communal Areas with Asbestos	0	0	NA	NA	↔	Annually	Building Safety Team
WATER HYGIENE							
L8 Risk Assessments	0	0	NA	NA	↔	Annually	Technical Services Team
LIFTS							
Passenger Lifts	0	0	NA	NA	↔	Monthly	Technical Services Team
LOLER Inspections	0	0	NA	NA	↔	6 months	Technical Services Team
Smoke and CO Detectors							
Smoke Alarms fitted	120	120	100.00%	100.00%	↔	N/A	Mechanical and Electrical Team
CO Detectors fitted	120	120	100.00%	100.00%	↔	N/A	Mechanical and Electrical Team

Damp and Mould

As recently reported to ARCC, there have been 80 inspections raised on NCH group properties in 2023/24 to December, with just under 50% (39) being surveyed within the 15 day target. There has been a marked improvement from October onwards where it is understood that a dedicated Damp and Mould team has been put in place and more staff resources have been recruited and applied, with more to come.

Humidity ,Damp and Mould Inspections 2023/24							
Month	D&M Inspections raised	D&M Surveyed In Target (15 days)	Average days to complete inspection	live inspections	Carded no access	% completed in target (not incl. no access)	% completed in target (incl. no access)
Jan				3			
Dec	9	8	10		1	88.9%	100.0%
Nov	23	21	10		3	91.3%	100.0%
Oct *	7	7	8		1	100.0%	100.0%
Sep	7	0	16		5	0.0%	71.4%
Aug	7	0	29		3	0.0%	42.9%
Jul	8	0	38		2	0.0%	25.0%
Jun	5	1	37			20.0%	20.0%
May	4	1	77			25.0%	25.0%
Apr	10	1	92			10.0%	10.0%
Total	80	39		0	15	48.8%	67.5%
* Additional inspection resources commenced working in October 2023.							
58 of the 80 inspections raised relate to NCH Dispersed properties leased to NCH RP for temporary accommodation							
7 inspections relate to NCH EL market rent properties							
7 inspections relate to NCH social rent properties							

There have been 109 works orders raised on NCH group properties in 2023/24 to December, some of which relate to inspections undertaken in 2022/23. 75 (69%) have been completed, with an average time from works order to completion of 27.4 days. This does not include the time waiting for an inspection.

Works orders raised 2023/24						
Month	D&M Works orders raised	Est Cost	Completed in target	Live in Target	live OOD	% completed in target
Jan						
Dec	7	£ 4,337.00	0	7		
Nov	6	£ 6,450.00	3	3		
Oct	6	£ 2,187.00	0	6		
Sep	5	£ 1,050.00	3	2		
Aug	36	£ 15,252.00	30		6	83.3%
Jul	29	£ 7,918.00	22		7	75.9%
Jun	15	£ 6,336.00	12		3	80.0%
May	2	£ 1,599.00	1		1	50.0%
Apr	3	£ 1,269.00	3			100.0%
Total	109	£ 46,398.00	74	18	17	

75 of the 109 works orders raised relate to NCH Dispersed properties leased to NCH RP for temporary accommodation

Only 1 works order raised relate to an NCH EL Market Rent property

2 works orders raised relate to NCH social rent properties

It should be noted that almost three-quarters of works orders raised for damp and mould work relate to NCH-owned Dispersed properties leased to NCH RP for temporary accommodation. These properties are primarily Edwardian terraces, with solid walls and poor EPC performance. They frequently house larger families which when taken together are a clear recipe for damp and mould. Fortnightly inspections by the Temporary Accommodation team ensure problems are highlighted early. Stock condition surveys and pro-active measures are being considered to reduce the instance of damp and mould in these dwellings.

NOTTINGHAM CITY HOMES

**FINANCE MONITORING REPORT P9 DECEMBER 2023
REPORT OF THE ASSISTANT DIRECTOR OF FINANCE**

**THE GROUP BOARD
01 FEBRUARY 2024**

1.	EXECUTIVE SUMMARY
1.1	This report summarises the financial position of NCH Ltd and Group as at period 9 (December 2023).
2.	RECOMMENDATIONS
2.1	Note the financial position as at P9 for NCH Ltd and the Group Forecast, specifically the risk of higher NCC service contract charges impacting the loss position for the Group, once finalised.
2.2	Note the updated forecasted yearend loss position for the Group and the associated ongoing work to clear prior year transactions in NCH Ltd.
2.3	Note the updated forecast year end cashflow position and approves payment of the NCC Loan repayments that fall due in March 2024, provided the actual cash balance is in line with the forecast.
2.4	Recommends that the Board writes to NCC seeking clarification around any further movement to the headline HRA Surplus Repayment figure relating to 2022/23 trading, legacy balance sheet provisions and future interest charges.
2.5	Note the likely inclusion of a provision for the 22/23 HRA surplus refund, to be included in the 23/24 accounts. This is expected to be in the region of £1m
2.6	Approves the draft 24/25 NCH Ltd budget set out in section 6.
3	PERIOD 9 2023/24 FINANCE UPDATE AND LATEST FORECAST
3.1	Appendix 1 shows the P9 outturn position for NCH Ltd trading activities and residual transferred services as well as a summary NCH Group financial position.
3.2	NCH Ltd generated a loss of £20k at P9 compared to a budgeted loss of £36k, a positive variance of £16k. This is mainly due to underspends of repairs within the Arboretum (£35k) and social housing (£33k), largely offset by overspends of external professional fees & VAT £29k and board costs £19k.
3.3	The Group is now forecasted to generate a loss of £292k for 23/24, compared to original budgeted surplus of £11k and a budget latest loss of £353k. NRP Ltd was reporting an improvement to yearend forecasted surplus at period 6 (£275k from £205k). A P9 forecast for NCHRP has not yet been completed and is due to be presented to NCHRP Board on 20 th February. NCHEL has seen the

	expected loss for the year as a direct result of the asset disposal programme, improve from P6, with losses now forecasted to be £468K (compared to P6 - £581k) and against an original budgeted loss of £212k.
3.4	It should be noted that corporation tax estimates are included in the group accounts, however, the tax position for the Group is complicated and further specialist advice is needed to determine the tax liability for 23/24 and future years.
3.5	Financial year 23/24 is a year of transition for NCH Ltd, with movements relating to both ongoing trading activities and prior year movements associated with NCC transitioned services impacting the profit and loss. Work is ongoing in Housing Services Finance to clear 22/23 transactions, which is expected to continue throughout the financial year and possibly into 24/25 due to resource constraints.
3.6	A Service Contract Update is provided within a separate Board Paper. The latest position has been included within the financial projections for 23/24 and in the 24/25 Budget but will be subject to variation should the service contract costs deviate materially from their present level.
3.7	NCC have written to NCH requesting approved and signed statutory Accounts by 31 st August 2024. This has been discussed with them and they have agreed that provided NCC have sight of our draft accounts by the middle of May 2024, which are not expected to undergo significant change before signing, they are content to wait for the signed accounts to follow after the AGM as scheduled in September. The companies house deadline remains 31 st December 2024 and the RP Regulator Deadline remains 31 st October 2024
4	FORECASTED CASH POSITION 23/24
4.1	NCH Ltd has £7.8m in cash as at 31 st December 2023 with total cash across the Group totalling £13.3m.
4.2	An updated NCH Ltd cashflow to 31 st March 2024, has not yet been finalised, however, the revised position is not expected to be materially different to £7.2m, which was reported at December 2023 Board. The focus is on clearing the prior year balances on the balance sheet, with a view to firming up the forecasted cash position during Q4, but this is subject to the appropriate being released in Housing Services Finance. This may involve having to make additional settlements between NCC and NCH to clear some transactions.
4.3	The Board approval for NCHEL Ltd payment of NCH creditor amounting to c.£475k to be delayed to 31 st March 2025, has not yet been signed off by NCC / s151 Officer. The formal NCC response is attached in appendix 2 and the additional cashflow information requested is to be supplied to support their agreement.
4.4	The NCH Group are expecting to receive invoices from NCC for loan interest payments due in March 2024 and for NCC service contract costs for 23/24. These

	<p>charges are expected to be invoiced to each individual company and approval will be sought from each individual Board to settle these liabilities as they become due.</p> <p>For NCH Ltd the loan payments are expected to be c.£ 640k.</p> <p>The service contract costs for the Group are yet to be finalised by NCC.</p> <p>The next Board Meeting is not scheduled until June 2024 and approval is therefore sought from the Board that the loan repayments to NCC can be made in March 2024, on the basis that sufficient disposal receipts have been received and the current forecast cash balance at March 2024 has not deteriorated.</p>
4.5	Finance officers are to meet with Kieran Timmins in February for an initial discussion around a potential new software package, Brixx, that could be adopted by the group for future cashflow and asset management purposes.
5	HRA SURPLUS REPAYMENT
5.1	The current agreed HRA Surplus Repayment figure calculated to March 2022 is £18.523m and was provided within the 2022/23 Statutory Accounts as a creditor.
5.2	During 2022/23, NCH continued to trade as an ALMO, delivering the NCC Council Stock activity and receiving NCC Management Fee from the HRA. The associated and relevant profit element should, in theory, be taken account of within the HRA Repayment Settlement, but earlier discussions last year with HRA Accountants have stalled as they have left NCC.
5.3	The question of continuing to charge interest on the outstanding settlement figure for 2022/23 (and the principle for future years) remains outstanding and was also discussed with the previous HRA Accountant. Although the interest rate applied is uncertain, the indicative figure used by the HRA Accountant was c. £600k.
5.4	There are several balance sheet provisions still being held in 2023/24 that relate to accruals covering either staffing holiday or HRA activities that will need to be reviewed and if no longer required considered as part of the HRA settlement figure. This could be a significant figure approaching £1m, but we will also seek to recharge any costs relating to the asset disposal and resolution of 2022/23 accounts against this amount.
5.5	It is understood that within NCC the general fund has made good the amount due from the NCH Group into the HRA. The figure repaid has not been confirmed but is believed to have been the original figure of £17.2m, with an expectation this amount will be recovered through the NCH Group over a period of eight years, though no repayment plan timescales have been shared. It is believed no assumed interest has been included within the calculation.
5.6	<p>Direction is sought from NCC through a Board request to determine the following:</p> <ul style="list-style-type: none"> • If there will be any further adjustment to the HRA Surplus Repayment in relation to the 2022/23 trading year.

- If NCC will be applying future interest charges for 2022/23 and subsequent years to the HRA Surplus Repayment.
- If there will be any further adjustment to the HRA Surplus Repayment in relation to the 2023/24 trading year relating to the release of prior year provisions and accruals for HRA activities.
- Scope to offset transition and 22/23 yearend close costs incurred in 23/24 from these released amounts.

The resolution to these points will be needed in advance of the completion of the 2023/24 Draft Accounts for NCC due Middle of May 2024

6. BUDGET 2024/25

6.1 A draft 24/25 budget has been produced for NCH Ltd and Board are requested to **approve** this as the original budget, subject to a final change following Board approval of the social housing rent increase for 24/25.

The 24/25 budget is broadly in line with the latest 23/24 forecast. Increases for inflation have been factored in where appropriate, but an increase to social housing rent income is yet to be applied (pending board approval of the amount). In addition, the budget includes for a COO (3 days a week) for the entirety of 24/25 (with NCHRP contribution of £30k), estimates for arboretum running costs and some increases to repairs costs to the properties rented to NCHRP.

	2023/24		2024/25
	Budget Latest	Forecast	Draft Budget
	Full year £'000	Full year £'000	Full year £'000
NCH Ltd Trading			
Income Rental Properties	(784)	(789)	(791)
Income - Intercompany Leases	(1,375)	(1,375)	(1,454)
Income Other	(7)	(5)	(5)
Management	125	114	159
Lease, Repairs & Property	968	879	957
Loan Interest	832	837	827
Admin & Other Costs	289	438	428
(Profit)/Loss	48	99	120

7 FUTURE STEPS ON THE BUSINESS PLAN FOLLOWING THE NCC FEEDBACK

- 7.1
- Developing the financial forecasts, for example, extending the base P & L and cashflow forecasts beyond the current 2024/25 to future years, including for NCH RP (which will need its own Business Plan) and NCH EL

In relation to the areas of support required from the Council, NCC have requested further financial analysis and narrative from NCH Finance :

	<ul style="list-style-type: none"> • in securing consent for the deferment of the inter-company loan repayment due in March 2024 between NCH and NCHEL, providing a clearer analysis. For example, what is the impact of not deferring? When will the loan be repaid? Treatment of interest? • In securing consent from NCC to access NCH cash reserves to facilitate NCH Group asset transfers, as required, providing greater analysis on cashflow and impact • In securing consent from NCC to novate existing loans to NCH and NCHEL within the Group at the original interest rate, providing additional analysis such as the impact of not novating? the legal ramifications? What if the original interest rate cannot be matched?
8	FINANCE RESOURCE RISKS
8.1	<p>NCH Finance support is delivered through an Interim Assistant Director of Finance (30% time), a permanent Group Finance Accountant (100%) and an Interim Management Accountant (100%) plus some additional transactional and clerical support delivered through the Service Agreement.</p> <p>The Interim Director of Finance is presently contracted to the end of March 2024 and the Interim Management Accountant to the end of June 2024.</p> <p>The Board is asked to note that given the volume of financial day to day and reporting activity now existing over the three subsidiary companies along with the impending financial year end and statutory accounts requirement over April and May, plus the volume of additional financial requirements already highlighted within this paper, that the available financial resource will be under enormous pressure to continue to deliver, unless the existing finance resource is extended or an alternative put in place.</p>
9	LEGAL IMPLICATIONS
9.1	Under the Companies Act 2006, the Directors are under a responsibility to understand the contents of the Statutory Accounts, specifically:
9.2	Section 172 of the UK's Companies Act 2006, imposes on a director the duty to 'act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole' and, in so doing, to have regard to a series of factors listed in the section which refer to the promotion of social, environmental and governance objectives.
9.3	Section 173 of the UK's Companies Act 2006, imposes on a director a positive duty to exercise independent judgment
9.4	Section 174 of the UK's Companies Act 2006, imposes a duty on a director to exercise the care, skill and diligence that would reasonably be expected of a diligent person carrying out the functions of a director.

9.5	NCC have prohibited NCH from utilising HRA funds/surpluses for non HRA activity. This will limit the ability to use cash reserves or assets bought/acquired from reserves for commercial activities e.g. market rent or 'general fund' activities (such as homeless accommodation)
9.6	Article 5(8) of the NCH Ltd Articles states : Subject to the prior written consent of the Council Member , make donations, grants or loans or provide services or assistance to such persons and Organisations and on such terms as the Organisation shall think fit to further the objects of the Organisation. Any support to NCHEL will require the Council Members consent which has previously been declined.
10	IMPLICATIONS FOR NOTTINGHAM CITY HOMES' OBJECTIVES
10.1	Robust and effective monitoring of income and expenditures across the organisation are critical to ensure that costs are tightly managed and controlled. This will maximise the amounts available to repay amounts owing to the NCC HRA and create a robust residual budget model moving forward.
11	EQUALITY AND DIVERSITY IMPLICATIONS
11.1	Has the equality impact of these proposals been assessed? <input type="checkbox"/> Yes (EIA attached) <input checked="" type="checkbox"/> No (this report does not contain proposals which require an EIA)
12	BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT
12.1	Appendices 1: NCH Ltd and Group Summary Finance Monitoring Report Dec 23 P9
12.2	Appendices 2: 22 Dec 23 Letter Formal Request for deferment of debt NCHEL to NCH Ltd.
Contact officers:	Name: Andrew Berry and Tracy Martin
	Address: Loxley House, Station Street, Nottingham NG2 3NJ
	E-mail: andrew.berry@nottinghamcity.gov.uk E-mail: tracy.martin@nottinghamcity.gov.uk
Date: 24th January 2024	

2.3 Appendix 1: Period 9 NCH Ltd Trading Position and Summary Forecast

	PERIOD 9			2023/24			2024/25
	Actual	Budget Latest	Variance	Budget Latest	Forecast	Variance	Draft Budget
	YTD £'000	YTD £'000	YTD £'000	Full year £'000	Full year £'000	Full year £'000	Full year £'000
NCH Ltd Trading							
Income Rental Properties	(595)	(588)	(7)	(784)	(789)	(4)	(791)
Income - Intercompany Leases	(1,032)	(1,032)	(0)	(1,375)	(1,375)	0	(1,454)
Income Other	(5)	(5)	0	(7)	(5)	2	(5)
Management	80	94	(14)	125	114	(11)	159
Lease, Repairs & Property	632	726	(95)	968	879	(89)	957
Loan Interest	628	624	4	832	837	5	827
Admin & Other Costs	312	217	95	289	438	149	428
(Profit)/Loss	20	36	(16)	48	99	52	120

NCH Group Period 9 Finance Report

	PERIOD 9			2023/24		
	Actual	Budget Latest	Variance	Budget Latest	Forecast	Variance
	YTD £'000	YTD £'000	YTD £'000	Full year £'000	Full year £'000	Full year £'000
NCH Group Finance Report as at 31st Dec						
Income Rental Properties	(7,939)	(7,750)	(190)	(10,324)	(10,400)	(74)
Income Other	(9)	(13)	4	(17)	(15)	2
(Profit)/Loss on disposal	(87)	0	(87)	0	0	0
Management	1,467	1,493	(25)	1,990	1,979	(11)
Lease, Repairs & Property	3,600	3,870	(270)	5,156	5,052	(105)
Loan Interest	1,398	1,387	11	1,849	1,854	5
Admin & Other Costs	1,335	1,278	57	1,700	1,822	123
(Profit)/Loss	(236)	265	(500)	353	292	(61)

	PERIOD 9			2023/24		
	Actual	Budget Latest	Variance	Budget Latest	Forecast	Variance
	YTD £'000	YTD £'000	YTD £'000	Full year £'000	Full year £'000	Full year £'000
Group (Profit)/Loss Position as at 31st Dec						
NCH Ltd*	20	36	(16)	48	99	52
NRP Ltd	(395)	(206)	(189)	(275)	(275)	0
NEL Ltd	140	435	(296)	581	468	(112)
	(236)	265	(500)	353	292	(61)



Finance & Resources Directorate

Loxley House
Station Street
Nottingham
NG2 3NG
Tel: 0115 8763200

Email:
ross.brown@nottinghamcity.gov.uk

www.nottinghamcity.gov.uk

Mona Sachdeva
Solicitor
Housing Services

2.3 APPENDIX 2
22 December 23

Sent by email: Mona.Sachdeva@nottinghamcity.gov.uk

Dear Mona

Consent request relating to creditor sums owed by Nottingham City Homes Enterprises Limited (NCHEL) to Nottingham City Homes Limited (NCH)

Thank you for your letter seeking the Council's consent for NCH to defer the £475k it is owed by NCHEL.

I want to start by reiterating that the Council recognises the importance of maintaining the solvency of the NCH Group companies. I also want to recognise the progress that has been made over recent months to clarify the Group's financial arrangements and loan arrangements.

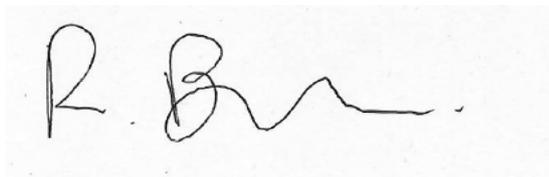
As I understand it, NCH's board has agreed that, subject to the Council's consent, it will defer the money it is owed for services provided to NCHEL so that will allow NCHEL to remain solvent whilst it disposes of assets and repays lending from the Council.

In principle, I am supportive of measures that will allow us to build on the progress that has been made, but it is difficult for me to assess individual requests of this sort in the absence of an overarching strategic plan that sets out how any specific request fits into the bigger picture. The forthcoming production of a business plan should assist, as would a longer-term assessment of each companies' cash flow and / or need for financial support, which builds on the monthly management accounts and detailed balance sheet reconciliations that are already in place.

I also appreciate the need for clarity on the question of the charges the Council will need to recover for the support it provides under the Service Contract. I have asked Shabana Kausar and Neil McArthur to look into that issue immediately after the Christmas break, as it is important to both the Council and the NCH Group companies that we resolve that issue.

I hope this clarifies the Council's position. I expect we will be able to resolve both the consent to deferral point and settle the final details of the Service Contract charges during January.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Brown', on a light-colored background.

Ross Brown
Corporate Director of Finance and Resources

	ITEM: 2.4
NOTTINGHAM CITY HOMES	
	GROUP BOARD
REPORT OF THE NCH MANAGEMENT GROUP	1 FEBRUARY 2024
DRAFT NCH GROUP BUSINESS PLAN 2024-25	
1	EXECUTIVE SUMMARY
1.1	The NCH Group Draft Business Plan (attaching Plans for NCHRP and NCHL) has been submitted to NCC for comment and approval. Feedback has been provided and further amendments will be necessary so that Board can finalise the Plan for sign off in April 2024.
2	RECOMMENDATIONS
2.1	It is recommended that the Board NOTE the Business Plan update and comment on the feedback from NCC set out in 3.4 below.
3	REPORT
3.1	The Board was presented with a Draft Business Plan in December 2023. This was further considered by various Board Members, including NCHRP Board prior to submission to NCC. It had been thought that this would then be presented to the Council's Governance Executive Committee on 16 January 2024. This did not happen, and the Plan was circulated to senior officers of NCC for their consideration in the first instance. They met on 19 January 2024 and fed back to the chair and in turn officers currently acting for NCH.
3.2	The Draft Principles of a Business Plan (attached at Appendix 1) submitted to NCC asked several key questions which NCH considered were needed to complete the Business Plan itself.
3.3	These queries were considered fundamental to underpinning any plans moving forward for the NCH Group to deliver on the Plan successfully. <ul style="list-style-type: none"> • Excellent quality, value for money services from NCC in the delivery of the NCC/ NCH Service Contract. • Confirmation of the Service Contract costs for 2023/24 and onwards. • Agreement to a Staffing Structure for the NCH Group to deliver services for the Group and manage the Service Contract with NCC • Timely consent, as Lender, to dispose of property assets as agreed in the Asset Disposal Strategy. • Consent from NCC for the deferment of the inter-company loan between NCH and NCHL, due in March 2024. • Consent from NCC to access NCH cash reserves to facilitate NCH Group asset transfers, as required.

	<ul style="list-style-type: none"> • Consent from NCC to novate existing loans to NCH and NCHEL within the Group at the original interest rate. • Confirmation from NCC of the additional HRA costs and interest owed for 2022/2023 and 2023/2024. • Confirmation from NCC on how the NCH Group will be required to support NCC's TA strategy. • Clarity from the shareholder on the future Governance Structure for the NCH Group, e.g., retain, sell, closure.
3.4	<p>By way of feedback the plan was welcomed as a significant step forward in being able to see how all the pieces fit together. The NCC s151 officer passed on his thanks for all the work that has gone into getting the plan to this stage. NCC has requested that NCH now consider building on the financial forecasts. An example provided was that the base P&L was only for 2024/2025 at present as well as cashflow forecasts for both the NCHRP and the NCHEL Business Plans (which were appendices to the draft NCH 'Principles of the Business Plan' document).</p> <p>As stated in 3.3 above NCH set out clearly a request for areas of support required from the Council. In respect of the following some responses have been received (see italics below). Further responses are expected in respect of the outstanding queries.</p> <ul style="list-style-type: none"> • Consent from NCC for the deferment of the inter-company loan between NCH and NCHEL, due in March 2024 • <i>The needs clearer analysis. For example, what is the impact of not deferring? When will the loan be repaid? Treatment of interest?</i> • Timely consent, as Lender, to dispose of property assets as agreed in the Asset Disposal Strategy. • <i>This should be straightforward once we are all on the same page about the overall plan.</i> • Timely removal of covenants from Arboretum properties to enable sales to progress early in 2024. • <i>The Council legal team have been asked to look at this.</i> • Consent from NCC to access NCH cash reserves to facilitate NCH Group asset transfers, as required. • <i>The analysis on cashflow and impact needs completing.</i> • Consent from NCC to novate existing loans to NCH and NCHEL within the Group at the original interest rate. • <i>This needs analysis. What is the impact of not novating? What are the legal ramifications? What if the original interest rate cannot be matched?</i> <p>It is proposed that these matters are all responded to in a separate letter so that the final NCC response can be incorporated into the Plan. Board's views on these matters are also invited at the meeting.</p>
3.5	<p>The next NCH Group Board meeting is in June 2024 so Board will need to consider if it wishes to meet for an ad hoc meeting towards the end of March 2024 for final sign off.</p>

4	FINANCIAL, LEGAL AND RISK IMPLICATIONS
4.1	<u>Financial Implications</u>
4.1.1	The financial implications are set out in the body of the Business Plan from Page 4 onwards
4.2	<u>Legal Implications</u>
4.2.1	The Regulator of Social Housing (RoSH) requires a framework to be published by regulated organisations to comply with the Governance and Financial Viability Standard. It is therefore important for NCHRP to have a robust plan in place.
4.2.2	As sole shareholder it is the prerogative of NCC to set the strategy for its wholly owned Company, NCH Limited, following cessation of the management agreement. Clear objectives will allow both NCC and the Board to track progress against these objectives moving towards considerations of longer-term viability in due course. NCC wish for any Business Plan to be scrutinised by its Companies Governance Executive Committee although it is not clear what decision-making powers that Committee has.
4.2.3	Due to numerous uncertainties surrounding NCC's governance and finances it has been recommended that the Plan be reviewed in a few months as circumstances are likely to change.
4.3	<u>Risk Implications</u>
4.3.1	The risks of not having a robust Business Plan are set out in the Corporate Risk Register. A Plan is required to provide key direction for decision making and financial planning so that resources can be allocated accordingly.
5	IMPLICATIONS FOR NOTTINGHAM CITY HOMES' OBJECTIVES
5.1	The Group are required to set out its objectives for the forthcoming year
6	EQUALITY AND DIVERSITY IMPLICATIONS
	[Double click the box to complete]
6.1	Has the equality impact of these proposals been assessed? <input type="checkbox"/> Yes (EIA attached) <input checked="" type="checkbox"/> No (this report does not contain proposals which require an EIA)
7	BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT
7.1	None.

	Name: NCH Management Group
	Tel: 07962 395269
	E-mail: george.pashley@nottinghamcity.gov.uk
	Appendix 1 NCH Draft Business Plan
	Date: 24 January 2024



2.4 Appendix 1

NOTTINGHAM CITY HOMES GROUP **BUSINESS PLAN 2024-2027**

Foreword by the Nottingham City Homes Group Chair

We, Nottingham City Homes (NCH) Ltd are a wholly owned local authority-controlled company whose shareholder is Nottingham City Council (NCC). We have two subsidiaries. Nottingham City Homes Enterprises Limited (NCHEL) and Nottingham City Homes Registered Provider Limited (NCHRP).

NCH was set up by NCC to provide housing management and maintenance services to NCC Council housing stock. Prior to the return of those services in March 2023 we had built or acquired some 700 homes providing much needed temporary and permanent homes in the City of Nottingham. This document is the first draft presented to NCC which outlines the steps we will take, alongside NCC to deliver on the Council's key housing objectives and identify the future path for our organization. Our priorities are led by the Council's housing strategic objectives:

- 1 Retain the temporary accommodation portfolio so as not to cause an increase in costs of homeless provision for NCC
- 2 Maximise available cash to repay the sum owing to the HRA (to the fullest extent possible)

The Board is committed to supporting these objectives by working with NCC to achieve the best outcomes not only for the shareholder, but for our tenants, licenseand leaseholders. To do this, the Board must ensure that the Group is financially stable, effectively governed and adheres to the highest standards of regulatory compliance.

The Board recognises that to deliver these objectives, the NCH Group requires the assistance and support of NCC, as detailed in the Executive Summary below.

We look forward to ensuring that, through effective joint working and cooperation, we can deliver on the principles we have set out below for our Business Plan.

The past year has been a challenging one for NCC and the NCH Group, but the Board is pleased and appreciative of the way in which we have built stronger relationships and understanding between our two organisations and we look forward to continuing this. A final draft will be produced by the end of the financial year, following the resolution of some key outstanding issues including agreement on the service contracts sum for 2023/24 and the methodology for future years.

Madeleine Forster

Group Board & NCHL Chair

DRAFT

Executive Summary

The residual NCH Group currently “delivers” just over 700 properties to support housing in Nottingham - 58% provides much needed temporary accommodation and further 23% is social/affordable housing.

The companies have assets worth £69m at the end of March 2023. Debts of £48.9m were secured on those properties. In addition, an agreed sum of £18.5m has been recognised in the 2022/2023 NCH Group statutory accounts for repayment of sums generated by NCH as surpluses from the NCC management fee had been spent by NCH on the acquisition of non HRA properties and delivery of non HRA activities.

Nottingham City Council has set 7 main objectives for the housing service and the NCH Group, the highest ranked being maintaining Temporary Accommodation (TA) services whilst also maximising the repayment of the HRA debt to NCC through asset rationalisation.

- Retain NCH Group owned property used for Temporary Accommodation
- Maximise available cash within NCH Ltd to address repayment (to the fullest extent possible) for the sums owed to the NCC Housing Revenue Account.
- Ensure repayment of the total outstanding borrowing from NCC by all three companies by the instalments agreed at the time of borrowing, or earlier if companies elect to do so
- Address the solvency challenges in (its subsidiary) NCH Enterprises Limited
- A managed withdrawal from the market rented business
- Create a residual company structure that is sustainable in terms of solvency and financial stability
- Implement a legitimate and transparent legal and financial relationship between NCC and the NCH Group

To deliver these objectives the companies have been operating an interim strategy of selling the market rent properties on the open market with a view to closing down the NCH EL subsidiary by 2025. The sale of 158 Properties from NCH and NCH EL is expected to generate gross receipts of £23.4m, allow repayment of the associated

£14.5m loans and make a contribution of £8.6m towards the repayment of HRA debt. The timescale and sources of income are detailed in the table below.

Table 1

Estimated Repayment Date	Value £'000s	Description of Cash Receipt
March 2024	1,120	Income from disposal of fleet to NCC
	787	Income from settlement of NCC furnishings debtor
March 2024 Total	1,907	
September 2024 Total	1,000	NCH Surplus cash reserves
Q1 – 2025/26	771	Cash receipts from swap out of Ryehill and Masson House
Q1 – 2025/26	4,074	Cash Receipts from disposal of Arboretum
Q1 – 2025/26	958	Cash receipts from disposal of Forest Road West
Q1 – 2025/26	1,393	Remaining cash receipts from NCHEL asset disposal
Less disposal costs	(1,500)	To cover rent income losses and property repairs and other disposal costs
Q1 -2025/26 Total	5,696	
	8,603	Total Repayment by Q1 2025-26

These sums can be paid after disposal of assets detailed in this business plan and is dependent on the NCH Group receiving the estimated cash receipts from debtors and asset disposals and within the timescales provided.

To deliver on our key priorities and deliver a robust Business Plan for the NCH Group, the Board has identified key decisions and areas of support it requires from NCC. This clarity and support will allow us to build upon the financial modelling undertaken already, finalise a full longer term Business Plan and allow robust consideration of options for the medium term by the company boards and the council.

Key Decision and Support required from NCC

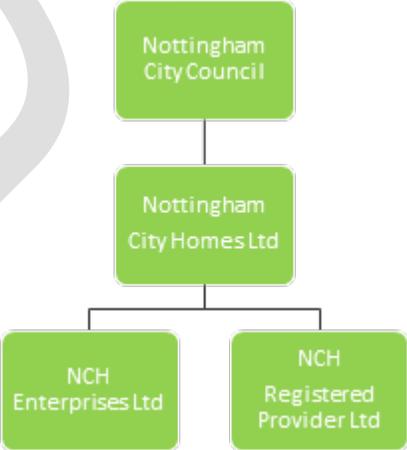
- Consent from NCC for the deferment of the inter-company loan between NCH and NCHEL, due in March 2024
- All operational services for the Group are delivered by NCC employees under a Service Contract. The service contracts are currently under review – we need certainty that there will be no material changes to the costs for the companies arising from the review.
- Timely consent, as Lender, to dispose of property assets as agreed in the Asset Disposal Strategy.

- Timely removal of covenants from Arboretum properties to enable sales to progress early in 2024
- Consent from NCC to access NCH cash reserves to facilitate NCH Group asset transfers, as required.
- Consent from NCC to novate existing loans to NCH and NCHEL within the Group at the original interest rate.
- Confirmation from NCC of the additional HRA costs and interest owed for 2022/2023 and 2023/2024.

Background

Nottingham City Homes Limited (NCH) is a wholly owned Nottingham City Council (NCC) company originally established in 2014 by NCC to manage its social housing portfolio. NCC is the sole member shareholder of the NCH Group, a key stakeholder and the NCH Group’s principal lender.

During the management period and in accordance with its Articles of Association, NCH also diversified its own housing offer to the residents of Nottingham City through two subsidiaries; Nottingham City Homes Registered Provider Limited (NCHRP) providing affordable rent homes and temporary accommodation (TA) and a market rent offer through a commercial subsidiary Nottingham City Homes Enterprise Limited (NCHEL) – The group structure is shown below in Table 2. All three companies own and manage housing assets for rent. In some instances, properties are owned in one entity and leased to another.



[Table 2]

On 11 May 2022, NCC decided to terminate NCH Group's management of the Council social housing portfolio with effect from 1 April 2023. The group effectively supported the return of the staff and services into the HRA for that date.

The residual group currently provides 718 housing properties to support Nottingham's housing strategy. The properties were not transferred back to the HRA because

- Many the properties provide temporary accommodation which is a general fund activity
- Stock "sold" to the HRA will be used for secure tenancies and therefore be subject to the Right to Buy.
- Temporary accommodation delivered via a Registered Provider (RP) is advantageous because they are the only bodies entitled to claim enhanced housing benefit which contains a support element, and therefore allows RPs to commission premises which are financially backed by DWP in effect and takes the pressure off the Councils General Fund.
- To limit its risks NCHRP obtains premises off market from private sector and commercial landlords on a very short-term basis. In addition, it has a lease to one sole HRA funded Council asset called Highwood House as well as the group assets it leases from NCH and NCH EL.
- Cash would not be generated by a transfer and there are potential issues about valuation loss not assisting with debt repayment if the use of the property changes.

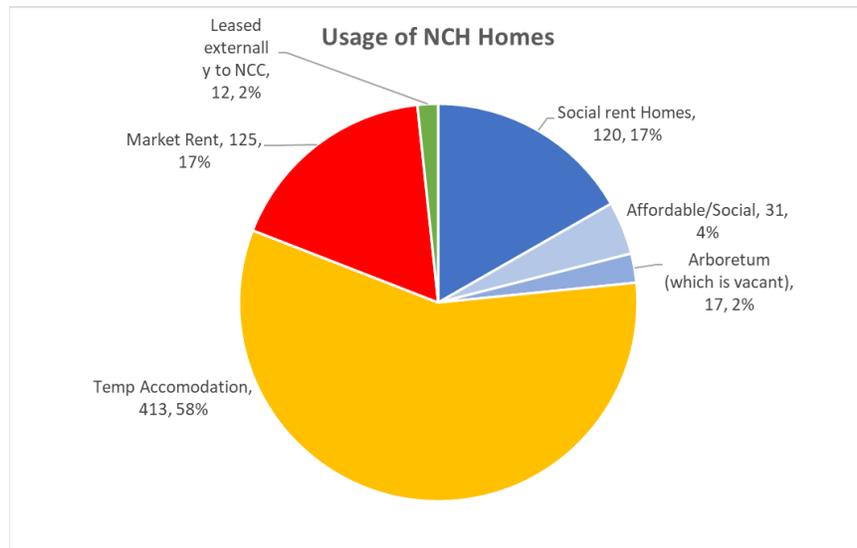
The table below shows the split of properties between the different companies in the group: -

NCH Group "deliver" - includes all owned and managed		Units
Nottingham City Homes Parent		
	Social rent Homes	120
	Arboretum (which is vacant)	17
		137
NCH EL		
	Market Rent	125
	Leased externally to NCC	12
		137
NCH RP		
	Affordable/Social	31
	Temp Accomodation	413
		444
Grand Total		718

The detailed mechanism of ownership and leases between the different companies is relatively complex and included in appendix 1.

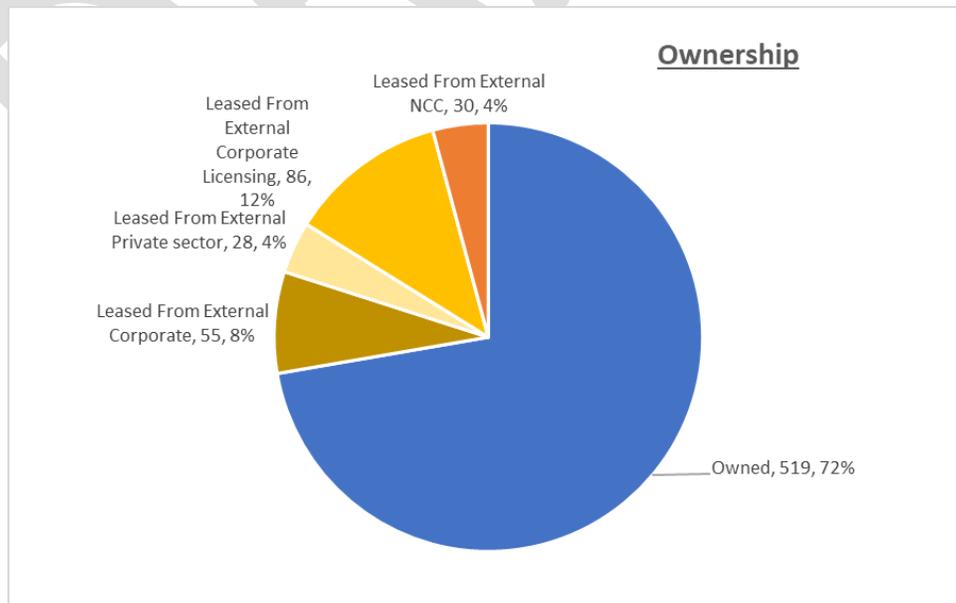
The pie chart below shows a summary of the current usage of the units. Currently nearly two thirds of the homes under management support the council’s need for temporary accommodation. A further 23% provides affordable/social rented homes.

:-



NCH has a residual number of 125 properties which are rented at Market rent.

Overall, the group currently owns c. 72% of the homes it delivers.



The NCH Group has continued to trade to ensure that services continued to be delivered to its own tenants and licensees.

All NCH staff transferred, under TUPE, to NCC on 31 March 2023. All services required by NCH are therefore delivered by NCC under the Service Contract. At the time of writing the NCH Group has had no employees. Inevitably this situation has slowed progress towards full business planning to some degree. We are optimistic we can agree secondment with NCC of a small cadre of staff managed by a Chief Operating Officer soon to accelerate delivery of this plan and plans are underway to recruit to that critical senior post.

Current Financial Position

The group owned land and building assets with a book value of £69m at the end of March 2023. Debts of £48.9m were secured on the properties. Following a review by CIPFA into NCC's HRA finances, it was identified that sums generated by NCH as surpluses from the NCC management fee had been spent by NCH on the acquisition of non HRA properties and delivery of non HRA activities. Accordingly, an agreed sum of £18.5m has been recognized in the 2022/2023 NCH Group statutory accounts for repayment of this sum back to NCC's HRA account.

This is recognized in this plan as the HRA debt and is a sum payable in addition to the loan repayments required under NCC loan agreements. The method, timeline and amount of HRA debt repayment is to be determined.

The Business Plan Principles

Since 1 April 2023 the NCH Group has worked with NCC, to establish a new vision for affordable rent, social rent, market rent, and temporary accommodation (TA) owned and managed by the NCH Group

As shareholder, NCC established seven new key priorities, in ranking order, for the NCH Group to deliver. The Principles of this Business Plan are based on delivering these priorities:

- **Retain NCH Group owned property used for TA**
- **Maximise available cash within NCH Ltd to address repayment (to the fullest extent possible) for the HRA sums owed to the NCC HRA account.**
- **Ensure repayment of the total outstanding borrowing from NCC by all three companies (instalments agreed at the time of borrowing, or earlier if companies elect to do so)**
- **Address the solvency challenges in NCH**
- **A managed withdrawal from the market rented business**
- **Create a residual company structure that is sustainable in terms of solvency and financial stability**
- **Implement a legitimate and transparent legal and financial relationship between NCC and the NCH Group**

The (newly recruited) board of directors for NCH are fully committed to delivering all these objectives. This is informed by a shared passion to manage the companies in the best way possible to support the council's ambitions for housing for the communities of Nottingham.

Initial Strategy

NCH has undertaken detailed baseline financial modelling. This has established that to repay the HRA debt in full, NCH would need to undertake a managed asset disposal plan for its whole portfolio. This would necessitate a withdrawal from the delivery of TA and affordable housing markets and in turn this would immediately impact on NCC's TA provision, significantly increasing NCC's annual revenue costs in relation to securing Bed and Breakfast accommodation for homeless families. NCH currently saves NCC costs of at least £13m per annum by delivering a TA provision. This is based on the number of

units provided by NCH and the nightly costs of bed and breakfast accommodation at the material time. As a key priority for NCC is to preserve the provision of TA this is factored into the asset disposal strategy the NCH Group is developing with NCC. The option of selling all stock including TA has been disregarded at this stage.

NCHEL has significant equity in its investment properties but is cash insolvent and trading on the basis of 'other than going concern'.

Therefore the overall initial strategy focuses on the sale of the market rent properties in NCHEL with a view to NCHEL ceasing trading in March 2025 by which time it will have disposed of its market rented assets and repaid related lending.

To ensure NCHEL remains cash solvent in the short term the current inter group loan and deferment arrangements in place with both NCC and NCH need to be extended.

The sale of 158 NCH and NCH EL Properties is expected to generate gross receipts of £23.4m. After deduction of: -

Repayment of Loans secured on the Properties	£14.5m
Sales Costs and Fees of	£1.2m
Tax on Sale Profits	£2m
Est net figure for repayment	£5.7mn

This will provide £5.7m towards repaying the outstanding HRA Surplus

Other payments that will increase the contribution to the HRA debt include:

- an amount of £787k relating to a Housing Services furnishing recharge expense by NCH and recharged to the NCC HRA.
- £1.12m of income from NCH fleet disposal to the NCC HRA.

The total amount of cash which could be made available to NCC in settlement of the HRA debt is therefore estimated to be £8.6m, assuming the service contract charge for 23/24 is calculated in the same way as previously.

ESTIMATED FUNDS GENERATED TOWARDS REPAYMENT FO THE HRA SURPLUS						HRA
Category	Number of Dwellings	Total Disposal Income	Total Loan Repaid	Total Selling Fees	Total Tax Provision	Surplus Repy'mnt
		£'000	£'000	£'000	£'000	£'000
NCH EL Market Rent	87	13,584	(10,374)	(408)	(1,410)	1,393
Dispersed Properties (Ryehill House and Masson House swap)	34	4,582	(3,169)	(138)	(505)	771
Arboretum	27	4,200	0	(126)	0	4,074
Forest Road West	10	1,046	0	(31)	(57)	958
Estimated Interest 24/25 plus selling costs			(1,000)	(500)		(1,500)
Estimated Housing Services Furnishing recharge						787
Funds Genrated through the disposal of Fleet						1,120
Estimated liquid funds through unallocated bank funds						1,000
	158	23,412	(14,543)	(1,202)	(1,972)	8,603

Timeline for the Initial Strategy

The table below lists the timeline for delivery of key actions for NCH in the short term. The delivery of this Plan is wholly reliant on the ability of the Group to mitigate the risks identified below and obtaining relevant NCC consents.

Key Actions	Jan 2024 - Mar 2025				
	Q4 23/24	Q1 24/25	Q2 24/25	Q3 24/25	Q4 24/25
Complete Phase 1 Disposals					
Phase 2 Disposals					
Phase 3 Options Appraisal					
Phase 3 Disposals					
Settle NCC Loan Interest and Principal					
Cease Trading and Commence Final Year Accounts					
NCH Ltd Asset Options					
Arboretum sale process					
Disposal - Forest Road West					
Appraisal – Social Housing (114+6 units)					
Appraisal – Midland House					
Appraisal – Dispersed TA					
Disposal plan and commence delivery					

Indicative Timeline For HRA Repayments

Indicative repayment of the HRA monies, estimated to be £8.6m is shown below and is subject to the receipt of cash from asset disposals and settlement of outstanding debtors:

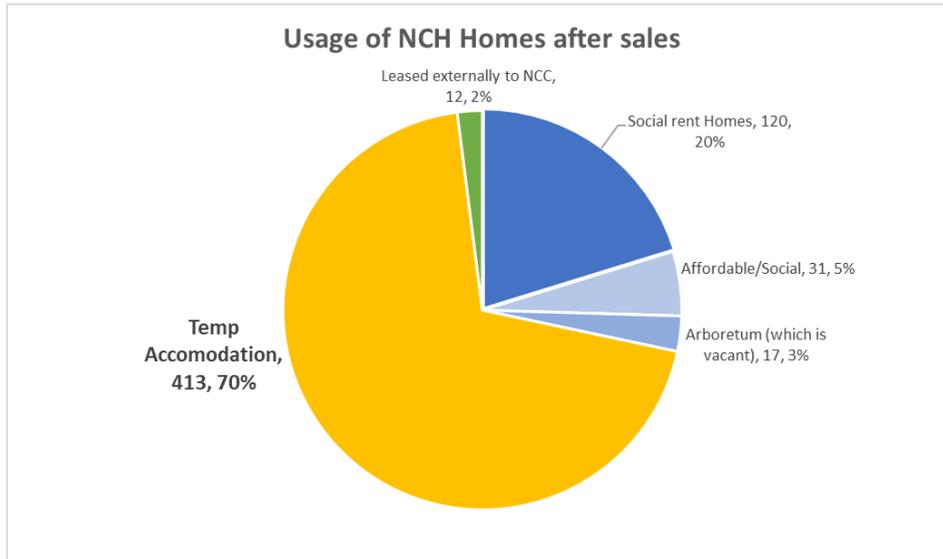
Estimated Repayment Date	Value £'000s	Description of Cash Receipt
March 2024	1,120	Income from disposal of fleet to NCC
	787	Income from settlement of NCC furnishings debtor
March 2024 Total	1,907	
September 2024 Total	1,000	NCH Surplus cash reserves
Q1 – 2025/26	771	Cash receipts from swap out of Ryehill and Masson House
Q1 – 2025/26	4,074	Cash Receipts from disposal of Arboretum
Q1 – 2025/26	958	Cash receipts from disposal of Forest Road West
Q1 – 2025/26	1,393	Remaining cash receipts from NCHEL asset disposal
Less disposal costs	(1,500)	To cover rent income losses and property repairs and other disposal costs
Q1 -2025/26 Total	5,696	
	8,603	Total Repayment by Q1 2025-26

Residual Position After Initial Strategy

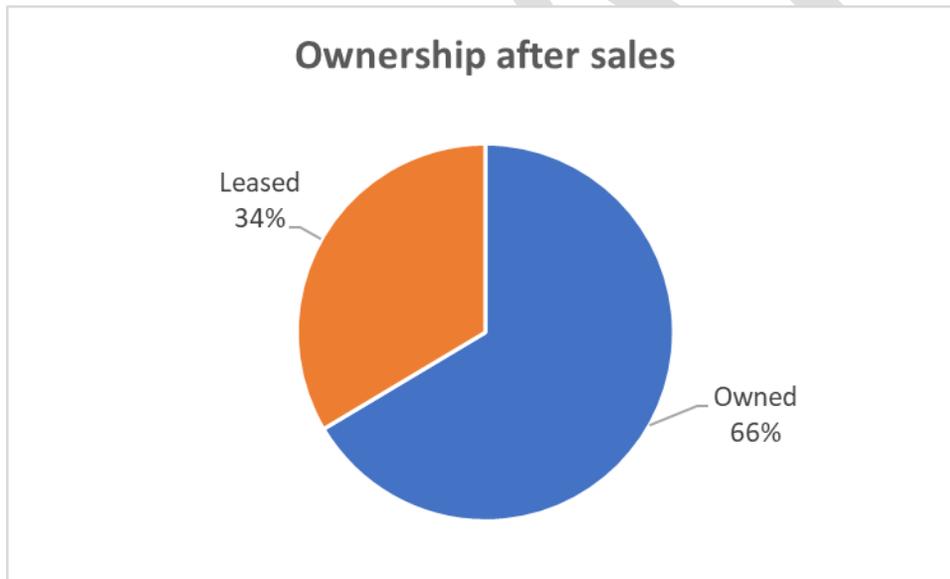
The table below summarises the anticipated position after the completion of the initial sales - leaving a stock holding of just below 600 units.

		We will be
Nottingham City Homes Parent		
	Social rent Homes	120
	Arboretum (which is vacant)	17
		<u>137</u>
NCH EL		
	Market Rent	0
	Leased externally to NCC	12
		<u>12</u>
NCH RP		
	Affordable/Social	31
	Temp Accomodation	413
		<u>444</u>
Grand Total		<u>593</u>

70% of the stock will be Temporary Accommodation with the remainder social and Affordable rent properties.



A third of the properties will be leased :-



Initial Budget and Financial Plan

The Board have established budgets for 2023/24 for the group and subsidiaries and have used that as a baseline for beginning to model plans going forward.

That initial business planning has allowed the development of a base residual “Profit and Loss” for the group that demonstrates that the group is viable on a going concern basis.

ESTIMATED 'BASE' GOING CONCERN PROFIT AND LOSS FOR THE GROUP			
<u>Category</u>	<u>Group</u>		<u>Total</u> Income
	<u>Owned</u> Dwellings	<u>Leased</u> Dwellings	
			£'000
NCH Affordable Homes - Social	120		742
NCH RP Social Housing	31		219
NCH RP Move-On	8		115
NCHEL - Leased to Social Care	12		91
NCH Dispersed - Homeslessness	161		2,458
Homeslessness (Fairham)	24		550
Homeslessness (Midlands)	21		476
Private Sector Leases		157	3,884
Highwood House		29	639
Going Concern - Estimated Base Group Income	377	186	9,174
External Lease Costs (PSL / Highwood)			(2,838)
Group Depreciation			(539)
Group Loan Interest			(1,371)
Group Running Costs			(3,831)
Central Charges and Overhead			(235)
Going Concern - Estimated Base Group P & L			360
Estimated Split (after recharges and asset transfers)		NCH Ltd	60
		NCH RP	300
			360

As of 23 November 2023, the NCH Group has borrowing from NCC totaling £47.7m. (The sales in the initial strategy will reduce this by £14.5m) Loan repayments are built into the going concern base figures and will continue to be repaid, to terms, as principal and interest on a loan-by-loan basis until either the property is disposed of, or the borrowing facility is settled. Each loan is secured against an asset by way of legal mortgage, and it is not anticipated that any additional lending will be sought at this time. Any inter group transfer of assets will be subject to legal advice, tax, and valuations as well as NCC

agreeing to novate existing loans. This will be subject to NCC consent to novation and the terms remaining as originally agreed.

The indicative residual base budget for the Group delivers a combined turnover of £9.1m from which it could generate an annual group margin, before tax of £360k, with a cash surplus of £80k after loan repayments. However, these figures are subject to change.

Most of the profit is generated by NCHRP which is subject to regulation by the Regulator of Social Housing and their Governance and Financial Viability Standard.

Whilst more work is clearly required to finalise the business plan and agreement is required to be reached on some significant matters with the Council, the initial view of the Directors is that a viable full business plan can be developed from the planning work undertaken.

Key Matter Requiring Final Agreement

We are grateful for the support from NCC to date but recognise there are a few uncertainties/ matters requiring further agreement the Council around the budget and plans in the medium term.

- NCHEL has a cash flow forecast and is on track to settle the deferred loan payments to NCC by March 2024. NCHEL has requested a further deferral of the NCH intergroup debt to accommodate the cash impact of the delayed asset sales of its Phase One disposals into 2024/2025. Consent from NCC for the deferment of the inter-company loan between NCH and NCHEL, due in March 2024
- All operational services for the Group are delivered by NCC employees under a Service Contract. The service contracts are currently under review – we need certainty that there will be no material changes to the costs for the companies arising from the review.
- Timely consent, as Lender, to dispose of property assets as agreed in the Asset Disposal Strategy.
- Consent from NCC to access NCH cash reserves to facilitate NCH Group asset transfers, as required.

- Consent from NCC to novate existing loans to NCH and NCHEL within the Group at the original interest rate.
- Confirmation from NCC of the additional HRA costs and interest owed for 2022/2023 and 2023/2024.
- Expedition of the removal of covenants to enable the early sale of Arboretum properties

Next Steps

Subject to endorsement of the principles set out in our business planning to date by NCC and agreement being reached around the key issues we see the next steps as: -

- Extending the initial business planning undertaken into a full longer term (30 year) business planning model in line with best practice
- Utilising the longer term plan to model in detail a range of options for consideration jointly with the council for the longer-term delivery of the residual stock in NCH
- This is expected to include: -
 - Modelling and costing in detail a simplification of the group structure
 - Costing and considering arrange of different service delivery models to find the most effective way to support NCC's housing needs in the mid term

Governance

The newly recruited NCH Group Board is led by a Chair plus 6 relatively recently recruited Board Members each of whom also represent the Board Membership of NCHEL. The board members have been selected on a skills basis and bring significant commercial, property and housing sector experience. Two have been appointed, in the same manner, by NCC.

NCHRP comprises three Independent and three NCH appointed Board Members. It currently has a Chair and two Board members in place and has commenced recruitment to two further Independent Board Member positions.

The Group is also supported by an Audit Risk and Compliance Committee.

The Board are currently considering how they can simplify and rationalise governance structures to be as effective as possible whilst maintaining the highest standards of good governance. This will inevitably include consideration of the 'group' structure as NCHEL moves towards closure.

The NCC shareholder attends the Group Board meetings and presents relevant NCH performance information and updates to NCC's Corporate Governance Executive Committee.

Delivering Our Objectives; 2024-2025

At the time of writing the Business Plan, there remain a number of uncertainties. We have shaped the NCH group plans into Short-Term and Medium-Term Objectives and Actions.

The tables below set out the key actions and the timeline against which NCH will endeavour to deliver those actions.

Year 1 Objectives and Key Actions - January 2024 to March 2025 (Q1,2,3,4)

Objective	Key Actions
<p>Protect existing temporary accommodation (TA) services delivered via NCHRP Ltd</p> <p>1</p>	<ul style="list-style-type: none"> • Retention and management of the 39 assets owned by NCHRP • Retain suitable NCHEL and NCH assets for TA use, through an asset transfer process subject to an options appraisal to assess financial and legal viability. • Deliver temporary accommodation services through NCHRP, with any increased provision required by NCC restricted to low risk, short term property leases and licenses. <p>To be delivered throughout Q1-4</p>
<p>Address NCHEL Cash Insolvency</p> <p>3,4,5,6</p>	<ul style="list-style-type: none"> • Managed exit from the market rent sector by March 2025 • Disposal of all assets for market value, in three planned phases. • Phase three requires options appraisals to assess viability of property transfer at market value to NCH, for continued TA use. • Agree a process with NCC to transfer assets within the NCH Group structure, including approval from NCC to novate loan arrangements with NCHEL to NCH, to make this option affordable. Q1. • Generate adequate cash reserves to repay NCC loans that fall due to NCHEL when the loan deferral ends in March 2024. • Generate adequate cash reserves by March 2025 to repay all remaining NCHEL liabilities. See 8.4 • Close NCHEL Q4 <p>To be delivered throughout Q1-4</p>

<p>Asset Restructure and Disposals 1,2,3,6</p>	<ul style="list-style-type: none"> • Recruit a COO to lead the further development of the Business Plan and provide leadership for NCH Q1 • Undertake an Options Appraisal of Phase 3 NCH properties to assess viable options for transfer to NCH at market value, with a view to protecting TA services. Q2 • Agree and commence disposal plan of assets for 2024/2025 and into 2025/2026 for NCH and NCH assets. Q1 onwards • Subject to an options appraisal, dispose of NCH assets that do not impact on TA. Q1 and Q2 • Assessment of 114 NCH owned affordable housing properties to determine options for delivering this service at a profit, asset transfer or disposal. Q1 and Q2 • Assessment of 6 affordable housing properties, owned by NCH Ltd without a loan, to determine process for transfer to the HRA, with corresponding asset value reduction from HRA debt. Q1 and Q2
<p>Financial Control and Monitoring 2,6,7,</p>	<ul style="list-style-type: none"> • Monthly and quarterly financial performance reporting of Group and subsidiary profit and loss, in year budgeting and forecasting, cashflow forecasting and balance sheet management. • Provision of costings to inform the options appraisal process for NCH Group properties. • Consider options for short term and medium-term cost savings, where required. • Establish a medium-term financial plan, to include review of the Groups financial viability and the financial impact on the Groups finances of the NCC service contract. • Monthly finance reporting to NCC.

	<ul style="list-style-type: none"> • Establish an HRA debt repayment plan, from cash reserves released through asset restructure. <p>To be delivered throughout Q1-4</p>
<p>Manage retained housing management and maintenance services for wholly owned stock 6</p>	<ul style="list-style-type: none"> • Ensure there is an asset management plan for all remaining owned assets. • Service Contract Management • Review performance through regular performance monitoring reports, including stock condition and compliance • Management of third-party providers • Regular meetings with NCC Asset Disposal Working Group • Regular detailed reporting to Board in respect of key areas of the business • Regular engagement with tenants <p>To be delivered throughout Q1-4</p>
<p>Manage processes and procedures 6,7</p>	<ul style="list-style-type: none"> • Ensuring robust governance and compliance as set out by the Companies Act, NHF Code of Governance and the Regulator of Social Housing. • At Board and Officer level ensure open and transparent communications with NCC via its shareholder representative • Facilitating efficient and effective decision making, financial management and performance. • Managing risk and compliance • Putting internal and external audit provisions in place • Ensuring decisions are made in a timely manner across all three Boards • Appointing and training competent Board Members • Maintaining effective constitutional arrangements

	<ul style="list-style-type: none"> • Regularly reviewing constitutional and related documents • Board management including appraisals, training and recruitment <p>To be delivered throughout Q1-4</p>
--	---

Year 2 Objectives April 2025 to March 2026

The Groups medium term objectives focus on the continued delivery of the asset disposal strategy and considering the options relating to the establishment of a residual company structure that is affordable and sustainable following closure of NCHEL.

The Group structure from 2025 is expected to consist of NCH and one subsidiary NCHRP and work will be undertaken based on the available residual asset holding and NCC’s objectives to determine the best vehicle for the Group to continue to operate.

The future of the residual NCH group is also dependent on NCC’s longer term plans for TA services and the Groups ability to deliver financially resilient services. Having regard to the known Risks, set out below, and any revision of NCC’s priorities, the Year 2 Plan may require review prior to any implementation.

Year 2 Objectives – April 2025 to 2026

Objectives	Actions
Maintain TA	<ul style="list-style-type: none"> • Align delivery of TA with NCC’s homelessness strategy and requirements • Realign remaining objectives to meet NCC’s priorities as shareholder including closure of all or part of the remaining NCH Group activities. • Subject to the above, consider asset restructure and/or further disposals.
Asset Restructure and Disposals	<ul style="list-style-type: none"> • Deliver the outcome of the NCH asset disposal strategy.
Financial Control and Monitoring	<ul style="list-style-type: none"> • Short term objectives will continue to be delivered with an emphasis on monitoring the financial viability of the Group, post restructuring of assets. • Consider low risk savings for the Group including restructuring of its cost base to reduce tax liabilities where possible. • Review the NCC Service Contract requirements and costs in conjunction with NCC, in line with the reducing size of the Group.
Group Staffing and Governance	<ul style="list-style-type: none"> • Establish a Group Structure that delivers the required objectives ensuring value for money, solvency and financial stability • Ensure retention of a suitably trained workforce.

Business Risks

The following risks may cause delay or inability to deliver a Business Plan:

	NCH Group Key Business Risks
1	NCC Shareholder risks including Section 114 spending controls, and intervention of Government Commissioners.
2	Failure by NCH to repay the HRA debt and/or agree a mutually agreeable payment position.
3	Failure to receive confirmation of additional HRA costs and interest owed for 22/23 and 23/24 from NCC.
4	Failure to ensure the Group remains financially viable, including cash solvency
5	NCC failure to deliver the required level of performance under the Service Contract.
6	Failure to agree NCC service contract costs for 23/24 onwards.
7	Inflated costs of borrowing, including failure to obtain NCC consent to novate existing loans on current terms, prevent asset rationalisation.
8	Delays in disposal, including downturn in the housing market.
9	Failure to obtain NCC consent for NCH accessing cash reserves to facilitate group asset transfers.
10	Failure to obtain NCC Lender Consent for sale of properties.
11	Inability to agree an establishment structure for the Group including recruitment and retention of suitable staff.
12	Fundamental changes in DWP funding regulations for TA make the provision unviable.
13	Changes in NCC homelessness strategy make NCH RP TA provision unviable.
14	Clarification on how the NCH Group is to support the NCC TA strategy moving forward.

Glossary & Stakeholders

NCC Nottingham City Council, sole shareholder, principal lender, statutory body responsible for homelessness, service contract provider and employer of all employees.

NCH Nottingham City Homes Limited wholly owned not for profit local authority-controlled company governed by a board of non-executive directors originally formed to deliver housing management functions for NCC, now landlord of affordable homes and owner of temporary accommodation leased to NCHRP.

NCH RP Nottingham City Homes Registered Provider Limited, subsidiary of NCH, delivering affordable homes and temporary accommodation units for NCC.

NCHEL Nottingham City Homes Enterprises Limited, subsidiary of NCH delivering market rent homes and leased temporary accommodation units to NCHRP.

TUPE Transfer of Undertaking (Protection of Employment) Regulations under which all former NCH employees transferred on 31 March 2023 to NCC when the housing management agreement ended.

TA Temporary Accommodation provided under license on a short-term basis for homeless people and families and delivered via the NCH Group by owned and leased units and through external contracts.

DWP Department of Work and Pension, Government body providing funding for tenants and licensees who need assistance to pay their rent and accommodation charges, including exempt housing accommodation charges which in turn provides most of the funding for TA.

ROSH Regulator of Social Housing who undertakes economic regulation of providers of social housing registered with them, focusing on governance, financial viability and value for money that maintains lender confidence and protects the taxpayer.

HRA The Housing Revenue Account recording expenditure and income on running a council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council's own tenants. NCC operates an HRA, ring fenced from NCC's general fund account.

Service Contract Agreement between NCH and NCC for the delivery of all operational services, including staff to the NCH Group.

Appendices

Appendix 1 - Group Asset Summary

Appendix 2 - Asset Book Values and Loans by Company

Appendix 3 - NCH RP Business Plan

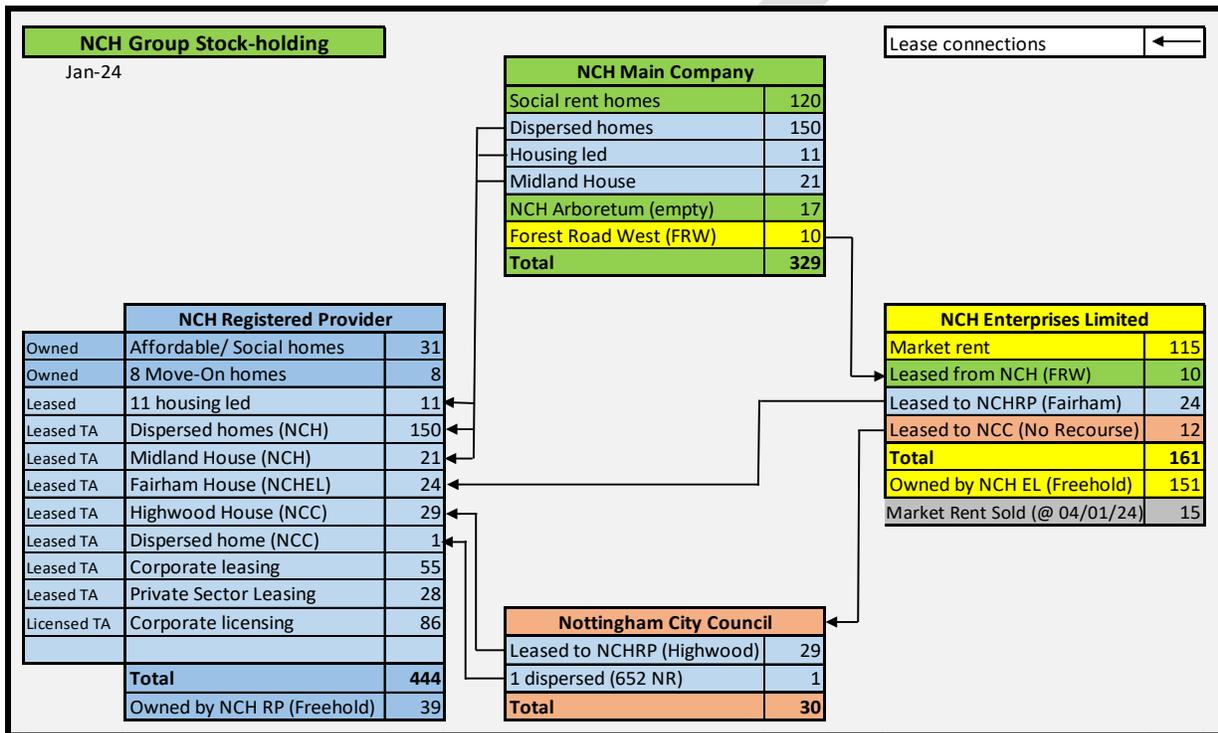
Appendix 4 - NCH EL Business Plan

DRAFT

Appendix 1 Group Asset Summary

As of 31 March 2023, NCH Group had fixed assets with a book value of £69.093m and secured loans of £48.943m.

There are several property cohorts within the NCH Group that are held in a complex structure of property ownership and intercompany leasing agreements. This is set out in the table below:



Appendix 2 - Asset Book Values and Loans by Company

8.4 NCHEL Ltd - Total Assets Owned: 166 Total Assets Managed: 176

Property Cohort	Use	No.	Asset Bk Value March 2023 £'000s	Loan Value March 2023 £'000s	Comments
Owned - Market Rent	Market rent	96	13,584	9,887	Phase 1 and 2: Disposal plan to sell for market value by March 2025. Awaiting NCC lender approval for Phase 2
Owned - Masson House	Market rent	18	2,340	1,950	Phase 3: Used for market rent. Scope to transfer to NCH Ltd for TA use if viable. Subject to options appraisal
Owned - Ryehill	Market rent	16	2,756	2,370	Phase 3: Used for market rent. Scope to transfer to NCH Ltd for TA use if viable. Subject to options appraisal
Owned - Fairham House	Leased to NCHRP for TA use	24	3,520	3,160	Phase 3: Leased to NCHRP for temporary accommodation. Subject to an options appraisal, with asset transfer at market value to NCH Group ownership possible, if legally and financially viable. Disposal creates a recurring annual cost to NCC.
Owned - Leased to NCC	No recourse	12	1,830	1,239	Phase 3: Leased to NCC social care
Leased - Forest Road West	Leased from NCH for market rent	10			
		176	24,030	18,606	

8.5 NCH Ltd - Total Assets Owned: 339

Property Cohort	Use	No.	Asset Book Value March 2023 £'000s	Loan Value March 2023 £'000s	Comments
Owned - NCH Affordable	Social Housing	120	15,488	12,632	Loss making for the Group, subject to a future options appraisal to consider alternatives for delivery.
Owned - NCH Dispersed & Housing Led	Leased to NCHRP for TA	161	15,193	13,737	150 units leased to NCHRP for TA and 11 for Housing Led. Group to retain, but subject to future financial viability including capital programme. Disposal creates a recurring annual cost to NCC for TA. Separate options appraisal for 11 Housing Led properties.
Owned - Midland House	Leased to NCHRP for TA	21	4,174	0	Leased to NCHRP for TA. Disposal creates a recurring annual cost to NCC. Group to retain, but subject to options and financial viability checks.
Owned - Arboretum	Vacant	27	4,433	0	Board approval to dispose in October 2023. Awaiting change of covenants with NCC before sales process can commence.
Owned - Forest Road West	Leased to NCHEL for market rent	10	1,046	0	To be sold for market value during 24/25.
		339	40,334	26,369	

8.6 NCHRP Ltd - Total Assets Owned: 39, Total Managed: 444

Property Cohort	Use	No.	Asset Book Value March 2023 £'000s	Loan Value March 2023 £'000s	Comments
Owned	General Needs social housing and Refuge Move-On homes	39	4,729	3,968	General Needs Affordable and Social rent and Refuge Move-On homes.
Managed - Various	Temporary Accommodation	405			Used for Temporary Accommodation, supported by short-term leases and license arrangements.
		444	4,729	3,968	

Mr Neil McArthur
Nottingham City Council NCH Shareholder Representative
Nottingham City Council
Loxley House
Station Street
Nottingham
NG2 3NG

30 January 2024

Dear Neil,

Re NCH Business Plan

Thank you for the feedback on the NCH Principles of a Business Plan submitted to you earlier this month.

NCH has set out some support requirements and key decisions from NCC to enable the Group to formulate a final Business Plan.

For clarity, NCH is seeking an agreement from NCC ‘in principle’ to these requests at this stage, to determine the scope of our option appraisals and financial analysis that will inform the decisions for NCH Group asset transfers or disposals.

These NCH requests have, in turn, generated some further requests for clarification from NCC. The purpose of this letter is to address those matters NCC has raised.

For the avoidance of doubt, in respect of those NCH requests not listed below we are waiting for further updates from NCC which we understand will be forthcoming.

- 1. NCH: Consent from NCC for the deferment of the inter-company loan between NCH and NCHEL, due in March 2024***

NCC: The needs clearer analysis. For example, what is the impact of not deferring? When will the loan be repaid? Treatment of interest?

NCH response

NCH's market rent subsidiary, NCH EL, is cash insolvent. Two of NCC's required objectives for NCH are to withdraw from market rental and to pay back loans. NCHEL is committed to the disposal of its property assets in three phases, with phase one (44 properties) scheduled for disposal in 2023/2024.

It has now become clear that the sale of all 44 properties will not complete by 31 March 2024; with 31 likely to have completed and 13 sales that will complete after 1 April 2024. This means that the loan repayments on those remaining properties and any residual equity will not now be available by 2023/24-year end.

As a result, the forecast cash position for NCHEL is that it will:

- Have sufficient funds available to settle all NCC loan repayments due at the end of March 2024.
- Have insufficient funds to also meet the c.£475k due to NCH Ltd in March 2024 as planned.
- The forecasted cash position for NCHEL Ltd suggests there would be an overdrawn position of c.£50k if all liabilities are repaid as originally planned in March 2024. NCHEL does not have an overdraft facility and cannot go overdrawn.

NCHEL needs to have enough available cash during Quarter 1 of 2024/25 to pay its external suppliers, including NCC service contract costs.

The cashflow has assumed that all NCC loan repayments should be prioritised and these will be repaid on time, in March 2024.

NCHEL, cannot make the payment to NCH without risking insolvency.

The loan of £475k due to NCH will be deferred into a period during 2024/25 when the disposal proceeds from the remaining 13 properties are received and the cash balance is sufficient to repay the NCH loan. Interest on this outstanding loan will continue to accrue until the loan is repaid. The NCH Ltd Board has formally approved the deferment.

NCC are asked to consent to the deferment of the loan repayment to NCH for the reasons stated above so this can be built into the NCH Business Plan.

2. ***NCH Timely consent, as Lender, to dispose of property assets as agreed in the Asset Disposal Strategy.***

NCC: This should be straightforward once we are all on the same page about the overall plan.

NCH Response

NCC and NCH nominated officers have been part of an Asset Disposal Group for over a year now. Various Options have been considered and more recently consent provided by NCC for disposal of the NCHEL phases one and two. Consent for the final phase 3 will be sought in early 2024/25. These disposals are required as result of cash insolvency.

Moving forward, disposals will be linked to financial viability, purpose and NCC's strategy for a viable residual company.

To repay the entire HRA debt will require the NCH Group to sell all assets held within the Group, but this will come at a significant cost to NCC in additional homelessness burdens.

Fortnightly asset disposal meetings have taken place but matters now need NCC confirmation for the final business plan. Terms of Reference for the Asset Disposal group and the responsible officer for that group would now help with cementing a jointly agreed vision moving forward.

3. ***NCH Timely removal of covenants from Arboretum properties to enable sales to progress early in 2024.***

NCC The Council legal team have been asked to look at this.

NCH Response

Disposal of the Arboretum properties is underway. They are subject to 999 year leases from NCC, which require joint working to enable an efficient sale by NCH.

These properties are empty and costly for NCH to keep empty and secure, so an urgent resolution to the leases issue is needed. Victoria McIntyre is managing this process from NCC Legal and Emma Wilcox from Property, but they do not have the formal mandate for sign off.

These Arboretum properties are not subject to NCC lending and therefore do not require any Lenders Consent. All sale proceeds, less fees, will contribute directly to the repayment of the HRA debt.

Early oversight and decision by those who will have final sign off would be appreciated for our mutual benefit.

4. NCH Consent from NCC to access NCH cash reserves to facilitate NCH Group asset transfers, as required.

NCC: The analysis on cashflow and impact needs completing.

NCH Response

NCH will explore all alternative options to facilitate asset transfers that do not involve NCH cash reserves.

NCH will revert to NCC once the cashflow analysis is completed and further advice is available on the best method of transferring assets inter group.

5. NCH Consent from NCC to novate existing loans to NCH and NCHEL within the Group at the original interest rate.

NCC: This needs analysis. What is the impact of not novating? What are the legal ramifications? What if the original interest rate cannot be matched?

NCH Response.

NCH is concerned that it may not be able to preserve the current level of temporary accommodation provision once NCH EL has been dissolved, without the novation of existing loans from NCH EL to NCH.

Current and presumed loan values and interest rates are as follows;

Property	Debt @ March 2023 £k	Loan Interest Rate %	Annual Interest £k	Presumed New Interest Rate* %	New Lending Annual Interest Charge £k	Differential Interest Charge £k	Straight PWLB Interest Rate %	PWLB Annual Interest Charge £k	Differential Interest Charge £k
Fairham House	3,160.9	4.94%	156.1	8.45%	267.1	111.0	5.45%	172.3	16.2
Masson House	1,950.6	4.94%	96.4	8.45%	164.8	68.4	5.45%	106.3	9.9
Ryehill House	2,370.1	4.58%	108.6	8.45%	200.3	91.7	5.45%	129.2	20.6
Totals	7,481.6		361.1		632.2	271.1		407.8	46.7

* Current Local Authority Lending Rate (Public Works Loan Board) 5.45% plus 3%

Fairham House has been leased to NCH RP for temporary accommodation for almost 4 years, with the lease up for renewal in July 2024. If, on dissolution of NCH EL, Fairham House is sold or transferred to NCH Limited, a novation of the existing loan or a new loan would have to be negotiated to avoid enforced

sale and the loss of 24 units of temporary accommodation, delivering £875k of equivalent B&B savings to NCC per annum.

If the loan was not novated on the existing interest rate of 4.94%, it would be financially unviable for NCH to retain Fairham House or for NCH RP to lease it at the presumed commercial interest rate of 8.45%.

If novation isn't possible, NCH asks that NCC consider a new loan at straight PWLB rates (understood to be 5.45% currently) that may be financially viable for NCH and NCH RP and avoid the loss of temporary accommodation.

The NCH Business Plan also considers an option to 'swap out' 34 NCH owned, older, dispersed properties leased to NCH RP for temporary accommodation for newer NCH EL blocks at Masson House and Ryehill House. The reasons for this proposal are;

- The NCH dispersed properties were purchased 5 years or more ago, so hold more equity which could be released on disposal to contribute to the HRA debt repayment.
- Older dispersed properties carry a greater cost burden in repairs and upkeep and in a number of instances are in need of significant immediate attention and investment. Their disposal and corresponding reduction in maintenance burden would make the residual NCH Group more resilient.
- Masson House and Ryehill House are relatively new build blocks with a correspondingly lower equity value and maintenance burden.

Masson and Ryehill would need to transfer to NCH ownership on the dissolution of NCHEL. If a novated loan on existing terms (or straight PWLB in the alternative) could not be agreed for Masson and Ryehill, then NCHEL will need to sell the blocks in phase 3 of the disposal plan.

There are identical issues with the 12 properties currently leased by NCHEL to NCC Social Care. Without an acceptable and viable lending solution, these properties will have to be sold.

NCH is in the process of obtaining a full stock condition and HHSRS survey on the 150 dispersed homes. It is expected that a number of these homes – mainly Edwardian terraced properties – will need significant works soon. NCH Limited is likely to lack the financial resilience to undertake the necessary works so will have to consider disposal to the market. This will result in a net reduction of temporary accommodation and every property delivers an equivalent B&B saving of £36,500 per annum to the NCC General Fund.

Financial Information Requested by NCC

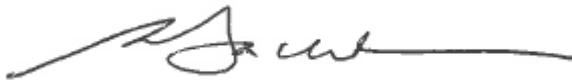
Both NCC and NCH would benefit from longer-term NCH Group financial forecasting beyond 2024/25. Once clearer visibility around the NCC Service Contract charges has been received and agreed, the NCH Group will be able to build a considered strategic stabilisation and growth plan around NCH Ltd and NCHRP Ltd for the next three years. This needs sensible assumptions for repair and maintenance costs, management costs, rental income projections and overhead charges.

NCHEL is in a phased plan to cease trading in March 2025 and wound up by March 2026.

NCHRP and NCHEL have produced separate Business Plans which are appended to the NCH Group plan.

I trust this provides the additional information you need to consider our requests to support the NCH Group to deliver agreed objectives. However, please do not hesitate to revert to me if more clarification is required or additional questions present.

Yours sincerely



M Sachdeva
For and on behalf of NCH Ltd

NOTTINGHAM CITY HOMES LIMITED

REPORT OF THE NOTTINGHAM CITY HOMES MANAGEMENT TEAM

BOARD
1 February 2024

UPDATE: NCC/ NCH SERVICE CONTRACT

1 EXECUTIVE SUMMARY

- 1.1 This report provides the Board of Nottingham City Homes (NCH) with an update on the management of NCH business, and in particular the Service Contract with Nottingham City Council (NCC) and the ongoing challenges presenting.

The report also raises concerns about the general maintenance of NCH owned stock, the effects that this is having on budgets and risks presenting to NCH in respect of its obligations to keep leased properties in good repair.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Board;
- 2.2 **Note and Comment** on the report
- 2.3 **Approve** a formal Review of the terms of the Service Contract between NCC and NCH.
- 2.4 **Approve** the exploration of options for an alternative service delivery method for the NCH Group

3 SERVICE CONTRACT WITH NCC - REVIEW

- 3.1 The Service Contract between Nottingham City Council (NCC) and the Nottingham City Homes (NCH) Group, including NCH Limited, was agreed in principle by the NCH Board on 23 February 2023 and signed by NCC on 26 September 2023. It expires on 31 March 2025.
- 3.2 The NCC Responsible Officer is Kevin Lowry, Strategic Director of Housing who leaves NCC on 9 February 2024. A review of the Responsible Officer will therefore be required by NCC in terms of both responsibility for delivery, performance and compliance under the Service Contract as well as dispute resolution. The new NCC Strategic Director of Housing, Geoff Wharton, is likely to play a key role.

- 3.3 Clause 2 sets out the scope of the services to be delivered. These have already been the subject of opt-outs from NCC (e.g. legal services are not provided). Once the proposed secondment of staff from NCC to NCH takes place some services will be delivered by those officers direct, not via the Service Contract which will require a contract amendment.
- 3.4 Clause 5 states that *NCC will provide the Boards of NCH, NCH RP and NCH EL with a client Responsible Officer of sufficient seniority to lead the operations of the company and act as advocate for the Board.* This has not taken place and the Board have now determined to appoint its own Interim COO to undertake this oversight. The Service contract will require amendment in this regard also.
- 3.5 Clause 6 sets out the charging mechanism for delivery of the NCC services. At the time of writing the charge for services delivered by NCC still hasn't been agreed by NCC, but indications are that they are seeking to deviate from the methodology originally set out and agreed in Clause 6 of the Service Contract. To ensure that the Service Contract transparently reflects what the Group are to be charged, revisions to this clause will be required.
- 3.6 Issues and dispute resolution (Clause 9) sets out a three-stage approach where Stage 1 is referred to the Responsible Officer and Stage 2, to the Strategic Director of Housing. At present this is Kevin Lowry for both stages and this needs some further consideration by NCC regarding how matters are in fact raised and then escalated.
- 3.7 NCH nominated officers meet with the NCC Responsible Officer and Stakeholder representative on a fortnightly basis to discuss matters pertinent to the running and management of NCH business, including the Service Contract. Additional meetings are held monthly with NCC Housing Services Property service heads and with the Director of Housing Management.
- 3.8 It should be noted that the Service Contract does not currently contain specific service standards beyond those published by NCC Housing Services for its own stock (as inherited from NCH). These do not include any target times for repair classifications, void turnaround or rent collection, for example. This should be reviewed so standards are clear for tenants, officers and the Board.
- 3.9 The Service Contract has no performance measures which allow for damages to be paid on failure to deliver the services as prescribed. This also needs review having. There are numerous examples of internal and external leaks not being effectively repaired in a timely manner leading to ceilings down, rotting joists, ruined flooring, furnishing and kitchens, resulting in significant additional expense to NCH and NCH RP.
- 3.10 **Board is asked to approve a Review of the Service Contract under the terms of Clause 10 to amend the provisions set out above and any other matters which have arisen or may arise.**

4 NCC SERVICE CONTRACT: HOUSING MANAGEMENT, REPAIRS, MAINTENANCE AND VOIDS PERFORMANCE

- 4.1 Concerns have been raised with NCC Housing Services about the operational delivery of both the Housing and Property divisions. There have been instances of lengthy appointment waits and repairs not being completed in a timely and competent manner causing nuisance or danger to residents and further damage to properties, increasing repair costs, and risking non-compliance by the Group. In terms of Housing, for those homes owned by NCH, issues have emerged regarding errors in Lettings and the failure to collect rent arrears and former tenant arrears.
- 4.2 For those properties leased by NCH to NCHRP for use as temporary accommodation, residents continue to suffer due to poor maintenance and repairs. In 10 cases, NCH RP has had to move families out to alternative provision due to outstanding repairs. NCH RP is facing compensation claims for disrepair and injury as a result. NCH RP void rent loss is higher than budgeted for and continued losses at this rate are not sustainable.
- 4.3 Discussions have been ongoing with NCC Housing Services Property teams about how to improve matters for NCH group properties and residents. It is was proposed that a procured contractor will be solely allocated to NCH Group properties, managed through the NCC Property Division, but this hasn't progressed.
- 4.4 As previously reported to the NCH Board if there isn't an improvement in the repair, maintenance and void works delivered to NCH RP leased dispersed temporary accommodation, NCH RP will have no option but to serve notice on NCH Ltd to terminate the respective leases for breach of the repairing covenant in the leases. This would have significant adverse effects on NCH finances and on-going viability and on NCC's overspend on B&B accommodation as it would reduce the provision of temporary accommodation via NCHRP by up to 150 units.
- 4.5 A summary of the current issues is attached at Appendix 1.
- 4.6 At the time of writing two key issues have arisen regarding the Service Contract which both give rise to concerns regarding Value for Money for the NCH Group;
- The uncertainty regarding the service charges to be levied by NCC, and
 - The standards of some of the services being delivered and the risk of self-referral by NCC Housing for potential breach of the Home Standard for NCH RP.
- 4.7 **Having regard to the issues above, Board is asked to approve the exploration of options for the use of alternative management and/ or maintenance arrangements for NCH Group owned stock.**

5 SERVICE CONTRACT COSTS

5.1 There have been numerous discussions in relation to the costing of services delivered under the Service Contract and NCC has sought to calculate costs in a manner that differs from the signed contract agreement. NCH nominated officers raised concerns that NCC had made errors in their calculations that lead, in the view of NCH officers, an over-charging of £137k as indicated in (5.2) below.

Contracted Services	2023/24 Apportioned Charge	NCH View
Lettings; HomeLink, sign-up	£10,633.08	£3,687.69
Tenancy Management	£101,418.24	£23,077.51
ASB Management only	£3,815.30	£1,884.76
Rent Admin	£5,030.40	£5,030.40
Rent Arrears Management	<u>£56,297.60</u>	<u>£26,414.23</u>
Sub-total	£177,194.62	£60,094.58
Temporary Accommodation staff costs	£1,281,622.00	£1,101,391.74
Temporary Accommodation non-staff costs		<u>£159,580.00</u>
Total	£1,458,816.62	£1,321,066.32

5.3 There are significant differences in cost calculations, particularly in Tenancy Management, Rent Arrears Management and Lettings which make the bulk of the £137k difference. The Temporary Accommodation staff costs reflect vacancies throughout the year and the correct split of NCH RP/ NCC HRA workload undertaken by 2 staff members. The above figures are just the disputed values, the remainder are agreed or tolerated. The NCH assessment follows the agreed methodology in the Service Contract, signed by Sajeeda Rose, Corporate Director for City Growth and Development.

5.4 In the case of Tenancy Management, the NCC Housing Services, City Housing Manager has confirmed that his email response has been misinterpreted. The charge should be just a single 0.33 FTE city-wide to cover all NCH homes, not 0.33FTE x 6 offices as assessed by NCC. His cost estimation is in-line with the NCH view, which includes a pro-rata split of manager and non-staff costs.

- 5.5 Rent arrears management seems to have been assessed on the team's perception of the current workload that is inflated due to the absence of any management of increasing arrears until November 2023. And then over-stated in the view of NCH officers. NCH should not be charged for additional work as a result of previous neglect and service failure, else we are paying twice.
- 5.6 In respect of Lettings, no logic is provided for charging the NCH Group £10.6k (1.3% of all Lettings costs) when the 5 NCH lettings undertaken this year to Period 9 amount to just 0.45% of the 1,109 total lettings undertaken.
- 5.7 Given the marginal overall NCH Group accounts (& losses in NCH and NCH EL) this apparent over-charge of £137k will have a significant detrimental effect on group financial viability, if paid, and NCC have been advised that this is being reported to the NCH Board who will meet to discuss on 1 February 2024.

6 FINANCIAL, LEGAL AND RISK IMPLICATIONS

6.1 Financial Implications

- 6.1.1 NCH have accrued to budget in anticipation of the NCC Housing Services costs plus VAT, pursuant to Service Contract. The actual costs are yet to be determined at the end of Period 10, which presents an increasing risk to NCH should the actual costs sought by NCC be greater than the accrued budgeted sums. It also places effective 2024/25 budget planning at risk.
- 6.1.2 Actual expenditure on property repairs is significantly higher than budget, which had been set in line with prior year spend. Repairs to homelessness properties is of particular concern as spend already exceeds the annual budget for the year. This has been addressed in a revised forecast for the company that is recommended to be approved as the Budget Latest position. Additional costs are in part due to delays in effecting repairs causing additional dilapidations and cost. Repairs budgets are monitored closely and charges are challenged as necessary.
- 6.1.3 NCC HRA colleagues have verbally advised that their position on Service Contract cost allocation for 2023/24 remains unchanged and is being included in the NCC HRA Budget Papers (*with a small increase for pension deficit on seconded staff, which is agreed*). This will leave approximately £137k costs not agreed which will have to be raised a dispute when invoiced.

6.2 Legal Implications

- 6.2.1 The potential legal implications from this report are as follows:
- 6.2.2 Clause 10 of the Service contract states *the Service Contract and all its constituent parts will be reviewed bi-annually by the assigned Responsible Officers or when otherwise required by an urgent need ...Any changes or alterations to the services provided, or charges therein, which will affect this Service Contract during the length of the agreement must be agreed by the Responsible Officers for NCC and the respective NCH service recipient in writing.*

6.2.3 Section 9.4 of the Termination Agreement, dated 3 January 2023, states “*the Council will make such arrangements as are necessary and lawfully permitted to ensure that from the Termination Date any services which are currently provided by NCH to either NCHRP or NCH Enterprise (or both) being the intragroup services provided by NCH pursuant to the Intragroup Agreements dated on or about July 2019 and July 2021 respectively and remain required by either NCHRP or NCH Enterprises (or both) continue to be provided to them by the Council or another body. Such services will be provided by the Council to NCH RP or NCH Enterprises (or both) at a cost to be agreed between the parties and for such period as is necessary to support the Council’s Objectives*”. These services are not being met and urgent discussion should take place between the parties to ensure that a resolution is reached.

6.3 Risk Implications

6.3.1 The emerging risk of failure to keep properties in good repair, and the potential for leases being terminated due to the breach thereof, have been reviewed at the NCH RP Board meeting and will be recorded in the NCH Risk Register.

6.4 HR Implications

6.4.1 There are no HR implications from this report.

7 **IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES**

7.1 The delivery of excellent quality, affordable homes to rent and accommodating those in housing need are key objectives of NCH.

8 **EQUALITY AND DIVERSITY IMPLICATIONS**

8.1 Has the equality impact of these proposals been assessed?
Yes (EIA attached)
No (this report does not contain proposals which require an EIA)

9 **BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

9.1 Appendix 1

Contact Name: Mona Sachdeva NCH Solicitor
officers: Mark Lawson, Executive Assistant & Head of NCH RP
Address: Loxley House, Station Street,
Nottingham, NG2 3NJ
E-mail: mona.sachdeva@nottinghamcity.gov.uk

Date: 25 January 2024

Appendix 1; Summary of the Service Contract Issues Log

There are currently 22 instances of service failure and dispute on the Issues Log;

- 7 relate to significant findings in Fire Risk Assessments that have not been adequately addressed.
- 5 relate to repairs and maintenance, damp and mould (other issues have presented previously but not been entered on the current log (October onwards). In some instances, it has been necessary for NCH officers to instruct external contractors to resolve.
- 3 relate to the monitoring and management of rent arrears, particularly for the NCH-owned affordable housing and in former tenancy arrears where no work has been undertaken since April 2023 or earlier.
- 2 relate to Allocations and Lettings where incorrect tenancy agreements have been issued and where the scanned documentation is deficient.
- 2 relate to performance reporting that is needed to monitor the service contract and the provision of regulatory advice.
- 2 relate to Procurement of furnishing/ appliances and a framework agreement for temporary accommodation supply.
- 1 relates to the proposed charges by NCC in fulfilment of the service contract that contain fundamental errors in the view of NCH officers, amounting to an overcharge of £137k.

The most pressing health and safety issues are in relation to Fire Risk Assessments. This has raised a corresponding concern about compliance of the Council's HRA stock.

A formal notice under the service contract was issued on 22 December 2023 in relation to Fire Risk Assessments. The dispute resolution process requires a response from the NCC Responsible Officer in 20 working days. At the time of writing (day 19) no response has been received. Work is being undertaken by NCC to address the significant findings under each FRA, although this is not yet complete.

NOTTINGHAM CITY HOMES

REPORT OF THE NCH MANAGEMENT GROUP GROUP BOARD
1 FEBRUARY 2024

RENT REVIEW AND OPTIONS FOR 120 AFFORDABLE NCH HOMES

1 EXECUTIVE SUMMARY

- 1.1 NCH owns a small portfolio of 120 homes let on assured tenancies at sub-market, low-end affordable rent levels. These homes are not financially viable at current rent levels and Board is asked to consider proposals for an increase in rent and an option appraisal for the future viability or disposal.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Board;**

- 2.2 **NOTE and comment on the report**

- 2.3 **AGREE that officers undertake an option appraisal for the 120 homes.**

- 2.4 **AGREE the rent increase of 15% or above for 2024/25 in line with the options and rationale presented.**

- 2.5 **AGREE to re-base rents when void to an Affordable Rent level (80% of market rent).**

3 OPTION APPRAISAL

- 3.1 The Draft NCH Business Plan is based on the key strategic objectives set by NCC, which prioritise retention of assets being used for Temporary Accommodation and maximise, to the fullest extent possible, repayment of the Housing Revenue Account (HRA) debt owed to the NCC. Subject to the withdrawal from the market rented sector, one of the key NCH objectives is to create a residual company structure that is sustainable in terms of solvency and financial stability.

- 3.2 In general consideration of both the NCH Asset Disposal Strategy and the NCH Business Planning processes, these homes have come into sharp focus as they are not currently generating sufficient income to meet their costs, including the loans secured against them. This cohort is made up of 114 homes which are subject to loans and 6 which are not.

- 3.3 The 6 properties which are not subject to loans were built using NCH reserves. Such reserves have now been designated as HRA funds, repayable to NCC as part of the HRA debt. One option for these 6

properties is to transfer them to NCC, subject to a suitable valuation, by way of set off against the HRA debt. This would require the approval of NCC, and once transferred would mean the tenancies become secure tenancies. In turn, the properties will be subject to the Right to Buy regime, albeit with 15 years' cost protection.

- 3.4 NCH has approached NCC to ask whether the HRA would be interested in acquiring the remaining 114 homes, subject to valuation. NCC has intimated that it would not be interested in acquiring these properties because it is unable to use Right to Buy 1-4-1 funding, but a formal approach and decision have not yet been made.
- 3.5 The indicative NCH Limited P&L suggests an overall loss of c.£140k for 2024/25. This affordable housing cohort of properties generates a pre-tax loss of £88k, with indirect overheads and corporation tax estimates increasing this to £183k. See Appendix 1.
- 3.6 In terms of the immediate future of these homes Board is asked to approve an options appraisal process, to include:
- a. Valuations – if these are valued and sold on an Existing Use Value (Social Housing) basis there may be insufficient capital receipts to meet NCH's loan liabilities
 - b. The possibility of a 'set off' for the 6 properties owned outright against a portion of the HRA debt and at what value this would be.
 - c. The retention/disposal of the 114/ 120 properties generally and what factors Board would need to consider to ensure viability.
- 3.7 **Board is asked to agree an options appraisal for the 120 homes to inform future decisions for retention or disposal.**

4. RENT INCREASE, 2024/25

- 4.1 These homes have been let to applicants from the Council's housing register on an Assured tenancy basis. The tenancy agreement has a rent review clause that allows the rent to be varied each April.
- 4.2 The current rent charged falls somewhere between a "social rent" and an "Affordable rent" in Regulator of Social Housing's Rent Standard terms, but near the lower 'social' end of that spectrum. As they are let by NCH Limited as a private landlord, rents are unregulated and do not need to comply with the Rent Standard.
- 4.3 As detailed in (3.5) and in Appendix 1, these 120 homes are currently making an annual loss to NCH of £183k. The Board are asked to consider a rent increase that recovers or at least reduces these losses.
- 4.4 Average 2023/24 weekly rents are £112.07 for a 2 bedroom house, £130.70 for a 3 bedroom and £139.02 for a 4 bedroom. These are between £95 and £147 per week lower than a corresponding market rent and between £53 and £83 lower than an "Affordable Rent" (80% of market). An Affordable Rent is the likely charging level that a private

Registered Provider of Housing or the Council would seek to let newer properties at.

- 4.5 A range of potential rent increases and their effects are provided in Appendix 2. Any increase of less than 20.3% in April 2024 will result in continued losses for this property cohort and for NCH Limited overall. It is recommended that the Board consider an increase of at least 15% to address the losses incurred by these properties and by NCH Limited overall.
- 4.6 Genuine affordability is an important factor and with this housing provision it should be linked to the assistance a family will receive if it is on low income or subsistence welfare benefits. Any increase that pushes the rent above the new Local Housing Allowance (LHA) rates could leave a shortfall between benefit levels and the rent levels and that alone may cause financial hardship. This can be addressed by either approving an increase that leaves rent levels at or below LHA, or by individually clipping any rents that would otherwise exceed LHA at that LHA level. It should be noted that only the option for a 30.9% increase would exceed the new uprated LHA levels from April 2024.
- 4.7 Whilst undoubtedly difficult for tenants, there is no legal impediment to an increase in rent of between 7.7% and 30.9%. Assured tenants have the right to refer the notice of increase to the First Tier Tribunal (Property Chamber) under S.14 of the Housing Act 1988. The Tribunal will determine a market rent for the property, which is the rent that could reasonably be expected to be obtained in the open market for a similar property let on similar terms. This market rent will be considerably higher than the maximum increase option of 30.9%.
- 4.8 Notwithstanding the increase agreed for 2024/25, consideration should be given to re-basing the rent of any presenting void property to that of an Affordable Rent that is equal to 80% of the market rent. This is in line with equivalent modern homes rented from NCC and Private Registered Providers of Social Housing in the City.

5 FINANCIAL, LEGAL AND RISK IMPLICATIONS

5.1 Financial Implications

- 5.1.1 The indicative P&L suggests an overall loss of c.£140k for 2024/25 for NCH Ltd, which includes an estimate for running costs for the arboretum, COO costs and NCC service contract costs. The risk of higher NCC service contract charges remains. The affordable housing properties generate a pre-tax loss of £88k, with indirect overheads and corporation tax estimates increasing this to £183k.
- 5.1.2 A rent increase of 30.9% will achieve a break even position for the affordable housing cohort and address the NCH Ltd estimated loss and negative cash position in 2024/25.

- 5.1.3 A rent increase of 15% will significantly decrease the losses of the affordable housing and overall company and address the negative cash position for affordable housing and NCH Ltd.
- 5.1.4 A rent increase of 15% in 2024/25, would ideally need to be followed by a second large increase in 2025/26 to address the overall losses incurred by this property cohort. There are advantages to addressing the issue over a two year period: There will be more certainty around corporation tax liabilities and NCC service contract charges and the financial impact on asset restructuring by NCH Ltd should also be much clearer. A stepped approach allows for the tenants to adjust to the higher rates and for Officers to assess rent collection success and feasibility of applying a higher rent charge for 2025/26.
- 5.1.5 If disposal is a future consideration, the Existing Use Value (Social Housing) will have regard to the rental yield. Increasing rents to a more realistic and viable level in 2024/5 and beyond will have a positive effect on property values and increase the likelihood of capital receipts exceeding loan values should disposal be considered.
- 5.1.6 In view of the historic poor rent collection performance, the provision for bad or doubtful debts has been increased by £12k in the 2023/24 accounts, to a total bad debt provision of £50k for current tenants and £15k for former tenants.

5.2 Legal Implications

- 5.2.1 The 120 properties are subject to assured tenancies which can be terminated on notice. Allocation of the properties from the NCC Housing Register may expose NCC and /or NCH to the risk of challenge if any eviction is undertaken on a no-fault basis.
- 5.2.2 Any sale proceeds on disposal must be able to pay off the loans secured against the property.
- 5.2.3 Where properties are subject to borrowing any sale will be subject to NCC lender consent.
- 5.2.4 At period 9 total rent arrears stood at c.£75k, £64k of which related to current tenancy arrears. Of the 120 tenancies, 75 have arrears that exceed £900. Notices Seeking Possession and subsequent court claims are proceeding against those tenants with whom arrangements to pay their arrears voluntarily have not been agreed or maintained.

5.3 Risk Implications

- 5.3.1 The risks of continuing with the status quo are that the cohort continues to make financial losses for NCH.

6 IMPLICATIONS FOR NOTTINGHAM CITY HOMES' OBJECTIVES

- 6.1 One of the key objectives for NCH and NCC is to create a residual company structure that is sustainable in terms of solvency and financial stability. Any option must be working to meet this criterion.

7 EQUALITY AND DIVERSITY IMPLICATIONS

- 7.1 Has the equality impact of these proposals been assessed?
 Yes (EIA attached)
 No (this report does not contain proposals which require an EIA)

8 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 8.1 NCH Draft Business Plan 2024-2027

Name: NCH Management Group

E-mail; mona.sachdeva@nottinghamcityhomes.org.uk;
mark.lawson@nottinghamcityhomes.org.uk

Date 25 January 2024.

Appendix 1

Full Year NCH Ltd 24/Budget and Analysis of Profit and Losses by Property Cohorts

The table shows 24/25 draft original budget, which is subject to approval by Board and **does not include a social housing rent increase.**

	Social Housing	Dispersed	Midland House/FRW	Arboretum	Total
Income	(795,900)	(1,160,000)	(293,930)	0	(2,249,829)
Direct Costs	883,820	951,545	82,935	80,709	1,999,008
Indirect Overheads	78,035	78,035	78,035	0	234,105
Corporation Tax	17,011	89,479	51,056	(20,529)	137,015
Total (Profit)/Loss by Property Cohort	182,966	(40,941)	(81,904)	60,179	120,300

Corporation Tax	(68,045)	(357,915)	(204,224)	80,709	
-----------------	----------	-----------	-----------	--------	--

Target Increase in Rental Income to Achieve Break Even	(243,890)	24/25 Estimated Loss grossed up to cover estimated additional corporation tax			
---	------------------	---	--	--	--

Revised 24/25 Income Target	(1,040,000)				
------------------------------------	--------------------	--	--	--	--

Rent Increase Needed to Address Loss	30.9%		7,143		
---	--------------	--	-------	--	--

			21,451		
--	--	--	--------	--	--

Rent Increase Options and Impact on Social Housing and NCH Ltd Budgeted 24/25 (Profit)			28,594		
---	--	--	--------	--	--

	Set at	Set at	Set at	Set at
24/25 Rent Increase %	30.9%	20.3%	15.0%	7.7%
Estimated Increase in Social Housing Income	(244,100)	(160,532)	(118,620)	(60,890)
Revised Estimated 24/25 Post Tax (Profit)/Loss - Social Hsg	(109)	62,567	94,001	137,299
Revised Estimated 24/25 Post Tax (Profit)/Loss - NCH Ltd	(62,775)	(99)	31,335	74,633

Social Housing Cohort 24/25 Indicative Profit & Loss

	£'000s	Description
Rental Income	(796)	Current income - no rent increase applied
NCC Service Contract - Direct Costs	56	Subject to change once service contract costs are agreed
Depreciation	234	As per fixed asset schedule for these properties
Bad debt provision	10	May need increasing to address ongoing debt pressures in social housing
Loan Interest	431	As per NCC loan schedule
Property Costs	152	Includes insurance, repairs, periodics
Sub Total (pre tax direct loss)	88	
Add Indirect Overheads	78	Includes third share of other NCC service contract costs, audit and board costs
Add Corporation Tax	17	Remains subject to tax advice - tax liability could change for 23/24 and 24/25
24/25 Estimated Loss	183	

Appendix 2: Rent Increase options and effects

Property Type	Average Rents					Market Rent	Affordable Rent (80%)	24/25 LHA
	23/24 Rent	24/25 @ 7.7%	24/25 @ 15%	24/25 @ 20.3%	24/25 @ 30.9%			
2 bedroom house	112.07	120.70	128.88	134.82	146.70	206.54	165.23	149.59
3 bedroom house	130.70	140.76	150.31	157.23	171.09	242.31	193.85	172.60
4 bedroom house	139.02	149.72	159.87	167.37	181.98	276.92	221.54	223.23

Property Type	No. Exceed LHA @ 7.7%	No. Exceed LHA @ 15%	No. Exceed LHA @ 20.3%	No. Exceed LHA @ 30.9%	23/24 Lowest Rent	23/24 Highest Rent
2 bedroom house	0	0	0	19	105.47	121.18
3 bedroom house	0	0	0	28	120.52	139.62
4 bedroom house	0	0	0	0	138.47	138.97
Totals	0	0	0	47		
	0.0%	0.0%	0.0%	39.2%		

- ❖ An increase of 30.9% would equate to an average of £34, £41 and £42 more to pay per week
 - 39% of homes (47 in number) would have a weekly rent that exceeded the new Local Housing Allowance threshold and would have a shortfall if they have a low income and are reliant on welfare benefits.
 - Those that exceeded the LHA threshold could be clipped at that value to avoid the shortfall, but this would reduce overall income.
 - This option would make these 120 homes financially viable on their own.
- ❖ An increase of 20.3% would equate to an average of £22, £27 and £28 more to pay per week
 - No homes would have a weekly rent that exceeded the new Local Housing Allowance threshold so there would no shortfalls if they have a low income and are reliant on welfare benefits.
 - This option would make NCH financially viable, albeit it at a marginal level.
- ❖ An increase of 15% would equate to an average of £17, £20 and £21 more to pay per week
 - No homes would have a weekly rent that exceeded the new Local Housing Allowance threshold so there would no shortfalls if they have a low income and are reliant on welfare benefits.
 - This option would leave these 120 homes running at a loss of £31k per annum.
- ❖ An increase of 7.7% (the likely increase for NCC HRA stock and most RP providers) would equate to an average of £8, £10 and £11 more to pay per week
 - No homes would have a weekly rent that exceeded the new Local Housing Allowance threshold
 - This option would leave these 120 homes running at a loss of £75k per annum.