

NOTTINGHAM CITY HOMES LIMITED
GROUP BOARD MEETING



Date: 13th July 2023

Time: 5.30 PM

Place: Room LH1.32, 1st Floor, Loxley House.

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

			Time
1	INTRODUCTORY ITEMS		
1.1	WELCOME		
1.2	APOLOGIES FOR ABSENCE		
1.3	DECLARATION OF INTERESTS		
1.4	ITEMS FROM THE CHAIR		
1.5	MINUTES OF THE MEETING HELD ON 30 MARCH 2023	Attached	6.15
1.6	MATTERS ARISING		
2	ITEMS FOR DISCUSSION AND DECISION		
2.1	GOVERNANCE REPORT Report of the Head of Governance and Compliance – George Pashley	Attached	6.20
2.2	AUDITOR PRESENTATION ON STATUTORY ACCOUNTS Report of Charlie Martin, Bishop Fleming	Attached	6.30
2.3	FINANCE REPORT 2022/23 – YEAR END ACCOUNTS AND 2023/4 BUDGET Report of the Assistant Director of Finance - Andrew Berry	Attached	6.45
3	CONFIDENTIAL ITEMS		
3.1	CONFIDENTIAL MINUTES OF THE MEETING HELD ON 30 MARCH 2023	Attached	7.00
3.2	NCH COMPANIES DRAFT PROJECT INITIATION DOCUMENT Report of the Strategic Director of Housing – Kevin Lowry	Attached	5.30

Strategic Advisor on Companies - Ian Edward

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|-----|--|----------|------|
| 3.3 | NCH COMPANIES DISCUSSION PAPER
Report of the Strategic Director of Housing – Kevin Lowry,
Ian Edward, Strategic Advisor on Companies | Attached | 5.50 |
|-----|--|----------|------|

4 CLOSING ITEMS

4.1 ANY OTHER BUSINESS

4.2 DATE OF NEXT MEETING – 28 SEPTEMBER 2023

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:

Sam Whitworth

Kevin Lowry

Ian Edward

NCC Members

Report Authors

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

NOTTINGHAM CITY HOMES LIMITED**THE GROUP BOARD****MINUTES** of the **PUBLIC MEETING** held on **30th MARCH 2023** via Microsoft Teams**Board Members**

Madeleine Forster (Chair)
 Cllr Sam Webster
 Kieran Timmins
 Mike Savage
 Vicky Evans

Also in Attendance:

Stephen Feast	Director of Transition
James Howse	Director of Corporate Resources
Alison Brown	Director of Property
Surjit Balu	Director of Housing
Samantha Barlow	Governance Manager
Mona Sachdeva	Company Solicitor
George Pashley	Head of Governance and Compliance

1 WELCOME, INTRODUCTIONS & CHAIR'S ANNOUNCEMENTS

1.1 The Chair extended a warm welcome to attendees.

2 APOLOGIES FOR ABSENCE

2.1 Apologies were received from Mike Khouri-Bent.

3 DECLARATIONS OF INTEREST

3.1 Cllr Webster declared he is a NCC Councillor.

4 ITEMS FROM THE CHAIR

4.1 There were no items from the Chair

5 MINUTES FROM THE MEETING HELD ON 23rd FEBRUARY 2023

5.1 The minutes were agreed as a true record. The Chair approved the signing of the minutes.

6 MATTERS ARISING

6.1	The Chair asked for an update on the draft Service Contract from the previous minutes. The DoT advised that there is still no final document. It is currently with NCC's legal and finance team in draft format. Once approved, it will come over for NCH to sign and thereafter back for NCC's endorsement, although there are no timescales of the time this will take. The Chair asked for the Board to be kept up to date with this and for a copy to be circulated as soon as it is available. The DoT confirmed he would chase NCC colleagues for assurance in the meantime
7.	GOVERNANCE REPORT
7.1	The HoGC highlighted the key matters within the Report. At present there was no proposal to change any of the three Board constitutional documents. Amendments had been made to Standing Orders and these would be presented to Board as soon as all of the constitutional changes were known. Skills matrices were also being updated so that key skills gaps could be filled by the right people at the earliest opportunity.
7.2	A proposal on Board member pay was presented to the meeting. The information had been provided by EMA Consultancy and included data from both the ALMO and Housing Association sectors. NCC had indicated that they were not averse to NCH Board Members being paid or to Councillors continuing to sit on Boards in some circumstances. The Board also considered that it was for the RP to consider whether to pay its Board Members. A Group Board skills matrix would be completed over the next few weeks which would confirm where the Board would need to undertake further recruitment. The Chair would then speak with individual members and put the appropriate recruitment processes. A review of pay would be conducted in 6 months to see if the new arrangements were working effectively.
7.3	The DoT confirmed that the Board of NCH EL would all be resigning tomorrow (31 March 2023). It was agreed that the Group Board would take over decision making for NCH EL while new Board arrangements were put in place.
	RESOLUTION The Board: <ol style="list-style-type: none"> 1. NOTED the updates on the constitution, skills matrices and attendance; 2. AGREED to the payment of Board Members as set out in section 3.5 of the Report, to be effective from 1 April 2023 where appropriate; 3. AGREED to reserve all NCH EL decision making for the Group Board following the anticipated resignations of all NCH EL Board Members on 31 March 2023.
8.	TRANSITION REPORT
8.1	The DoT updated the Board on progress on the transition. He confirmed that although matters have been difficult at times, NCH colleagues have achieved a lot in short space of time. The Project is progressing well with issues being actively managed. At this time there is not perceived to be any significant risk of the housing management service successfully transitioning back to the Council in April 2023
8.2	There was still some risk relating to the successful integration of the NCH payroll within the councils system. Colleagues are also working to resolve issues relating to the transfer of staff on Fixed Term Contracts and Secondments to give staff certainty of employment post transition. This would also aid of staff retention and reduce absence.

8.3	Workstreams on procurement and due diligence were also progressing well. All contractors currently engaged by NCH have been written to explaining the process of contract novation from NCH to NCC with effect from 1 April 2023.
8.4	Much work has also been carried out on communication and branding and a plan to gradually adopt the NCC Housing Services Brand is being jointly developed. This plan will adopt the NCC brand in a cost-effective way over a timescale estimated to be between 12 and 18 months. Examples of those branding elements changed in the short term are likely to be telephone greetings, name badges and lanyards whilst those longer-term changes are likely to be fleet and signage.
8.5	It was noted that NCH will have no employees from 1 st April NCH but there will still be officers servicing the board. There will be a service contract in place that covers this including the corporate elements surrounding governance, legal and finance currently being estimated at £2m per annum.
	RESOLUTION The Board agreed to: 1. Note the contents of the Report
9.	FINANCE REPORT
9.1	The report provided an update on the Group's current financial position at the end of Period 10 of the financial year, which includes income and expenditure to the end of January 2023. There is a surplus for the Group of £2.7m at P10 with a positive variance of £1.4m in year to date against a predicted budget surplus of £1.3m. The forecast Group outturn position for year end is now anticipated to be a surplus of £0.7m. This takes account of the impact of the 2022/23 pay award, transition costs and repayment of the Apprenticeship Levy. Included in the report was a request to write-off Nottingham On Call customer debts.
9.2	NCH EL was forecast to make a small loss of £19k with the RP predicting a surplus of £549k. Councillor Webster noted that the NCH EL was left with a residual of around 120 properties with their related income and debt although they were protected from Right-To-Buy legislation. It was agreed that more detail on the make-up of the retained properties would be circulated to Board Members as well as the NCC PID for the dispersal of retained properties/assets as soon as it is available.
	The Board agreed: 1. To NOTE the financial position at the end of P10 and the forecast outturn position for the 2022/23 financial year 2. To APPROVE both Rent and Nottingham on Call (NoC) Customer debts to be written off as detailed in Appendix 4a and 4b 3. For details of the remaining NCH Group properties and the NCC PID for the dispersal of the remaining properties to be circulated when available.
10.	NOTTINGHAM CITY HOMES
10.1	The Chair highlighted that this would be the last meeting of Nottingham City Homes in its current form, with the HRA element of the Company transitioning back to the Council on 1

	April. It had been a difficult time over the past two years' and she thanked the Board and Officers for all of their hard in making the transition a success. This was also the last meeting for the DoT and she thanked him for making the transition a success and building strong relationships with the Council. She wished him the very best with his new position
10.2	The DoT confirmed that it was proposed that Mark Lawson would act as the lead for NCH RP and James Howse for NCH Group and NCH EL though final arrangements had yet to be put in place.
10.3	A Board Away Day would be arranged for May. Skills Audits would be carried out shortly so that they could inform further recruitment to the Board.
11.	ANY OTHER BUSINESS
11.1	Board Members confirmed there was no further business.
12.	DATE OF NEXT MEETING
12.1	13 July @ 5.30pm.
	Signed.....Dated.....

DRAFT

	ITEM: 2.1
NOTTINGHAM CITY HOMES	
	GROUP BOARD
REPORT OF THE HEAD OF GOVERNANCE AND COMPLIANCE	13 July 2023
GOVERNANCE UPDATE	
1	EXECUTIVE SUMMARY
1.1	All Board Members have accepted their new Board contracts with one exception. Three items have been agreed under the Urgency Procedure since the last meeting, these are detailed below. An update from recent Board and Committees is included for information. There is also a proposal to reduce the number of members on ARCC.
2	RECOMMENDATIONS
	It is recommended that the Board
2.1	NOTE the content of the report including items raised under the Urgency Procedure since the last meeting
2.2	CONSIDER whether to reduce the ARCC representation from 6 to 5 and quorum from 3 to 2.
2.3	NOTE the update from other Boards and ARCC.
3	REPORT
3.1	Appointments to Boards and ARCC
3.1.1	NCH RP has agreed to pay its Board Members in line with the decision made by the Group Board at its last meeting. Four of the five Group Board members and all three NCH RP Board Members have now accepted contracts. The one exception is Michael Savage who has been asked by NCC to act as a tenant representative on the Group Board, but this has not yet been confirmed by them. In the meantime, Board is preparing to interview for a NED position with specific skills in disposing of housing assets.
3.1.2	Following the transition of the HRA element to NCC, the Audit Risk and Compliance Committee has lost both its ALMO Board and Council representatives. Martyn Shaw has also resigned from NCH RP and ARCC. Karen Mutton has been appointed as a ARCC member from her position as Co-optee. Given the reduced size of the residual Group it

	may also be prudent to reduce ARCC membership from 6 to 5 and the quorum from 3 to 2.
	It is RECOMMENDED that the Board
	1. NOTE the update on Board appointments.
	2. CONSIDER whether to reduce the ARCC representation from 6 to 5 and quorum from 3 to 2.
3.2	Report from Boards and ARCC
3.2.1	NCH H RP was presented with an update on future options for the NCH Group at its meeting on 23 May including the option of retaining the RP “as is” for now. The RP also agreed to the Executive Assistant as its lead officer while a service agreement with NCC was put in place. A surplus of £627k was due this year, mainly due to increased income and lower costs supported by quicker void turnaround times. The lease on Highwood House was extended for a further two years
3.2.2	At its meeting on 30 May NCH EL agreed the appointment of new Board Members and set out an asset disposal plan for the disposal of its properties. This work has now commenced with a monthly update to be provided to Board. The Board also noted that a profit of £16k was predicted against a budgeted realised loss of £148k. It was also predicted that NCH EL would have £419k in the bank at 31 March but had an outstanding debt to NCC of £923k in addition to £200k owed to 3 rd party creditors. NCC had agreed to defer payment on the outstanding debt so that 3 rd party creditors could be prioritised
3.2.3	Karen Mutton was appointed as a full member to ARCC . Martyn Shaw has resigned his position. The Committee also noted the progress on the transition. The Service Agreement between NCH and NCC is being worked on. It was noted that HRA related outstanding audit actions had been fed through to NCC for action and that the Board appraisal process would commence shortly.
3.2.4	Nathan Coughlin from Bishop Fleming attended to update the Committee on the accounts. Audits had run smoothly so far but they were not yet in the position to sign off the accounts. NCH and NCC needed to meet and discuss what should happen next concerning NCH’s assets and to gain clarity over the payment of HRA fees. NCH EL and NCH RP cashflows were due for completion in the next week.
3.2.5	ARCC agreed changes to the Corporate Risk Register which had changed significantly now that the transition had taken place. A report on compliance was also considered, access to properties being the main reason for the small number of properties where checks had not been able to be completed.
3.3	Actions taken under the Urgency Procedure since the last meeting

3.3.1	The following actions have been taken under the Urgency Procedure since the last Board Meeting
	1. Agreement for NCH RP to pay its Board Members
	2. Appointment of Madeleine Forster and Kieran Timms as NCH EL Board Members.
	3. Appointment of the remainder of the Group Board Members onto the NCH EL Board.
4	FINANCIAL, LEGAL AND RISK IMPLICATIONS
4.1	<u>Financial Implications</u>
4.1.1	The sum for the payment of NCH RP Board Members totals an additional £19k, with one of the three members already being paid through their membership of the Group Board. There will be further costs as new members are added.
4.2	<u>Legal Implications</u>
4.2.1	The NCH Articles of Association require (4.2.10) the prior written consent of the shareholder in order to remunerate Board Members.
4.3	<u>Risk Implications</u>
4.3.1	The company needs to have qualified Independent Board Members and relevant up to date Standing Orders to undertake its work effectively.
5	IMPLICATIONS FOR NOTTINGHAM CITY HOMES' OBJECTIVES
5.1	The paper ensures compliance with The paper ensures compliance with relevant parts of the NHF Governance Code 2020.
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.
Contact officers:	
	Name: George Pashley
	Tel: 07972 395269
	E-mail: George.pashley@nottinghamcity.gov.uk

Date: 6 July 2023	



Key Issues for Discussion Document (DRAFT)

Nottingham City Homes Limited and its subsidiaries (together, “the Group”)

For the year ended 31 March 2023



Ref: PLNO104742/NC/CM/TJ
Date: 26 June 2023

PRIVATE & CONFIDENTIAL

The Board of Directors
Nottingham City Homes Limited
Loxley House
Nottingham
NG2 3NJ

Dear Ladies and Gentlemen

Nottingham City Homes Group – Key Issues for Discussion Document (DRAFT)

We are pleased to attach our draft Key Issues for Discussion Document. This covers the entities Nottingham City Homes Limited (NCH), Nottingham City Homes Registered Provider Limited (NCHRP) and Nottingham City Homes Enterprises Limited (NCHE). This report, which is designed to be the basis of discussion when we meet, summarises our audit conclusions, highlights the key findings arising from our work and details a number of points that we would like to discuss further with you.

We have initially discussed the contents of our report with Andrew Berry, Tracey Martin and Shilpa Bhat, and we have incorporated their comments where relevant.

This report is intended to be solely for the information and use of the Directors and management of the Group. It should not be shared with anyone beyond this Group without our prior approval.

We would like to take this opportunity to thank the finance team for the co-operation and assistance afforded to us during the course of the audit.

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming LLP". The signature is written in a cursive, flowing style.

BISHOP FLEMING LLP

Contents

1. Executive summary	2
2. Introduction	3
3. Audit, accounts and tax process	5
4. Audit risks	6
5. Audit adjustments	10
6. Audit insights	11
7. Management letter points and internal control systems.....	13

1. Executive summary

Status of audit

Our audit of the transactional testing is largely complete. However, it is subject to the resolution of certain outstanding queries and receipt of final pieces of evidence.

In addition, work remains ongoing regarding two key judgements within the Group's financial statements, being the treatment of the HRA fees repayment and the going concern assessment.

We will continue to work with management to resolve the remaining matters so that we can provide an update at the Audit, Risk and Compliance Committee meeting. A full list of matters outstanding are listed in Section 2 of our report.

Key audit issues

Within our audit plan, we outlined a number of risks that we considered to be of particular significance to the audit. Our plan also detailed our planned approach for addressing each of these risks.

The specific risks highlighted were as follows:

- Management override of controls (applicable to all companies)
- Revenue recognition (applicable to all companies)
- Going concern and impact of transfer (applicable to all companies)
- HRA fees repayment (NCH only)
- Pension assumptions (NCH only)
- Investment properties – carrying value (NCH and NCHE)

Our audit work is further detailed in Section 4 of this report.

Audit adjustments

The adjustments arising from our audit testing are detailed in Section 5.

If further errors are identified from the outstanding testing, we will provide details for the Audit, Risk and Compliance Committee.

Management letter points and internal control matters

A number of control points were identified during the course of our work and these are further detailed in Section 7 to this report. Of the matters noted, none are considered to have an important effect on your system of internal control.

Independence

The FRC Ethical Standard and ISA 260 requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest.

We are not aware of any relationships that, in our professional judgment, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that in our professional judgment, Bishop Fleming is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

2. Introduction

Responsibilities of the Directors

The Directors are responsible for the preparation of the financial statements and for making available to us all the information and explanations we consider necessary. Therefore, it is essential that the Directors confirm that our understanding of all matters referred to in this report are appropriate, having regard to their knowledge of the particular circumstances.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of Nottingham City Homes Limited, Nottingham City Homes Registered Provider Limited and Nottingham City Homes Enterprises Limited.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon necessarily to disclose possible frauds or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might reveal.

We would be pleased to discuss any further work in this regard with you.

Materiality

In carrying out our audit work we have considered whether the financial statements are free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in context of the financial statements as a whole.

In general, misstatements, including omissions, are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the size and the nature of the misstatement, or a combination of both. It is also affected by our perception of the financial information needs of users of the financial statements. Thus, different materiality levels may be appropriate when considering different aspects of the financial statements.

Representation letter

The representation letters will be provided separately to this letter upon finalisation of the audit.

Update on our planned approach

Our audit work was carried out in accordance with our audit plan in response to the perceived audit risks, and no matters were identified which required us to change our approach and no additional risks were identified.

Outstanding work

At the time of drafting this report, our audit work was still being concluded. The following areas below remain outstanding and ongoing. We will provide a verbal update on these areas at the Audit, Risk and Compliance Committee meeting.

Area	Entity	Detail
HRA fees repayment	NCH	Review of management's assessment of the HRA fees repayment
Payroll	NCH	Finalise testing of key management personnel pay disclosures
Sales	NCHE and NCHRP	Finalise testing of cut-off

Area	Entity	Detail
Operating leases	All	Finalise testing and disclosure
Council	NCH	Receipt of letter of assurance from Nottingham City Council (NCC), which also confirms intercompany debtor and creditor balances with the Group
Going concern	All	Going concern assessment, including cash flow forecast by entity
Tax	All	Finalise tax computations
Accounts	All	Full review of the draft financial statements
Senior review	All	Final manager and partner review of audit work

We will also need to complete the following tasks as part of our completion procedures:

- Consider post balance sheet events
- Review of latest management accounts
- Receipt of the management representation letters
- Approval of financial statements

Confidentiality

This document is strictly confidential and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities to the Group arising under our audit engagement letter. The contents of this memorandum should not be disclosed to third parties without our prior written consent.

3. Audit, accounts and tax process

The preparation of the financial statements is a vital process for the management of the Group and one which should be performed on a timely basis. We met with management as part of our planning work to discuss how we would work together to make the audit process effective.

We discussed key accounting issues early, so they could be considered before the audit commenced.

The preparation for this year's audit has proved to be challenging on account of several factors. This included the need to fully consider the transfer in-house into NCC of the Group, as well as how the senior finance team were new to the Group.

As a result of the investment made by both parties (principally by having weekly calls in the build up to the year-end fieldwork and discussing matters early), the transactional testing has proceeded smoothly. This has been achieved by agreeing to ensure we complete the audit work over the transactional elements within the financial statements, and then discussing the key judgements as soon as assessments and underlying evidence are available to review.

Readiness for audit

Information requested in advance of the audit for the transactional testing was mostly made ready to us. In addition, during the fieldwork, we were provided answers to our queries promptly. This made the core audit work progress relatively smoothly and as planned. We held daily update calls with senior members of the finance team to facilitate co-ordination of queries and audit requests that were ongoing.

However, the key judgements over the HRA fees repayment and the going concern assessment are ongoing.

Quality and availability of Financial Statements

Management have taken charge of preparing and drafting the financial statements. The draft accounts workbook for all entities were of a good quality and clear. At the time of writing this report, we are yet to complete our review of the financial statements as they have not yet been transferred to a Word document. This had been flagged by management in advance on account of how the senior finance team were new to the production of the accounts.

Quality and accuracy of working papers

The majority of the underlying financial records were accurate, agreed to the information provided in the audit file and were easy to understand. All information we were provided with was easy to understand and had been reconciled back to the trial balance by the finance team before being provided to us. This made the core audit work progress smoothly and as planned.

Availability of staff

Key members of the finance team made themselves available to us throughout the audit where possible. We were kept informed of any instances when staff were not available.

4. Audit risks

1 Management override of controls (All entities)

Significant Risk

We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed.

Work done and conclusion

To address this risk, we have:

- Reviewed significant accounting estimates such as the holiday pay accrual and useful economic lives of assets;
- Tested journals with a material impact on the results for the year; and
- Considered a sample of other journals with key risk attributes.

We have not identified any material errors from the testing carried out.

In addition, within Section 6 we have included details of the output from our journals analysis work.

2 Revenue recognition (All entities)

Significant Risk

There is also a presumption under auditing standards that the risk of fraud in revenue recognition is considered to be a significant risk area.

Work done and conclusion

To address this risk, we have:

- Documented and validated the control environment for income and debtors, and carried out walkthrough testing;
- Agreed income recognised from management and maintenance services to agreements with Nottingham City Council (NCC or the Council) to ensure income is recognised in the correct period and in accordance with the contract terms;
- Consider the substance of the year-end return to the Council that has been invoiced to NCH, to ensure it has been accounted for correctly;
- Agreed the year end-debtors and accrued income due from NCC with corresponding balances recorded by the Council;
- Performed substantive analytical procedures over rental income, taking into account the number of properties owed, the rental increases and the timing of any transfer of assets during the year (see investment property point below); and
- Considered manual income journals as part of our work on fraud risks documented above.

We have not identified any material errors from our work completed to date. However, as discussed in Section 2, there are a number of areas of work still ongoing in this area, including receipt of the Council's letter of assurance.

3 Going concern and impact of transfer (All entities)

Significant Risk

As auditors, we are required to conclude whether the Group has sufficient funds to continue trading for 12 months after the date of our audit report. Amended auditing standards require us to positively conclude that the use of the going concern basis used to prepare the financial statements is appropriate rather than previously confirming that we have not identified any matters which could suggest the basis of preparation is inappropriate.

Work done and conclusion

At the time of writing this report, our work on going concern is ongoing.

In the prior year, the audit opinions for all entities were modified to include a material uncertainty with regards to going concern. This followed the decision by the Council to terminate the partnership agreement with NCH. As a result, the housing management services and staff were transferred back into the Council on 1 April 2023.

At the time of writing this report, we await management's going concern assessment (including cash flow forecasts by entity). This is because there are no set plans in place for how NCH, NCHRP and NCHE will continue to operate as legal entities as this remains to be confirmed. All three entities have continued to trade during 2022/23, and management's view is that there is no risk to impact on the entities continuing to trade into 2023/24.

We have considered the following specific aspects below to date:

- NCH stores stock of around £505k has been transferred in full at £nil proceeds as per an agreement reached with NCC on 31 March 2023 – this is on the basis it has no ongoing value to NCH.
- NCH's pension provision as at 31 March 2023 is transferred in full to NCC.

However, it is not clear at present regarding the below matters:

- NCH holds a number of provisions, the largest are in relation to disrepair claims and ongoing employment claims. There is no clarity to date over which of these costs relating to the provisions would still need to be picked up by NCH and which will be covered by the Council post 1 April 2023.
- The future plans for the properties across the Group, including their potential use and/or disposal.
- NCH has work in progress stock at year-end for £555k. It is not clear who will take responsibility for these ongoing jobs.

We anticipate issuing in FY22/23 a material uncertainty with regards to going concern within the audit opinions due to the ongoing uncertainties about future plans for NCH, NCHRP and NCHE.

4 HRA fees repayment (NCH only)

Significant Risk

In early 2022, CIPFA were engaged to provide an opinion to the Council on the payments of HRA fees to NCH, and the associated expenditure incurred by NCH over the period 2014/15 to 2020/21.

CIPFA arrived at the conclusion that over the period a surplus of HRA fees over HRA costs had arisen of £31.5m. These surpluses represent NCH delivering services for less than the management fees agreed this time.

After consideration of the surplus sums returned to the Council through the Partnership Agreement, which over the same period were £15.85m, the Council considers that NCH owes a debt for surpluses generated, but as yet not returned to the HRA of £17.3m. This was set out to NCH by the Council in a letter dated 25 November 2022.

We will need to discuss and consider the accounting for this payment of £17.3m, plus any other adjustments.

Work done and conclusion

At the time of writing this report, our work on HRA fees repayment is ongoing.

We received management's initial assessment on 16 June 2023. It sets out the view that a contingent liability of £18.5m should be disclosed.

The initial amount requested by NCC was £17.3m plus £2.9m of interest, the total of which has been reduced by the net effect of a £2.2m credit note and £0.5m invoice from NCH, leaving a balance of £18.5m as the 'sum owing' at 31 March 2023.

It summarises that whilst the recognition of the sum owed and obligation to pay is accepted by NCH and the ability to achieve a full settlement over the forthcoming years remains possible with NCC, the level of existing uncertainty makes the settlement possible, but not probable and as such the liability has been disclosed by way of contingent liability. This is based upon how there is not a clear repayment schedule setting out the timescale and payment plan for the agreed 'sum owing' between NCH to NCC.

We discussed this initial assessment with management on 21 June 2023. It was agreed to revisit the assessment to acknowledge that there is an agreed liability to pay by NCH and it should be recognised as such in the financial statements.

At the time of writing this report, this had not yet been recognised as first management were going to ensure all stakeholders were aware of the need to recognise this adjustment.

5 Pension assumptions (NCH only)

Heightened Risk

NCH is a member of the Nottinghamshire County Council defined benefit pension scheme.

The scheme actuaries calculate an estimate of the company's share of the scheme assets and liabilities at year end.

The liability is calculated based upon a number of assumptions around the future growth in salaries and pensions and expected mortality rates of members of the scheme. The present value of the liability is calculated using a discount rate to apply to future pension costs. Small changes in these assumptions, especially the discount rate, can result in significant variances in the overall liability.

Work done and conclusion

To address this risk, we have:

- Agreed the payroll and employee source of data back to payroll records;
- Agreed the overall asset value for the scheme to confirmations or statements on assets; and
- Assessed the assumptions used by the actuaries for reasonableness.

We have not identified any errors from our work.

We note that there has been a significant decrease in the actuarial valuation of the pension liability. The net liability has reduced significantly from £119.3m to £0.1m.

This main reason for the decrease has been driven by high discount rates arising from current high inflation rates.

The year-end entries required to account for the defined benefit pension scheme have a significant impact on the financial performance of the Group.

6 Investment properties – carrying value (NCH and NCHE)

Heightened Risk

NCH and NCHE have market rent investment properties recognised in their balance sheets.

The Group's accounting policy is currently to hold investment properties at market value. As such, an assessment will be required as at year-end to support the valuation of the investment properties.

Work done and conclusion

To address this risk, we have:

- Continued to discuss with management whether treating these properties as investment properties is the most appropriate accounting treatment;
- Reviewed the latest assessment (including any valuation reports received) and assess the assumptions used to ensure reasonable; and
- Ensured that any revaluation is accounted for correctly.

Within our work, we have agreed an £805k impairment within NCH for the Arboretum scheme. This follows an impairment assessment undertaken by management at year-end to compare the costs incurred to date on the scheme while it is under construction to the value attributed to it at year-end.

5. Audit adjustments

In accordance with the requirements of International Standards on Auditing, we must communicate all adjusted and unadjusted items identified during our audit work, other than those which we believe to be clearly insignificant.

Adjusted items

	Income Statement		Statement of Financial Position	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Consolidated loss per trial balance	7,989			
1) Impairment to Arboretum scheme				
Dr. Impairment expense	805			
Cr. Fixed assets (asset under construction)				(805)
Consolidated loss per financial statements	8,794			

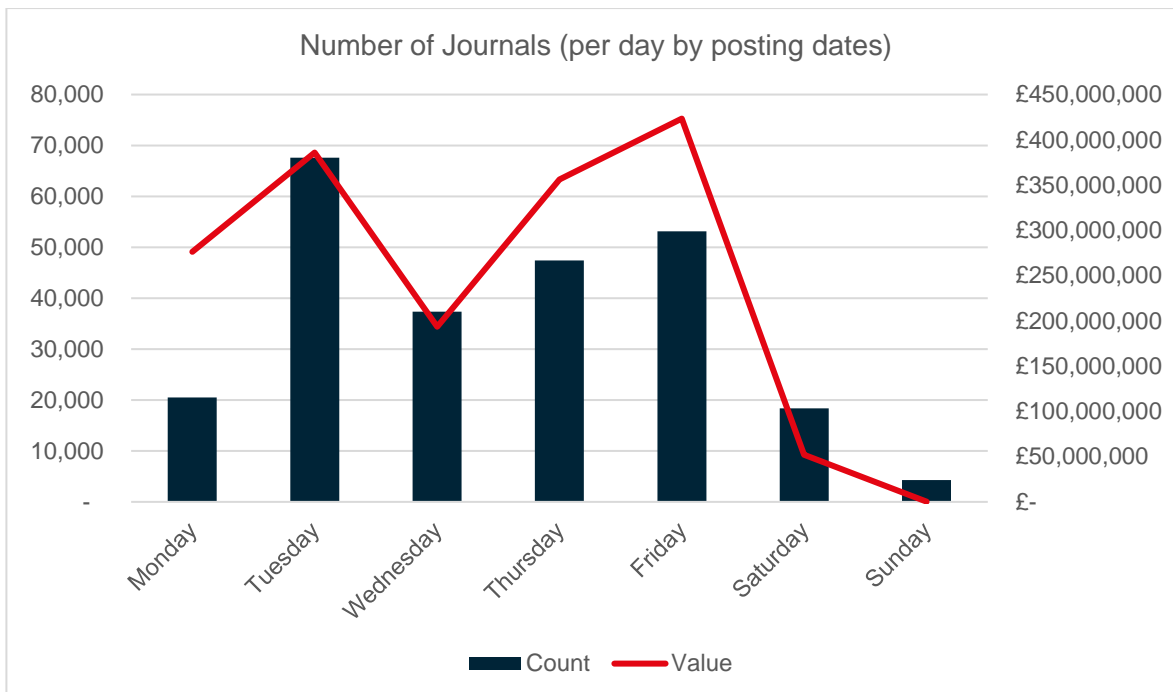
Unadjusted items

Factual (F), judgmental (J), and estimated (E)	Income Statement		Statement of Financial Position	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
<u>NCH</u> <i>No unadjusted items have been noted at the time of writing this report.</i>				
<u>NCHRP</u> <i>No unadjusted items have been noted at the time of writing this report.</i>				
<u>NCHE</u> <i>No unadjusted items have been noted at the time of writing this report.</i>				
Total	-	-	-	-

6. Audit insights

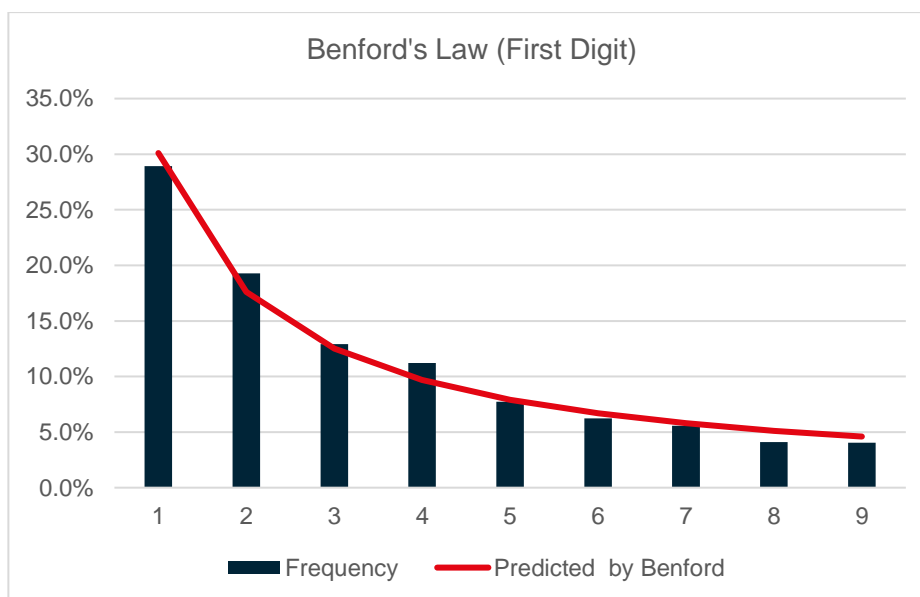
The below insights relate to NCH as the main entity in the Group. We will be happy to share the insights garnered from NCHRP and NCHE upon request.

Timings of Journals



This table demonstrates the days on which the journals relate to for NCH. Our expectations are for journals to be posted between the normal working week of Monday to Friday. We therefore investigated the reasons for several journals being posted on Saturday and Sunday. These were discussed and confirmed to be the result of automated scheduled jobs for the subledgers updating the general ledger for date sensitive transactions (i.e. journals processed using the last day of the month). We know there were month ends that fell on Saturday and Sunday in the year, and on further review it was clear these journals were automatic journals.

Benford's Law Review



Benford's Law states that in a natural collection of numbers, the leading significant digit is likely to be small and follow a logarithmic curve. This is analysed to assess whether there is a heightened risk of fraud due to unusual data being posted that is not in line with what is deemed a normal data set.

From the data set of all journals posted during the year, Benford's Law is closely followed the expected distribution.

Key Word Analysis

We have also performed a review of key words contained within journal descriptions. The majority of those identified related to month end adjustments, transfers to the intercompany account and gifts to members of staff that were not deemed unusual.

Users

We performed a review of users posting journals during the financial year. From a review of who posted journals, these were all carried out by finance team members in their expected areas which falls in line with our expectations.

Rounded Journals

We performed a review of journals that were either rounded or ended in 999. All journals ending in 999 were reviewed and related to either supplier payments, VAT or payroll which all have legitimate business rationale.

We performed a review over a number of rounded journals. The vast majority of rounded journals related to accruals and accrual reversals during the course of the financial year. Other rounded journals included income and year-end adjustments, and again these were reviewed and deemed reasonable.

7. Management letter points and internal control systems

The Group's management is responsible for the identification, assessment and monitoring of risk, for developing, operating and monitoring the systems of internal control and for providing assurance to the Board that it has done so.

In accordance with the terms of our engagement we have not provided a comprehensive statement of all issues which may exist in the accounting and internal control systems or of all improvements which may be made, but outline below our observations arising from the audit, none of which are considered significant.

We would be pleased to discuss further work in this regard with the Board.

KEY:




Observations refer to issues that are so fundamental to the system of internal control that management should address immediately to minimise the risk of a material misstatement within the financial statements.



Observations refer mainly to issues that have an important effect on the system of internal control and, if left uncorrected could potentially lead to a material misstatement within the financial statements.



Observations refer to issues that would, if corrected, improve internal control in general and engender good practice, but is unlikely to have a material impact on the financial statements.

IT Controls	
 <p>As part of our review of the Group's key IT systems, we evaluated the procedures in places regarding those systems which have an impact upon the financial statements. They were Oracle (general ledger), Northgate (housing management system), and ROCC (repairs and management system). We noted the following matters:</p> <ul style="list-style-type: none"> No passwords expiry is enforced. This means that staff are not regularly required to change their passwords. There is no regular review of users to ensure their access rights are appropriate to their role. 	<p><u>Recommendation</u></p> <p>We recommend:</p> <ul style="list-style-type: none"> Password expiry is switched on within the system. This would mean that staff are regularly changing and updating their passwords to help prevent any potential security breaches. Good practice would also include ensuring staff are not able to re-use a password recently applied. All users should be routinely checked to ensure that they only have access to parts of the system that are relevant to their role. This will minimise the risk of employees accessing areas of the finance system that they should not be accessing. <p><u>Management comment</u></p> <p>The points made are noted as good practice. However, following the transition to NCC from 1st April 2023, we will need to work within the NCC IT operational controls and requirements moving forward.</p>

Trade Creditors Listing	
	
<p>Upon receipt of the trade creditors listing, it did not clearly match the trade creditors trial balance value. In addition, we noted several transaction appeared to have been posted in April 2023, but relating to March 2023.</p> <p>We have shared the analysis of our review with management to investigate further.</p>	<p><u>Recommendation</u></p> <p>While the balance is immaterial to the accounts, we recommend ensuring the trade creditor balance is clearly reconciled at year-end.</p> <p><u>Management comment</u></p> <p>We will endeavour to have a reconciled trade creditor at year end in future years.</p>
Separate Nominals for Investment Properties	
	
<p>During our testing, we noticed that separate nominal codes were not being used for investment properties and fixed asset properties.</p> <p>Going forwards, we would suggest such nominals are set up in order to allow a clear audit trail, especially as management expects an increase in disposals for FY23/24.</p>	<p><u>Recommendation</u></p> <p>We would recommend having separate ledger codes for investment properties for ease of reconciliation moving forward.</p> <p><u>Management comment</u></p> <p>We recognise the benefit of having separate ledger codes for investment properties and will be seeking to have these set up within our coding structure.</p>
Employee Existence Testing	
	
<p>During our employee existence testing, we noted that there was no ID held on file for one employee. Upon investigation, this appears to be a long-standing member of staff.</p> <p>There was also unsigned contracts held on file for four individuals.</p>	<p><u>Recommendation</u></p> <p>Going forwards, we recommend ID is held on file for all employees regardless of start time.</p> <p>Furthermore, all contracts for any current employees should be signed as a course of good practice.</p> <p><u>Management comment</u></p> <p>We will raise these matters with our HR function as good practice.</p>

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Bishop Fleming is a trading name of Bishop Fleming LLP, a limited liability partnership registered in England and Wales No. OC391282, and Bishop Fleming Bath Limited, a limited company registered in England and Wales No. 07869428. Registered offices: Stratus House, Emperor Way, Exeter Business Park, Exeter, Devon, EX1 3QS. A list of members' names for the LLP is available at the above address.

bishopfleming.co.uk

	ITEM: 2.3
NOTTINGHAM CITY HOMES	
	THE GROUP BOARD
REPORT OF THE INTERIM ASSISTANT DIRECTOR OF FINANCE AND PROCUREMENT	13 JULY 2023
FINANCE REPORT 2022/23 – YEAR END ACCOUNTS AND 2023/24 BUDGET	
1	EXECUTIVE SUMMARY
1.1	<p>This report provides an update to the Board on the Group’s financial position for the year 2022/23, a summary of the 2022/23 Draft Statutory Accounts and a summary of the 2023/24 Residual Group Budget.</p> <ul style="list-style-type: none"> • Note: The Draft Accounts for 2022/23 are provided as substantially complete documents for the purpose of initial content and wording review by the Board, however, they remain work in progress and subject to amendment and tidy before final board sign off and submission to Companies House.
1.2	Submission of the 2022/23 Statutory Accounts has been extended by agreement with NCC from 31 st July 2023 to a target date of 30th September 2023 . This stays within the reporting deadline requirements for NCHRP.
1.3	The external audit by Bishop Fleming is ongoing and progressing on time with no transactional compliance issues identified in process or data. The close out meeting to identify matters arising and review of the Key Issues for Discussion Document (KIDD) took place on 21st June 2023 and the Bishop Fleming Partner, Nathan Coughlin attended the ARCC meeting on 3rd July 2023
1.4	<p>The two key issues from the external audit are:-</p> <p style="padding-left: 40px;">Material uncertainty with regards to going concern for the group.</p> <p style="padding-left: 40px;">Repayment of the HRA Surplus</p>
1.5	The Arboretum project has required an impairment of £800k in 22/23:
1.6	<p>The Group Loss disclosed in the Draft Statutory Accounts for 2022/23 is £7.6m, after charging £11.3m of pension charges, an impairment of £800k on the Arboretum and revaluation gains on investment property of £1.5m</p> <p>The operational pre-tax surplus achieved was £2.9m, which takes account of the impact of the 2022/23 pay award, transition costs and repayment of the Apprenticeship Levy</p>

	<ul style="list-style-type: none"> The forecast Group outturn in P10 was anticipated to be a surplus of £0.7m. Note: The above position remains draft and subject to change following the identification of any material items since the audit close meeting. It also does not include the treatment and presentation of the HRA Surplus Repayment.
1.7	The NCH Residual Group has a 2023/24 budget that reflects a break-even position during 2023/24 covering NCH, NCHRP and NCHEL.
1.8	A detailed financial review of the P&L for the NCH Group, NCHRP, NCHEL and the NCH Housing Services, containing budget comparatives and explanatory variance analysis will be circulated in conjunction with the final Statutory Accounts sign off meetings in September 2023
2	RECOMMENDATIONS
2.1	It is recommended that the Board:
2.2	Notes and reviews the NCH Group financial position at the end of 2022/23 within the Draft Statutory Accounts and the wording within the associated Strategic and Directors Reports contained therein and raises any matters for discussion as required.
2.3	Notes and reviews the two issues raised around the HRA Surplus Repayment and the significant uncertainties with regards to going concern and the steps being undertaken within Finance to address the external audit issues to achieve Statutory Accounts sign off
2.4	Notes the Residual Group Budget for 2023/24 and the review that will be taking place for a projected 2023/24 forecast.
3	REPORT ON 2022/23 STATUTORY ACCOUNTS
3.1	A detailed financial review of the P&L for the NCH Group, NCHRP, NCHEL and the NCH Housing Services, containing budget comparatives and explanatory variance analysis will be circulated in conjunction with the final Statutory Accounts sign off meetings in September 2023
3.2	Draft packs for each entity are attached in appendices one to three. The draft packs contain no Bishop Fleming opinion yet as they need the key issues to be addressed before they can be completed. The Key Issues for Discussion Document (KIDD) from the audit update sets out the audit findings and key issues and is included within the Bishop Fleming update.
3.3	The overall external audit has progressed well. The close out meeting to identify matters arising and review of the KIDD took place on 21 st June 2023. The audit has concluded there are no material matters of concern exposed within the finance processes, procedures or adherence to them during 22/23.

3.4	The Bishop Fleming Partner, Nathan Coughlin, attended the ARCC meeting on 3 rd July 2023 to deliver a more detailed update and to address any queries from the ARCC Members around the audit or issues raised.
3.5	<p>In summary the key updates from the external audit are:</p> <p>The review of the transactional recording and processing of financial data found no issues and no amendments to the numbers were required.</p> <p>The financial processes and procedures checked found no material issues in the controls or application thereof.</p> <p>Concerns raised over the residual NCH Group and the ability to confirm that the associated residual activity comprised a valid and cash solvent going concern business, along with sufficient written assurance on future support from NCC. This is particularly relevant for NCHEL, where there is a challenge that the accounts should be disclosed as <i>prepared under a basis other than going concern</i>. – The finance initial actions being taken regarding this are covered below</p> <p>Clarity around the HRA Surplus Repayment and the accounting treatment within the NCH Group Statutory Accounts – The background to the uncertainty and actions in place to resolve this issue are covered below</p>
3.6	<p><u>Going Concern</u></p> <p>Going Concern of the NCH Group. Initial actions being undertaken by Finance:</p> <p><u>Income and Expenditure Review</u> Review of the income and expenditure budgets and plans for 2023/24 to confirm the plans are robust and financially viable.</p> <p><u>Residual Activity and Going Concern</u> Provide a written update for Bishop Fleming around the residual group activity by company and agreeing the going concern position with each group company Board and to incorporate this narrative into the relevant Strategic and Directors Reports within the 2022/23 Statutory Accounts.</p> <p><u>Further Planning</u> Undertake some initial planning around the 2024/25 draft budgets.</p> <p><u>Independent Cashflow Projections</u> Agreeing with Mazars the receipt of their cashflow projections for NCH / NCHRP and NCHEL by end of July 2023 to confirm future cash liquidity over the next 12 months. The NCHEL cashflow has already been received and work is now underway to overlay this with the phase one asset disposal plan, comprising the first 44 property sales, to give a</p>

	<p>clear cashflow projection during the period of property sales. The NCHRP cashflow (at the time of writing) has been completed, with the exception of a few clarification points from Mazars that are being addressed by 7th July 2023.</p> <p><u>NCC Letter of Assurance</u> Engaging with NCC to ensure agreement is reached within their letter of assurance to confirm NCC will support the NCH Group to both remain cash solvent and ensure the business remains a viable going concern during the period of repayment of the HRA Surplus. Discussions have also been arranged with NCC in early July to agree the HRA Surplus Repayment relevant to the 2022/23 year.</p> <p><u>Accounts Submission Deadline</u> Agreeing with NCC a revised submission of the 2022/23 Statutory Accounts from 31st July 2023 to a target date of 30th September 2023. This stays within the reporting deadline requirements for NCHRP</p>
3.7	<p><u>HRA Surplus</u></p> <p><u>Surplus Repayment Value</u> The repayment value presently sits at £18.523m (agreed with Martin Johnson at HRA). This is made-up of the initial amount requested by NCC of £17.277m plus £2.856m of interest charged, less the net effect of a £2.21m credit note and £0.6m invoice from NCH. The £18.523m will increase by the amount due back from the NCH trading during 2022/23 and a meeting is in place with NCC to determine this figure (to be ratified by the NCH Group Board).</p> <p><u>Repayment Timescale</u> The timescale of the repayment remains undetermined but has been spread over three phases of asset disposal. Only the first phase in relation to NCHEL has any significant analysis undertaken so far. The key issues around the repayment timescale are as follows:</p> <ul style="list-style-type: none"> • The source of the potential repayment funds from an asset disposal plan is not fully agreed or calculated, with options still being considered and appraised for the first phase of asset disposal properties in NCHEL. Phases two and three have not yet commenced review or assessment. • A clear cashflow demonstrating the group cash position is still under construction, with a level of uncertainty existing around the reliability of achievable property revenue projections from first phase sales of NCHEL property disposals, given the uncertain and deteriorating housing market and reduced mortgage products available to buyers. • Uncertainty around the amount and timing of funding that could be allocated towards the settlement of the agreed 'sum owing' from

	<p>each property sale, given the variables that exist around timescales, net sales income achieved, taxation and continued business operating costs</p> <ul style="list-style-type: none"> • The future position around the Arboretum Project has not yet been determined. The options appraisals are being priced up within a paper to be submitted to Board at a later date for them to reach an agreement. Within that paper, the two options that would see the Arboretum sold and the cash proceeds contributing towards the HRA repayment are to seek a sale 'as is', or to build out and sell as completed. The situation around NCC covenants is being addressed to minimise this impact and increase potential valuation. No timescale is agreed. • The 'free cash' held by NCH is being assessed to determine the true position after taking accounts of year end debtors and creditors, future commitments and working capital requirements. <p><u>Presentation in the NCH Accounts / NCC Agreement</u> The presentation of the liability within the 2022/23 NCH Group Accounts is being reviewed (given the level of material uncertainty as set out in the timescale issues above) and a meeting has been requested with Ross Brown and his technical finance team to agree this. The two options are to accrue the liability within the accounts, showing an in-year loss, or to disclose the figure as a contingent liability. Both options contain positives and negatives that will need to be weighed up and there may be a middle ground between the two alternatives.</p> <p>The external auditors, Bishop Fleming, are less worried at this stage of the 'how to repay', favouring a presentation approach that is consistent with NCC in acknowledging the liability.</p>
3.8	<p><u>Arboretum Project – 2022/23 Impairment</u></p> <p>The Arboretum project has required an impairment of £800k in 22/23:</p> <p>The determination on what is going to happen to the Arboretum moving forward in terms of selling, renting or somewhere in between has not yet been proposed to board and discussions and option appraisals are still ongoing.</p> <p>The 27 properties were valued by Rupert David & Co in December 2022 on a number of basis including what the present valuation was as things stood, with no further investment or renovation work undertaken.</p> <p>The 'as is' valuation was £4.2m and the fully complete valuation was £5.4m.</p> <p>The 'as is' valuation has been assessed internally as of 31st March 2023 to include any further spend that was either to complete a property or increase its valuation. This has increased the 'as is' valuation to £4.4m. The balance</p>

	sheet expenditure for this asset under construction stands at £5.2m so a year-end impairment of £800k has been made.
3.9	<p><u>Summary Year End Position NCH (details in Appendices One)</u></p> <p><u>Summary Results in the Draft Statutory Accounts Pack</u></p> <p>Reported Group Pre-Tax Loss £7.6m (2022 £6.9m loss)</p> <p>The Group Loss disclosed in the Draft Statutory Accounts for 2022/23 is £7.6m, after charging £11.3m of pension charges, an impairment of £800k on the Arboretum and revaluation gains on investment property of £1.5m</p> <p>The operational pre-tax surplus achieved was £2.9m, which takes account of the impact of the 2022/23 pay award, transition costs and repayment of the Apprenticeship Levy</p> <ul style="list-style-type: none"> • The forecast Group outturn in P10 was anticipated to be a surplus of £0.7m. • Note: The above position remains draft and subject to change following the identification of any material items since the audit close meeting. It also does not include the treatment and presentation of the HRA Surplus Repayment. <p>Liquidity Ratios (Group)</p> <ul style="list-style-type: none"> • Current Ratio (current assets / current liabilities) = 1.62 (2022 1.51) • Quick Ratio (cash + receivables / current liabilities) = 1.57 (2022 1.38) • Cash Ratio (cash / current liabilities) = 1.51 (2022 1.21) • Liquidity ratios above 1 provide comfort that upcoming liabilities can be met. <p>Cash Balance (Group)</p> <ul style="list-style-type: none"> • £17.4m (2022 £13.7m)
3.10	<p><u>Summary Year End Position NCHRP (details in Appendices Two)</u></p> <p><u>Summary Results in the Draft Statutory Accounts Pack</u></p> <p>Reported Pre-Tax Profit £0.79m (2022 £0.26m)</p> <ul style="list-style-type: none"> • The forecast outturn in P10 was anticipated to be a surplus of £0.55m, against the budgeted surplus of £0.26m • Note: The above position remains draft and subject to change following the identification of any material items since the audit close meeting. <p>Liquidity Ratios</p> <ul style="list-style-type: none"> • Current Ratio (current assets / current liabilities) = 3.17 (2022 1.28) • Quick Ratio (cash + receivables / current liabilities) = 3.17 (2022 1.28)

	<ul style="list-style-type: none"> • Cash Ratio (cash / current liabilities) = 2.89 (2022 1.20) • Liquidity ratios above 1 provide comfort that upcoming liabilities can be met. <p>Cash Balance</p> <ul style="list-style-type: none"> • £1.47m (2022 £1.22m)
3.11	<p><u>Summary Year End Position NCHEL (details in Appendices Three)</u></p> <p><u>Summary Results in the Draft Statutory Accounts Pack</u></p> <p>Reported Pre-Tax Profit £1.48m (2022 £1.11m) Reported Pre-Tax Profit excluding revaluation gains £16k (2022 £504k loss)</p> <ul style="list-style-type: none"> • The forecast outturn in P10 was anticipated to be a loss of £19k, against the budgeted loss of £149k (excluding revaluation gains) • Note: The above position remains draft and subject to change following the identification of any material items since the audit close meeting. <p>Liquidity Ratios</p> <ul style="list-style-type: none"> • Current Ratio (current assets / current liabilities) = 0.49 (2022 0.49) • Quick Ratio (cash + receivables / current liabilities) = 0.49 (2022 0.49) • Cash Ratio (cash / current liabilities) = 0.43 (2022 0.22) • Liquidity ratios of under 1 signify an inability to meet upcoming liabilities <p>Cash Balance</p> <ul style="list-style-type: none"> • £419k (2022 £246k)
3.12	<p><u>Outstanding Matters to resolve prior to Board sign off: -</u></p> <ul style="list-style-type: none"> • Meeting with NCC to discuss the HRA Repayment presentation in the accounts • Conclusion of final testing from Bishop Fleming and resolution of any remaining Bishop Fleming queries • Inclusion of any final adjustments to the statutory accounts and associated tax update • Review of the disclosure notes to the accounts and general tidying • Receipt of the letter of assurance around going concern support from NCC to the group • Receipt of the independent (Mazars) cashflow projections for NCH, NCHRP and NCHEL. • Sign off assessment from Bishop Fleming for the residual activity within each entity to be either a valid going concern or to be treated on the basis other than a going concern. • Final review and sign-off of the financial statements by Bishop Fleming. • September 2023 Board Sign Off Meetings, including approval for each business to be a going concern (or in the case of NCHEL, to

	be treated on a basis other than going concern) and identification of Director nominated to sign each of the accounts
4	RESIDUAL BUDGET 2023/24
4.1	Residual Budget for 2023/24 attached (appendix four)
4.2	<p>The overall NCH Residual Group has a 2023/24 budget that reflects a break-even position during 2023/24. The appendix shows that this reflects a small profit on NCHEL and loss on NCHRP.</p> <ul style="list-style-type: none"> • For Board transparency, the assumptions made at the time the budget was created have been left in the documents. • There is a commentary on each P&L row to explain the variances from 2022/23 as they were anticipated at that time.
4.3	<p>A full review of the budget and revisit of the assumptions on which it is built is to be undertaken to incorporate any significant changes to either staffing or business activity since the residual budget was compiled. The review will incorporate the service agreement costings to ensure these remain in line with the expected activity.</p> <ul style="list-style-type: none"> • The updated forecast 2023/24 position for NCH, NCHRP and NCHEL is targeted to be available for the next series of NCH Board Meetings
5	LEGAL IMPLICATIONS
5.1	Under the Companies Act 2006, the Directors are under a responsibility to understand the contents of the Statutory Accounts, specifically:
5.2	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.
5.3	Section 173 of the UK's Companies Act 2006, imposes on a director a positive duty to exercise independent judgment
5.4	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.
6	IMPLICATIONS FOR NOTTINGHAM CITY HOMES' OBJECTIVES
6.1	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

7	EQUALITY AND DIVERSITY IMPLICATIONS
7.1	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)
8	BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT
8.1	Appendices 1 – NCH 2022/23 Draft Accounts Pack (Group)
	Appendices 2 – NCHRP 2022/23 Draft Accounts Pack
	Appendices 3 – NCHL 2022/23 Draft Accounts Pack
	Appendices 4 – 2023/24 Residual Group Budget
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: 6th July 2023	

Company Registration
Number: 05292636

NOTTINGHAM CITY HOMES LIMITED
(Company limited by guarantee)

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2023

Nottingham City Homes Limited
(Company limited by guarantee)
CONTENTS OF THE REPORT AND FINANCIAL STATEMENTS
For the year ended 31st March 2023

Company Registration Number: 05292636

CONTENTS	PAGE
Administrative Information	1 - 2
Strategic Report	3 – 15
Directors' Report	16 – 21
Independent Auditor's Report to the Members of Nottingham City Homes Ltd	22 – 24
Consolidated Income Statement	25
Consolidated Statement of Comprehensive Income	26
Statements of Changes in Equity	27
Statements of Financial Position	28
Consolidated Statement of Cash Flows	29
Company Statement of Cash Flows	30
Accounting Policies	31 – 35
Notes to the Financial Statements	36 – 50

Nottingham City Homes Limited
(Company limited by guarantee)
ADMINISTRATIVE INFORMATION
For the year ended 31st March 2023

BOARD OF DIRECTORS

Tenant Board members (1)

Sarita-Marie Rehman-Wall (Resigned 13th May 2022)

***Michael Savage**

Council appointed Board members (1)

Rebecca Langton (Resigned 10th October 2022)

Georgia Power

Independent Board members (4)

***Madeleine Forster (Chair) (Appointed 28th July 2022)**

***Kieran Timmins (Appointed 1st December 2022)**

***Sam Webster (Appointed 15th June 2022)**

Malcolm Sharp MBE (Resigned 1st July 2022)

Michael Khouri-Bent (Appointed 29th September 2022)

Andrew Dickinson (Resigned 31st August 2022)

Sandra Cowley (Resigned 31st August 2022)

Co-opted Board Members (1)

***Vicky Evans**

***Current Board Members registered with Companies House**

EXECUTIVE MANAGEMENT TEAM

Nick Murphy – Chief Executive (Resigned 31st July 2022)

Surjits Balu – Interim Director of Housing (Appointed 3rd October 2022 – Resigned 30th April 2023)

James Howse – Director of Corporate Services (Appointed 18th July 2022 – Resigned 31st May 2023)

Steve Feast – Director of Housing (Resigned 28th April 2023)

Alison Brown – Director of Property Services (Appointed 8th April 2022)

Paul Hackett – Interim Director of Corporate Resources (Appointed 5th May 2022 – Resigned 27th September 2022)

Joanne Clifford – Director of Corporate Services (Resigned 9th May 2022)

Adrian Cheetham – Director of Property Services (Resigned 11th March 2022)

Nottingham City Homes Limited
(Company limited by guarantee)
ADMINISTRATIVE INFORMATION
For the year ended 31st March 2023

REGISTERED OFFICE AND PRINCIPAL OFFICE

Loxley House
Nottingham
NG2 3NJ

AUDITORS

Bishop Fleming LLP
Salt Quay House
4 North East Quay, Sutton Harbour
Plymouth
Devon
PL4 0BN

SOLICITORS

Nottingham City Council
Legal Department
Loxley House
Station Street
Nottingham
NG2 3NG

BANKERS

Lloyds Bank Plc
Parliament Street
Nottingham
NG1 SDA

Nottingham City Homes Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

The directors present their reports and the audited financial statements for the year ended 31 March 2023.

STRATEGIC REPORT

Nottingham City Homes is a group of housing companies working together to deliver our vision of creating homes and places where people want to live. The Group comprises Nottingham City Homes Ltd (NCH), Nottingham City Homes Registered Provider Ltd (NCHRP) and Nottingham City Homes Enterprises Ltd (NCHEL). The NCH Group ('The Group') managed homes on behalf of Nottingham City Council (the City Council, Council or NCC) until the 31st March 2023, as well as continuing to manage its own homes, and homes owned by other landlords, and provides a range of services to support people in the communities we serve.

During 22/23 there were 27,101 homes under our management and to which services were provided to, including 1,440 leasehold properties. Around a fifth of Nottingham households live in the homes we were responsible for. The main NCH Company is a wholly owned local authority company limited by guarantee

As from 1st April 2023, the Council decided to insource responsibility for Council housing and NCH no longer has responsibility for Council housing but retains responsibility for NCHRP and NCHEL comprising xxx properties at the start of the year.

The year ending 31st March 2023 was the second year of the NCH Group Corporate Plan 2021-2024, which is now superseded by the decision to move HRA housing services back to NCC, hence NCH group has been working to this plan in an operational capacity during 22/23:

The Plan's goals are:

- to deliver the NCH Tenants' Charter:
 - to be safe in your home
 - to have a good quality home and neighbourhood to live in
 - to have a home you can afford
 - to have your voice heard and to be treated with respect
 - to know how we are performing
 - to have your complaints dealt with promptly and fairly

- to diversify and grow

- to pursue organisational excellence.

The Company's core business over the year included:

- Managing the city's housing register
- Re-letting empty homes
- Rent collection and arrears recovery
- Tenant and leaseholder involvement
- Supported housing services, including Nottingham On Call

Nottingham City Homes Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

- Helping to sustain tenancies and reduce homelessness
- Tenancy and estate management
- Caretaking services
- Repairs and maintenance
- Managing the programme of investment in council housing including new build
- In-house construction of New Build housing
- Actively progressing our market rent ambitions through both the development of new build housing and the acquisition of properties.

We worked in partnership with NCC, via a Partnership Agreement, looking after existing homes and building new ones, as well as managing a whole host of services to create homes and places where people want to live.

Under s172 of the Companies Act 2006, Nottingham City Homes has a duty to promote the success of the company for the benefit of its members as a whole, having regard to:

- Maintaining a high standard of business conduct
- Acting fairly between the members of the business
- The interests of employees
- Fostering business relationships with suppliers, customers and others
- The impact of operations on the community and the environment
- The likely consequence of any decision in the long term.

The Board also needs to address the following:

- The issues, factors and stakeholders the directors consider relevant in complying with the above and how we have formed that opinion
- The methods the directors have used to engage with stakeholders and understand the issues to which they must have regard
- The effect of that regard on the company's decisions and strategies during the year.

Our detailed approach to meeting our objectives was set out in our Service Plans. The Chief Executive Officer and the Chair of the Board attended the Partnership Forum quarterly with the senior elected and staff representatives of the City Council to discuss various matters relating to our services including funding, policies and strategies across the whole housing service and where Nottingham City Homes could add value to the Council. Discussion of the long term ability to finance new homes, supporting tackling homelessness and sustain a good level of service and rents for Council tenants featured in these discussions.

Funding levels, NCC staffing resources, support from the Council, opportunities to deliver new Council homes and national policies with respect to Council and other affordable housing all influenced our decisions.

The cost of living crisis has and continues to have a significant impact on our tenants. In addition, there has been a continued increase in general inflation, with it being at its highest level for decades, and an increase in Bank of England Base rates as well as increases in the cost of food, with significant increases in energy costs driven by international events. This will have created financial hardship for low income households such as those served

Nottingham City Homes Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

by NCH. The war in Ukraine is likely to continue to have an impact on energy costs and other day to day costs for the foreseeable future.

The 2020 Social Housing White Paper: 'The Charter for Social Housing Residents' set out central government's direction to social housing providers.

The White Paper focuses on the following areas:

- Resident and building safety
- Landlord performance, and the clear publication of performance information
- Prompt and fair complaints processes
- A strong consumer regulator, supporting tenants to be treated with respect
- Residents' voices being heard by their landlord
- Good quality homes and neighbourhoods, including the prospect of a new Decent Homes Standard
- Helping tenants take their first steps into home ownership.

Emissions and Energy Consumption and Carbon Reporting

NCH is committed to reducing the impact of our activities on the environment. In recent years we have invested over £15m on deep energy retrofit projects to the homes we have managed and have focused this work on our poorest performing properties. NCH's strategy is to support Nottingham City Council in its commitment to become the first carbon neutral city in the country by 2028.

Transport accounts for approximately 78% of our business related carbon emissions and this transport is a key factor in our service delivery.

We have 10 Electric Vehicles (vans or cars) now in the fleet. We have 288 diesel vehicles and no petrol vehicles. Our fleet consumed 274,871 litres of diesel. The information does not include fuel claimed for travel by staff members when using their own vehicles.

Our plans to carry out full vehicle fleet replacement in 2022 have been placed on hold in order to allow the electric vehicle market, supporting infrastructure to progress and for the NCC/NCH transition to be completed. When we do replace the fleet we will include as many electric vehicles as is financially and operationally viable.

Over the last few years, to minimise the impact of staff travelling to and from our offices, we have offered the cycle to work scheme, as well as flexible and home working. As a result we have been able to rationalise our office requirements in recent years, even though from 1st April 2023 there will be no direct employees.

We have installed solar panels on the roof of our main office building. We have also installed EV charging points for both our own fleet, and to encourage visitors and service providers to use EVs to drive to and from work.

Nottingham City Homes Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

Our total Green House Gas generation from our offices in 2022/23 was 201.46 tonnes, which is a decrease from 2021/22. With the closure of the Bestwood Housing Office prior to the year 2021/22, emission figures from that site are no longer included.

Fuel used by fleet vehicles has reduced, meaning we emitted less CO2. We expect this to fall in future years as the fleet is replaced with lower emission vehicles where possible.

During the year, in the delivery of the service, NCH consumed an estimated 904.46 carbon tonnes and 1,004,793 KWH in gas, electricity and water, a reduction over the previous year. This is detailed in the table below:

Type of resource	Carbon tonnage	KWH	Carbon tonnage	KWH
	2022/23		2021/22	
Diesel used in vehicle fleet	703	-	728	-
Petrol used in vehicle fleet	-	-	13	-
LPG used in vehicle fleet	-	-	0	-
Gas used in offices & common areas	160.17	791,869	199	1,084,273
Electricity used in offices & common areas	41.09	212,487	48	228,097
Water used in offices & common areas	0.2	437	1	2,183
Total	904.46	1,004,793	989	1,314,553

The information does not include fuel claimed for travel by staff members when using their own vehicles.

Housing Regulation

Regulation of social housing is carried out by The Regulator of Social Housing, based on a model of co-regulation, which sees the focus on governance, financial viability and value for money, with organisations held accountable for service delivery through effective tenant scrutiny arrangements.

NCH is committed to embracing co regulation wholeheartedly. We have a Board which will oversee our performance in line with its strategic objectives, We also have Boards for the NCHRP & NCHEL. The regulatory approach is changing as a result of the Social Housing White Paper in which the Regulator has a greater role in scrutinising landlords.

The Regulator will review the Consumer Standards in 2023 following implementation of the Housing Regulation Bill to ensure they are fit for purpose and will be working more closely with the Housing Ombudsman and the Building Safety Regulator to ensure that Landlords are meeting their obligations.

The Housing Regulation Bill will place further regulation on the housing sector going forward and NCH will need to ensure that it meets any additional requirements placed upon it.

Investing in the housing stock

Nottingham City Homes Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

The total housing stock managed by the Group as at 31st March 2023 is 27,101 homes as detailed here.

Managed on behalf of Nottingham City Council	24,925
Managed on behalf of other social landlords	9
Leasehold properties (NCC Freeholder)	1,440
NCH owned (social rent)	120
NCH owned (housing homeless families)	230
NCH RP owned	71
NCH RP leased (private)	119
NCH EL owned	187
Total	27,101

Our Asset Management Strategy has invested resources in both council owned and Group owned stock.

During 2022/23:-

- We have achieved 96.6% of the housing stock meeting the Decency standard. We have achieved 100% in relation to valid Gas Safety Certificates as at 31st March 2023.
- We have committed to reducing fuel poverty and reducing carbon emissions, through improved energy efficiency measures such as insulation and innovative building retrofit schemes. We have continued to achieve certification to the ISO14001:2015 Standard.
- We have completed the modernisation of Independent Living Schemes through our 'Grander Designs' programme.

KEY PERFORMANCE INDICATORS

Performance has continued to be a priority for the Group. Unfortunately we have seen reductions in customer satisfaction over the past year although our satisfaction remains favourable compared to others. Rent collection has also fallen this year primarily as a result of the challenging economic situation many of our tenants find themselves in. Voids has continued to be a challenge last year in line with similar issues across the sector with increased re-let times and voids

The Boards received quarterly reports of key performance indicators against targets and performance.

Nottingham City Homes Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

More detailed performance statistics are also monitored at directorate and service area level to ensure that targets are being met and where problem areas are identified that remedial action is taken at the earliest opportunity.

Summarised below are the key performance indicators:

<u>Performance Indicators</u>	<u>2021/22</u>	<u>2022/23</u>
Satisfaction with the service	87.7%	81.7%
Satisfaction with the repairs & maintenance service	79.3%	74.6%
Satisfaction with neighbourhood as a place to live	84.8%	82.8%
Number of lettable voids	291	328
Percentage of rent collected (rent due up to 31 st March)	100.29%	99.7%
Gas & Solid Fuel annual servicing completed	100%	100%
Average re-let time in days	46.37	51.95
FRA's completed	100%	100%

SUCCESSSES

In 2022/23 our successes included:

- Recommended work to build 106 new council homes in Top Valley following the collapse of the previous contractor in September 2022.
- 36 new apartments built on the site of the former Southchurch Court garages
- 100% Gas Safety Compliance
- Grander designs project was completed
- Managed a smooth transition of Council Housing Services back into the Council from 1st April 2023
- Celebrated our tenants at the 2023 Housing Heroes Awards
- We launched a new ASB reporting APP called ReMOTE to make reporting of ASB easier for tenants
- Achieving re certification for the International Standard ISO45001(Safety) and Nottingham On Call received accreditation again from the Telecare Services Association.

How we have engaged with our tenants and residents in 2022/23

Nottingham City Homes welcomes and actively promotes customer feedback.

Nottingham City Homes Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

- Feedback is collected in both quantitative and qualitative forms and in a variety of ways such as:
 - Tenant led Operational Board – ALMO Board
 - Tenant membership on Group Board
 - Quarterly STAR Surveys
 - Transactional Customer Surveys
 - Bespoke Consultations
 - Complaints, Comments and Compliments
 - Focus groups
 - Support Plans
 - Customer Excellence Panel - Scrutiny
 - Tenant representatives in procurement exercises
 - Opportunities for residents to get involved by volunteering as Street and Block Champions

We encourage further feedback from our customers by frequently demonstrating that we have listened and acted on their feedback through various media channels. We advertise and promote all feedback mechanisms through publication of our regular newsletter, the website and social media channels. We regularly publish articles in our newsletter inviting residents to come and discuss services and performance as well as listen and respond to feedback through social media platforms in a timely and informative manner.

FUTURE DEVELOPMENT AND PROSPECTS

All NCH staff were transferred via TUPE back into the Council from 31st March 2023. All Council housing functions are now insourced back to the Council. The Council staff, however continue to provide services to NCH Group through a service agreement to enable NCH Group to continue to carry out its obligations for the small number of properties under its management.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company’s Corporate Risk Register sets out the risks deemed to most adversely impact on the Company’s ability to achieve its corporate objectives and is monitored by the Board. The principal risks, impacts and mitigation which reflect uncertainties facing the business are highlighted in the table below. We aim to identify, control and manage all risks within a culture of risk management. Each risk is assessed for likelihood and severity of impact. Mitigating actions are agreed to reduce or eliminate these factors, and progress is monitored by both management and the Board.

Risk	Impact	Mitigation
Governance		
The Board has a clear Business Plan which outlines the	The potential for Board decisions that are not aligned to a	Group Corporate Plan (which included Board consultation) provides overall direction of travel. Annual Business

Nottingham City Homes Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

business priorities and strategic direction	corporate plan or to NCC objectives leading to fragmented use of resources	Planning in place. Business development professional support is available. Risk management process complete. Skilled and experienced ARCC able to provide challenge and assurance around risk management. In house transition team created.
There is a highly skilled, diverse and well-trained Board able to lead NCH, which is compliant with NHF Code of Practice and industrywide best practice	The potential for poor Board decisions that are not fully understood and the potential impacts on the property portfolio or tenants not properly managed.	Regular review of board structure and composition and overall skillset to comply with best practice and to provide a diverse background. An appraisal, induction and training programme in place. Annual assessment of Board effectiveness.
Finance		
There is a clear financial plan which demonstrates viability and sustainability	Risks are not identified which may impact financial performance	Three-year corporate plan in place for NCH reviewed annually. Residual budget produced for 23/24 and monitored with regular reforecasting of financial performance and cash control. Regular updates to the budget and business model in light of the asset disposal strategy.
Board has clear oversight of NCH financial performance	Board decisions based on inaccurate financial drivers leading to impact on financial results of delivery of the housing service.	Regular reporting to both Board and Management of financial performance and a cash control reporting system to be developed
Legal and Regulation		
Board is aware of its legal and regulatory obligations and can demonstrate compliance with them, including GDPR and cyber security	Breaches in Board and Director legal and regulatory requirements leading to possible company and/or director fines or punishment.	Annual report produced outlining compliance with relevant regulations and legislation. All reports carry legal and regulatory requirements. Group solicitor and legal advisory framework is available.
Changes in NCC, Government or Government Policy	Impact on operating environment and business model and potential funding	Changes to Govt Policy and updates on legislative changes are provided across NCH and the group. There is a dedicated policy and planning manager to advise on all current and impending policy changes

Nottingham City Homes Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

Property		
Maintain a high performing, value for money repairs and maintenance service	Increased tenant complaints and poor property condition, excessive costs, reputational damage.	A qualified repairs team in place. Regular reporting of financial performance to the Board. A new complaints policy in place for customers. Defined asset management plan in place, including financial benchmarking
Risks to funding of building new homes or acquiring new stock against the asset disposal plan	Failure to deliver housing requirements in line with business plan projections	Dedicated professional staff are in place to identify and assess opportunities and apply for funding. Regular reports on potential opportunities are provided to Board.

FINANCIAL REVIEW

The Group and Company complies with the accounting requirements for defined benefit pension schemes under FRS102 which significantly affects the disclosed performance. The Consolidated Income Statement includes these accounting entries and shows a reported deficit of £7.855 million after tax for the 2022/23 financial year compared with a deficit of £6.999 million in the prior year. An amount of £16.5 million was charged to the P&L during the year in relation to employers pension liability.

The pension liability on the Group and Company's Balance Sheet has decreased from £119.3 million at the end of 2021/22 to £0.1 million in the 2022/23 financial year due to the reduction in pension obligations as valued by the actuarial assumptions disclosed in note 22.

The Company has to make annual cash contributions to the pension fund at a rate agreed with the fund's trustees. Budgets and forecasts, including the actual payments to the pension scheme, have been prepared that show that the Company will be able to meet its liabilities as they fall due, notwithstanding that an accounting loss may be reported.

GOING CONCERN

On 11 May 2022, the Council formally issued a notification of termination of the partnership agreement with NCH that triggers the transfer of the management of the Council's housing stock back into NCC on 10 May 2023, but was agreed to be with effect from 1st April 2023.

NCH's ongoing business interests will subsequently be primarily concerned with the direct letting, management and maintenance of homes for families in Nottingham and leasing of property to NCH Group subsidiaries to deliver the aims and objectives of the NCH Corporate Plan and subsidiary company business plans. This includes leasing of property to NCH Registered Provider Limited for use as supported temporary accommodation for homeless families and citizens in housing crisis and to NCH Enterprises Limited for letting at market rent.

Following discussions around the use of HRA surpluses reinvested into the NCH Group over a number of years, at a Board meeting held 19 December 2022, the Board both

Nottingham City Homes Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

acknowledged and agreed to return 'sums owing' to the HRA in principle. This was subject to the timing / additional detail of the payments to be agreed to ensure there is no financial risk to NCH.

The initial amount requested by NCC was £17.277m plus £2.856m of interest, the total of which has since been reduced by the net effect of a £2.21m credit note and £0.6m invoice from NCH, leaving a balance of £18.523m as the 'sum owing' at 31st March 2023.

NCH recognises the balance of £18.523m and fully accepts the obligation as at 31st March 2023 to repay this sum to NCC and planning is underway covering a number of ongoing options appraisals over a period of time, however, all planning encounters similar issues around the disposal of any stock:-

- The source of the potential HRA repayment from an asset disposal plan is not yet agreed, with options still being considered and appraised.
- A clear cashflow demonstrating the group cash position is still under construction, with a level of uncertainty existing around property disposals, given the uncertain and deteriorating housing market and reduced mortgage products available to buyers.
- Uncertainty around the amount and timing of funding that could be allocated towards the settlement of the agreed 'sum owing' from each property sale.

There is a degree of uncertainty around the extent and timing of the deliverability of any full or part solution, NCC will continue to offer the necessary resources and financial support (including the deferral of NCHEL loan repayments) to the NCH group to ensure they remain cash solvent and trading as a going concern during this period.

TAXATION

The Company is a wholly owned subsidiary of NCC and the majority of NCH's income is derived from services provided to NCC as an agent and other associated local government organisations. Under the non-trading arrangements, all income and expenditure arising from trading with NCC is outside the scope of Corporation Tax.

CAPITAL EXPENDITURE

The Group owns land (purchased from Nottingham City Council for Development) and provides dwellings that are let to social housing and market rent tenants as well as to Homeless families on behalf of the City Council.

FINANCIAL INSTRUMENTS

The Group's business is entirely based in the UK and all activities are conducted with UK based counterparties in sterling. The Group does not use or trade in any derivative financial instruments. Surplus cash balances are held with NCC as bank deposits. Credit risk is managed by NCC Treasury in line with its approved policies.

POST BALANCE SHEET EVENTS(NOTE 30)

**Nottingham City Homes Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023**

On the 1st April 2023 all direct employees of NCH were TUPE transferred into NCC along with the associated pension liabilities as at 31st March 2023.

From 1st April 2023, any NCC staff deployed on activity in relation to the NCH Group will be recharged from NCC to the relevant NCH Group Company by way of a Service Agreement between NCC and NCH.

DIRECTORS' REPORT

CONSTITUTION

The Company is incorporated as a private company limited by guarantee under the Companies Act 2006. As such it has no share capital. The Company's sole member is Nottingham City Council ('NCC').

PRINCIPAL ACTIVITIES

For the year ended 31st March 2023, the principal activities of the Company were to act as the managing agent of NCC's housing stock and some commercial properties, and to provide a repairs and maintenance service to the landlord in respect of these properties. The Company also managed and maintained its own housing stock for both social housing and market rented housing. In addition to those of the Company, the Group's activities included the provision of housing for homeless families.

From 1st April 2023, the management of the councils housing stock was transferred back under NCC control.

RISK MANAGEMENT

Our Risk Management Framework sets out the Group's approach to risk management and how the organisation's key risks are identified, monitored and reported through the Risk Management Group, Executive Management Team and ARC Committee. It is held under review by the NCH Full Board and supported by a Risk Management Group comprising senior officers. A full review of the risk management process was completed last year. New risk registers have been created for both our subsidiaries and the Group Board in line with the Regulator of Social Housing Sector Risk Profile, the Group Corporate Plan 2021-24 and a revised Group Risk Management Framework.

The Company's Corporate Risk Register outlines the existing counter measures in place to mitigate each corporate risk as well as the additional controls identified and developed to manage risk to an acceptable level. The risk register is regularly reviewed as are the NCH group business continuity and emergency planning plans, policies and procedures.

NCH holds monthly building and corporate health and safety meetings, which is attended by Nottinghamshire Fire & Rescue Service and helps promote NCH as a proactive local partner for NFRS.

EQUALITY, DIVERSITY & INCLUSION

From 1st April 2023, all NCH employees were transferred into NCC under TUPE regulations.

The Group maintains a high level of commitment to equality of opportunity. NCH is committed to promoting equality and embracing and celebrating the diversity of our customers. NCH will ensure that no resident or service user is discriminated against unfairly or receives less favourable treatment on the grounds of a protected characteristic defined by the Equality Act 2010.

Nottingham City Homes is fully compliant with the Public Sector Equality Duty and uses the Equality Framework for Local Government (EFLG) as a tool of self-appraisal, and action planning.

We recognise that an organisation that reflects and values the diversity of its community will be a better employer and deliver better services. We provide inclusive, accessible services, increasingly tailored to individual need. We are committed to continually improving our approach to equality and diversity issues in partnership with our tenants and Board. Our Equality, Diversity & Inclusion Strategy ensures that we take an inclusive and empathetic approach to delivering services.

Nottingham City Homes recognise the responsibility that we share with our suppliers, to buy materials and deliver our services in a transparent and ethical manner. As part of this commitment, we continue to produce our Modern Day Slavery Statement each year in line with the Ethical Trading Initiative (ETI) framework and Modern Slavery Act 2015.

EMPLOYEES

From 1st April 2023, all NCH employees were transferred into NCC under TUPE regulations. NCH has no employees from 1st April 2023 with services being provided by NCC through an inter group agreement.

GOVERNANCE

A full review of the Company's governance arrangements has been undertaken in response to

- The publication of the White Paper on Social Housing,
- The NCC Recovery Plan which has arisen out of the collapse of Robin Hood Energy
- The new NHF Code of Governance published in December 2020 and
- A review of risk management processes.

The Company has previously adopted the National Housing Federation's Excellence in Governance Code launched in 2010 to encourage the highest standards of governance, accountability and probity while responding to change and increased risk. The Governance and Selection Committee assessed its compliance against the Code of Governance during 2020, and was satisfied that overall it meets the standards of the Code. NCH complies with

Nottingham City Homes Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

the requirements of the General Data Protection Regulation 2018 and the Data Protection Act 2018.

On 11 May 2022 NCC, the sole member of NCH, served notice to terminate the NCC NCH Partnership Agreement. Clause 59.3 of the Agreement permits NCC to terminate the Agreement for any reason on providing 12 months' notice. Clause 61 allows the parties to agree to change any provision of the Agreement provided both parties agree this in writing. NCH and NCC agreed to allow the termination date to be brought forward to 31 March 2023.

DIRECTORS

Under the Articles of Association the directors, all of whom are non-executive, represent the local community:

- 2 NCC nominees
- 2 city council tenants and leaseholders
- 4 independent members

The non-executive directors who served during the year are shown on page 1. The non-executive directors have no interests in the shares of the Company and no contribution is paid towards their retirement arrangements. Under the Articles of Association, there are also 2 co-opted Board Members, who are entitled to attend and speak if permitted to do so by the Chair, but are not entitled to vote or count as part of the quorum.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Insurance cover has been established for all directors to provide cover against their reasonable actions as officers of the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

Nottingham City Homes Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and the company and to prevent and detect fraud and other irregularities.

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

CHARITABLE DONATIONS

The Company did not make any charitable donations in the year (2021/22: £90).

STATEMENT OF DISCLOSURE TO THE AUDITORS

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are not aware. Additionally the directors have taken all the necessary steps they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The Company's articles require annual reappointment of the auditors. Bishop Fleming were appointed in 2021. In accordance with s485(4) of the Companies Act 2006 a resolution to appoint the Company's auditors was approved at the Annual General Meeting held on 29th September 2022.

The Strategic and Directors' reports approved by order of the board.

Signing Details

Name TBC
Title

30th September 2023 TBC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAM CITY HOMES LIMITED

TO FOLLOW

Nathan Coughlin FCA (Senior statutory auditor) for and on behalf of

Bishop Fleming LLP

Chartered Accountants

Statutory Auditors

Salt Quay House

4 North East Quay, Sutton Harbour

Plymouth

PL4 0BN

Date: 30th September 2023

Nottingham City Homes Limited
(Company limited by guarantee)
CONSOLIDATED INCOME STATEMENT
For the year ended 31st March 2023

	<i>Notes</i>	Year to 31 March 2023	Year to 31 March 2022
		£'000	£'000
TURNOVER	2	76,463	71,302
Operating expenses	3	(83,973)	(77,388)
Other operating income		3,214	1,801
Unrealised gain on investment properties	5	1,534	2,002
OPERATING (LOSS) / PROFIT		(2,762)	(2,238)
Interest payable	6	(4,931)	(4,637)
Interest receivable	6	-	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(7,693)	(6,920)
Taxation	8	(162)	(79)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND LOSS FOR THE FINANCIAL YEAR		(7,855)	(6,999)

The accounts are prepared on the historical cost basis and relate to continuing activities.

The accounting policies and notes on pages 26 to 47 form part of the accounts.

Nottingham City Homes Limited
(Company limited by guarantee)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st March 2023

		Year to 31 March 2023	Year to 31 March 2022
	<i>Notes</i>	£'000	£'000
LOSS FOR THE FINANCIAL YEAR		(7,855)	(6,999)
PENSION SCHEME GAINS AND (LOSSES)			
Return on Fund assets in excess of interest	22	(9,920)	11,496
Actuarial gains / (losses)	22	140,348	19,938
		<u>130,428</u>	<u>31,434</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>122,573</u></u>	<u><u>24,435</u></u>

The notes on pages 26 to 47 form part of the accounts.

Loss for the financial year is stated after profit on disposal of Fleet of £363k, loss on stock write off of £479k and impairment of investments assets of £805k.

Nottingham City Homes Limited
(Company limited by guarantee)
CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31st March 2023

	<i>Notes</i>	Group Profit & loss account £'000	Company Profit & loss account £'000
BALANCE AT 1 st APRIL 2021		(120,045)	(121,887)
Loss for the year		(6,999)	(8,881)
Other comprehensive income			
- Return on fund assets below interest		11,496	11,496
- Actuarial gains		19,938	19,938
		<u> </u>	<u> </u>
BALANCE AT 31 st MARCH 2022	24	(95,610)	(99,334)
Loss for the year		(7,855)	(9,971)
Other comprehensive income			
- Return on fund assets below interest		(9,920)	(9,920)
- Actuarial gains		140,348	140,348
		<u> </u>	<u> </u>
BALANCE AT 31 st MARCH 2023	24	<u>26,963</u>	<u>21,123</u>

The notes on pages 26 to 47 form part of the accounts.

During the year £289k was transferred from the Revaluation reserve to P&L reserve in respect of reclassification of Meadows Police station from investments to tangible fixed assets.

Nottingham City Homes Limited
(Company limited by guarantee)
STATEMENTS OF FINANCIAL POSITION
As at 31st March 2023

Company Registration
Number: 05292636

	Notes	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
FIXED ASSETS					
Tangible Assets	10	39,575	36,823	34,845	32,051
Investment Properties	11	29,519	31,476	5,489	8,739
CURRENT ASSETS					
Stocks and work in progress	13	555	1,536	555	1,536
Debtors due within one year	14	830	1,998	1,382	3,506
Current Asset Investment	14	-	-	-	-
Cash at bank and in hand	16	17,429	13,690	15,542	12,226
		<u>18,814</u>	<u>17,224</u>	<u>17,479</u>	<u>17,268</u>
CREDITORS:					
amounts falling due within one year	17	<u>(10,465)</u>	<u>(11,371)</u>	<u>(9,708)</u>	<u>(11,144)</u>
NET CURRENT ASSETS		<u>8,187</u>	<u>5,853</u>	<u>7,771</u>	<u>6,124</u>
TOTAL ASSETS LESS					
CURRENT LIABILITIES		77,280	74,152	48,105	46,914
Creditors: Amounts falling due after more than one year	18	(49,987)	(50,154)	(26,650)	(26,640)
Provisions for liabilities	21	<u>(203)</u>	<u>(305)</u>	<u>(203)</u>	<u>(305)</u>
NET ASSETS EXCLUDING PENSION ASSET LIABILITY		27,091	23,693	21,250	19,969
Defined benefit pension scheme liability	22	<u>(127)</u>	<u>(119,303)</u>	<u>(127)</u>	<u>(119,303)</u>
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>26,964</u>	<u>(95,610)</u>	<u>21,123</u>	<u>(98,334)</u>
CAPITAL AND RESERVES					
Revaluation reserve	24	5,263	3,759	455	389
Profit and loss account	24	<u>21,700</u>	<u>(99,369)</u>	<u>20,668</u>	<u>(99,723)</u>
TOTAL EQUITY		<u>26,963</u>	<u>(95,610)</u>	<u>21,123</u>	<u>(99,334)</u>

The Company's loss for the year and total comprehensive income for the year were £9.971 million (2021/22: £8.881m) & £120.457 million (2021/22: £22.553m), respectively. As disclosed in note 22, members derive no financial interest from their shareholding and accordingly all capital and reserves are classed as non-equity. The financial statements on pages 26 to 47 were approved and authorised for issue by the Board on 30th September 2023 and signed on its behalf by:

Malcom Sharp (Board Chair)

Nottingham City Homes Limited
(Company limited by guarantee)
CONSOLIDATED STATEMENT OF CASHFLOWS
As at 31st March 2023

		2023	2022
	Notes	£'000	£'000
OPERATING ACTIVITIES			
Cash inflow generated from operations	25	4,803	2,491
NET CASH FROM OPERATING ACTIVITIES		4,803	2,491
INVESTING ACTIVITIES			
Sale of tangible fixed assets	7	1,120	6
Sale of investments	11	175	
Purchase of tangible fixed assets	10	(535)	(232)
Purchase of investment properties	11	(1,150)	(4,335)
NET CASH USED IN INVESTING ACTIVITIES		(390)	(4,561)
FINANCING ACTIVITIES			
Proceeds of new borrowing	20	-	734
Repayment of borrowing	20	(674)	(648)
NET CASH IN FROM FINANCING ACTIVITIES		(674)	88
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		3,739	(1,984)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		13,690	15,674
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	17,429	13,690
Relating to:-			
Bank balances, overdrafts and short term deposits included in cash at bank and in hand	16	17,429	13,690

The notes on pages 26 to 47 form part of the accounts.

Nottingham City Homes Limited
(Company limited by guarantee)
COMPANY STATEMENT OF CASH FLOWS
For the year ended 31st March 2023

		2023	2022
	Notes	£'000	£'000
OPERATING ACTIVITIES			
Cash inflow generated from operations	25	4,090	1,918
NET CASH FROM OPERATING ACTIVITIES		4,090	1,918
INVESTING ACTIVITIES			
Sale of fixed assets & investment properties	7	1,120	6
Purchase of tangible fixed assets	10	(535)	(211)
Purchase of investment properties	11	(1,150)	(4,317)
NET CASH USED IN INVESTING ACTIVITIES		(565)	(4,522)
FINANCING ACTIVITIES			
Proceeds of new borrowing	20	-	-
Repayment of borrowing	20	(209)	(444)
NET CASH IN FROM FINANCING ACTIVITIES		(209)	(444)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		3,316	(3,048)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		12,225	15,273
CASH AND CASH EQUIVALENTS AT END OF YEAR		15,541	12,225
Relating to:-			
Bank balances and short term deposits included in cash at bank and in hand		15,541	12,225

The notes on pages 26 to 47 form part of the accounts.

Nottingham City Homes Limited
(Company limited by guarantee)
GROUP ACCOUNTING POLICIES
For the year ended 31st March 2023

GENERAL INFORMATION

Nottingham City Homes Limited (“the Company”) is a limited company domiciled and incorporated in England. The address of the Company’s registered office and principal place of business is disclosed on page 2. The Company’s principal activities and the nature of the Company’s operations are set out in the Director’s report on pages 16 to 21.

BASIS OF ACCOUNTING

These financial statements are prepared in accordance with Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (FRS 102).

The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of the Group and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). All financial statements are made up to 31 March 2023. As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income as it prepares group accounts and the Company’s individual statement of financial position shows the Company’s profit or loss for the financial year”.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

Included in the Group structure are NCHRP which is limited by guarantee and NCHEL which is limited by ordinary share capital and both are controlled by NCH Ltd.

TURNOVER

Turnover includes property management fees and associated income and is stated net of value added tax. Management fees are included within turnover on a time apportioned basis. Associated income is included in turnover on the basis of work done.

Turnover includes rental income due to the Company from tenants in relation to the letting of its social housing, market rented and homes for homeless families’ properties.

Other operating income consists of funding and income for assisted technology services, grant income and income for received for services outside the Company’s core business. Operating income and turnover from construction contracts (set out in note 16) are recognised on the basis of work done.

Nottingham City Homes Limited
(Company limited by guarantee)
GROUP ACCOUNTING POLICIES
For the year ended 31st March 2023

INTANGIBLE FIXED ASSETS

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit and loss on a straight line basis over their useful lives, as follows:-

<u>Asset Type</u>	<u>Years</u>
Purchased IT systems and software	3

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are included in the balance sheet at historical cost less depreciation, where appropriate. Depreciation is calculated to write off the cost of tangible fixed assets' less the estimated residual value, on a straight line basis over their estimated useful lives. Cost for housing properties includes the cost of acquiring land and building, construction costs including internal equipment and fittings, directly attributable development administration costs, cost of capital employed during the development period and expenditure incurred in respect of improvements and extension of existing properties to the extent that it enhances the economic benefit derived from the assets.

The following depreciation rates have been used in 2022/23.

<u>Asset Type</u>	<u>Years</u>
Vehicles	9
Boilers	15
Heating Systems	30
Kitchens	20
Bathrooms	20
Doors	30
Windows	30
Re-wiring	40
Roofs	70
Structure	80

Land and assets in the course of construction are not depreciated and going forward the useful life of components will be reassessed annually. The accounting policy for depreciation is that charges are applied in the year construction was completed or the year properties were purchased. IT and equipment assets less than £5k are not capitalised.

IMPAIRMENT

The company will undertake impairment reviews where there is an indication that impairment may have occurred. Fixed Assets that are considered to be permanently impaired shall be written down to their recoverable amounts.

INVESTMENT PROPERTIES

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the profit or loss.

CAPITAL GRANTS

Grants due from Government organisations or received in advance are included as current assets or liabilities. Grants are amortised to the Consolidated Income Statement over 80 years and the remaining grant is split between Creditors less than and more than, one year. We adopt the accruals method of accounting for capital grants.

OPERATING LEASES

Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items where required.

CONSTRUCTION CONTRACTS

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, turnover and costs are recognised over the period of the contracts. When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately. When the outcome of construction contract cannot be estimated reliably, contract turnover is recognised only to the extent of contract costs that are recoverable and the contract costs are expensed as incurred.

BORROWING

All borrowing costs, including costs directly attributable to the acquisition and construction of freehold properties, where asset costs cannot be funded by the Company's cash reserves, are expensed as incurred.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds tax payable. Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Nottingham City Homes Limited
(Company limited by guarantee)
GROUP ACCOUNTING POLICIES
For the year ended 31st March 2023

Deferred tax liabilities are recognised in respect of all timing difficulties that exist at the reporting date. Timing differences between taxable profit and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or are capitalised as an intangible fixed asset or a tangible fixed asset.

RETIREMENT BENEFITS

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs. Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Comprehensive Income.

Defined benefit schemes are funded, with the assets held separately from the Company in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme liability is recognised to the extent that the Company has a legal or constructive obligation to settle the liability.

CASH EQUIVALENTS

Liquid resources are cash balances held by NCC which the Group can draw against on demand.

CASH AT BANK AND IN HAND

NCC holds funds on behalf of the Group. The Company maintains petty cash balances as required.

GOING CONCERN

NCH's ongoing business interests will be primarily concerned with the direct letting, management and maintenance of homes for families in Nottingham and leasing of property to NCH Group subsidiaries to deliver the aims and objectives of the NCH Corporate Plan and subsidiary company business plans. This includes leasing of property to NCH Registered Provider Limited for use as supported temporary accommodation for homeless families and citizens in housing crisis and to NCH Enterprises Limited for letting at market rent.

Nottingham City Homes Limited
(Company limited by guarantee)
GROUP ACCOUNTING POLICIES
For the year ended 31st March 2023

Following independent cashflow forecast validation and receipt of a letter of assurance from NCC, which confirms NCC financial support for the business, at a meeting on xx September 2023, the Board of NCH approved that, in their opinion, NCH has adequate resources to continue in operational existence for the foreseeable future, defined as a period of not less than 12 months following the signing of the financial statements. Accordingly, it continues to adopt the going concern basis in preparing financial statements.

FINANCIAL INSTRUMENTS

The Group has chosen to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all its financial instruments. Financial instruments and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and liability simultaneously.

Financial assets

Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

PROVISIONS

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation.

FIXED ASSET INVESTMENTS

Company

In the separate accounts of the company, interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Nottingham City Homes Limited
(Company limited by guarantee)
GROUP ACCOUNTING POLICIES
For the year ended 31st March 2023

Interests in subsidiaries, associates and jointly controlled entities are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in profit or loss.

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

1. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are limited to those made by the pension fund actuaries (note 22), the annual revaluation of Investment Properties (note 11) and the Useful Economic Lives used in determining the annual depreciation charge (note 10).

2. TURNOVER	2023	2022
	£'000	£'000
Management fees	22,160	22,852
Repairs, Maintenance and Capital Fees	43,080	39,717
Fee adjustment for return to Parent undertaking	(400)	(1,210)
Property rental income	9,667	7,861
Other income	1,956	2,081
	<u>76,463</u>	<u>71,302</u>

Turnover represents the value, net of Value Added Tax of goods services provided to third parties. Other operating income comprises grant from NCC for Independent Living and charges to tenants and NCC departments for rechargeable works and services.

3. OPERATING EXPENSES	2023	2022
	£'000	£'000
Staff costs	46,817	45,205
Other employee costs	3,057	2,906
Supplies and services	21,617	19,405
Premises	6,273	4,002
Administration	3,443	2,549
Other	2,766	3,321
	<u>83,973</u>	<u>77,388</u>

4. EMPLOYEES	2023	2022
	£'000	£'000
Wages and salaries	30,344	28,937
Redundancy	-	-
Social security costs	3,122	2,833
Pension costs – past service costs (see note 22)	-	-
Pension costs – current service cost (see note 22)	13,351	13,435
	<u>46,817</u>	<u>45,205</u>

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

	2023	2022
The average monthly number of employees (including non-executive Directors) employed by the Company during the year was:		
Housing and Customer Services	373	348
Property Services	497	515
Corporate services	69	82
Total	939	945

During the year redundancy and termination payments amounted to £139,040 (2021/22 £nil)

5. UNREALISED GAIN ON INVESTMENT PROPERTIES

Income of £1.534 million (2021/22 £2.002 million) is recognised in the income statement in relation to the increase of Investment Properties held at the balance sheet date following revaluation.

6. INTEREST RECEIVABLE / (PAYABLE)	2023	2022
	£'000	£'000
Interest on defined benefit pension scheme liabilities	(8,792)	(6,838)
Interest on defined benefit pensions scheme assets	5,754	4,099
Interest receivable	-	-
Short term investment overdraft interest	-	-
Interest arising on intercompany loans	(1,893)	(1,898)
	(4,931)	(4,637)

7. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2023	2022
	£'000	£'000
Loss on ordinary activities before taxation is stated after charging:		
Amortisation of intangible assets (note 9)	-	-
Depreciation of tangible fixed assets		
- owned (note 10)	655	677
Profit on disposal of tangible fixed asset (note 10)	363	-
Stock (note 13)		
- amounts expensed to cost of sales	1,805	1,747
Operating lease rentals		
- land and buildings	2,584	1,860
- plant and machinery	19	19

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

Fees payable to Bishop Fleming and its associates in respect of both audit and non-audit services are as follows:

- Statutory audit of the company	38	21
- Statutory audit of NCH RP	5	5
- Statutory audit of NCH EL	3	4
- Taxation compliance services	5	4
- Other audit services	-	1
Other services		
- Internal audit services (Council)	75	76
	<u> </u>	<u> </u>

8. TAXATION

Analysis of charge in the year:	2023	2022
	£'000	£'000
<i>UK corporation tax</i>		
Current tax on income for the year	0	0
Adjustments in respect of prior years	0	0
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	0	0
	<u> </u>	<u> </u>
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(7,693)	(6,920)
Current tax at apportioned standard rate for the year – 19% (2021/22 19%)	(1,670)	(1,315)
Affected by:		
- Corporation tax exemption	1,832	1,394
	<u> </u>	<u> </u>
Total current tax charge	162	79
	<u> </u>	<u> </u>

**9. INTANGIBLE FIXED ASSETS
GROUP AND COMPANY**

	IT Systems and software £'000	Total £'000
Cost		
At 1 st April 2022	489	489
	<u> </u>	<u> </u>
At 31 st March 2023	489	489
	<u> </u>	<u> </u>
Depreciation		
At 1 st April 2022	(489)	(489)
Charge for the period	-	-
	<u> </u>	<u> </u>
At 31 st March 2023	(489)	(489)
	<u> </u>	<u> </u>
Net book value		

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

At 31 st March 2022	-	-
At 31 st March 2023	-	-

The IT system intangibles relate to the Customer Relations Management system.

10. TANGIBLE FIXED ASSETS GROUP

	Assets Under Construction £'000	Freehold Land and Buildings £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 st April 2022	-	38,221	4,876	43,097
Additions	-	535	-	535
Disposals	-	-	(4,876)	(4,876)
Reclassification	-	3,661	-	3,661
At 31 st March 2023	-	42,417	-	42,417
Depreciation				
At 1 st April 2022	-	(2,272)	(4,002)	(6,274)
Charge for the period	-	(570)	(85)	(655)
Disposals	-	-	4,087	(4,087)
At 31 st March 2023	-	(2,842)	-	(2,842)
Net book value				
At 31 st March 2022	-	35,949	874	36,823
At 31 st March 2023	-	39,575	-	39,575

TANGIBLE FIXED ASSETS COMPANY

	Assets Under Construction £'000	Freehold Land and Buildings £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 st April 2022	-	33,250	4,876	38,154
Additions	-	535	-	535
Disposals	-	-	(4,876)	(4,876)
Reclassification	-	3,661	-	3,661
At 31 st March 2023	-	37,446	-	37,474

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

Depreciation				
At 1 st April 2022	-	(2,101)	(4,002)	(6,103)
Charge for the period	-	(500)	(85)	(585)
Disposals	-	-	4,087	4,087
At 31 st March 2023	-	(2,601)	-	(2,601)
Net book value				
At 31 st March 2022	-	31,149	874	32,051
At 31 st March 2023	-	34,845	-	34,873

The company has pledged land, buildings having a net book value of £35.088 million (2021/22: £31.840m), to secure its loans (note 20) by way of a fixed charge.

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

11. INVESTMENT PROPERTIES
GROUP AND COMPANY

Fair value	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
At 1 st April 2022	31,476	25,104	8,739	3,999
Additions relating to completed properties	-	19	-	-
Additions relating to Assets under construction	1,150	4,351	1,150	4,351
Impairment of Assets under construction	(805)	-	(805)	-
Disposal	(175)	-	-	-
Transfer to Tangible assets	(3,661)	-	(3,661)	-
Revaluation	1,534	2,002	66	389
At 31 st March 2023	29,519	31,476	5,489	8,739

Investment properties are initially measured at cost and revalued to fair value at each reporting date as appropriate. At 31st March 2023 and 31st March 2022, the fair value of investment properties reflects the independent valuation carried out at that date. The Company holds in its investment properties, four 999 years leases with the City Council on five buildings acquired at a capital cost of £1.734m (2020/21: Four 999 years leases – £1.734m). During the year 324 Gordon Road was sold at market value and Meadows Police Station was transferred to Tangible Fixed Assets at fair value following change of use to provide a social benefit. The 27 properties comprising the Arboretum were valued by Rupert David & Co in December 2022 at £4.2m 'as is' present valuation, with no further investment or renovation work undertaken. The 'as is' valuation has been assessed internally through an internal surveyor as of 31st March 2023 to include any further spend that was either to complete a property or increase its valuation. This has increased the 'as is' valuation to £4.4m. The balance sheet expenditure for this asset under construction stands at £5.2m so a year-end impairment of £805k has been included within the 2022/23 accounts.

12. SUBSIDIARY UNDERTAKINGS

The Company's subsidiary undertakings are:

<u>Name of undertaking</u>	<u>Class of shareholding</u>	<u>Nature of Business</u>	<u>Address</u>
Nottingham City Homes Enterprises Limited	Ordinary Two 1p shares	Property lettings (market rent)	Loxley House Station Street Nottingham NG2 3NJ
Nottingham City Homes Registered Provider Limited	N/A – Limited by guarantee	Property lettings (social housing)	As above

The financial statements of Nottingham City Homes Registered Provider Limited and Nottingham City Homes Enterprises Limited are prepared to 31st March 2023.

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

13. STOCKS	2023	2022
GROUP AND COMPANY	£'000	£'000
Raw materials and consumables	-	543
Work in progress	555	993
	<u>555</u>	<u>1,536</u>

14. DEBTORS: amounts falling due within one year	Group	Group	Company	Company
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade debtors	590	1,515	459	1,419
Amounts owed by parent undertaking (note 29)	-	-	-	-
Amounts owed by subsidiaries (note 29)	-	-	695	1,618
Other taxes and social security	-	-	-	-
Prepayments and accrued income	240	483	228	469
	<u>830</u>	<u>1,998</u>	<u>1,382</u>	<u>3,506</u>

15. CONSTRUCTION CONTRACTS	2023	2022
GROUP AND COMPANY	£'000	£'000
Contracts in progress at the reporting date:		
Gross amounts due from contract customers	-	148
Accrued income under long term contract accounting	(135)	(350)
	<u>(135)</u>	<u>(202)</u>
Contract turnover recognised during the year	-	260

16. CASH AT BANK AND IN HAND

The figures disclosed on the balance sheet represent petty cash balances of £nil (2021/22 £1k) and cash held in bank accounts of £17.429million. Cash held in bank accounts for the Company total £15.542million.

17. CREDITORS: amounts falling due within 1 year	Group	Group	Company	Company
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade creditors	2,100	1,127	2,099	1,086
Amounts owed to Parent undertaking (note 29)	3,298	2,050	2,870	2,048
Amounts owed to subsidiaries (note 29)	-	-	31	252
Other taxes and social security	977	2,576	921	2,447
Other creditors	613	673	606	657
Accruals and deferred income	3,462	4,930	3,166	4,639
Grants	15	15	15	15
	<u>10,465</u>	<u>11,371</u>	<u>9,708</u>	<u>11,144</u>

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

18. CREDITORS: amounts falling due after more than one year	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Intercompany loans (note 20)	49,157	49,304	26,602	26,581
Grants	830	850	48	58
	49,987	50,154	26,650	26,639
Included in creditors are : Amounts repayable in instalments falling due after more than five years	45,740	46,606	24,309	24,792
19. BORROWING	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Creditors: amounts falling due within one year				
- Intercompany Parent loans	233	312	215	208
Creditors: amounts due after more than 1 year				
- Intercompany Parent loans	48,710	49,304	26,154	26,581
	48,943	49,617	26,369	26,789

Included in creditors are:

Annuity loans from NCC are repayable over 30, 40 & 50 years with interest set at fixed rates between 2.87% and 4.94%. Loan principal and accrued interest on the outstanding balances are repaid every 6 months. Borrowings are secured against the land and buildings of the Company (as detailed in notes 9 and 10).

NCHL has requested consent from NCC to defer its 2023/24 loan repayments and creditor payments to NCC until NCHL has sold assets (44 properties) as part of its plan to fund the repayments of its debts to NCC. This is subject to NCC receiving all necessary information required to support their decision making.

20. FINANCIAL INSTRUMENTS

The Group and Company holds trade debtors, cash and accrued income financial assets and trade creditors, accruals and loan financial liabilities that are all measured at amortised cost. The balances are disclosed in the respective notes.

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

21. PROVISIONS GROUP AND COMPANY	Opening Balance	Utilised in the Year	Charge for the Year	Released as Unused	Closing Balance
	£'000	£'000	£'000	£'000	£'000
Employment Tribunals	41	-	-	(41)	0
Disrepair Cases	194	(51)	-	(32)	110
Liquidated Damages	70	-	23		93
	<u>305</u>	<u>(51)</u>	<u>23</u>	<u>-</u>	<u>203</u>

Disrepair Cases – Potential obligations & costs from claims by tenants.

Liquidated Damages – Anticipated claim from NCC for loss of rent on the Tunstall new build scheme due to handover by NCH post contracted completion date.

22. RETIREMENT BENEFITS - GROUP AND COMPANY

As from 1st April 2005, the Company became an admitted member of the Local Government Superannuation Scheme, a funded defined benefit scheme. A full actuarial valuation was undertaken as at 31st March 2004 and a triennial actuarial valuation as at 31st March 2022 by a qualified independent actuary. The principal actuarial assumptions used by the actuaries for the purposes of the FRS 102 calculations are as follows:

ASSETS	2023 % p.a	2022 % p.a	2021 % p.a
Salary increases	3.9	4.2	3.9
Pension increases (CPI)	2.9	3.2	2.9
Discount rate	4.8	2.6	2.0

The set of demographic assumptions adopted are consistent with those used for the most recent Fund valuation, which was carried out as at 31st March 2022. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 115% for males and 110% for females. These base tables are then projected using the CMI 2021 Model, allowing for a long term rate of improvement of 1.25% p.a., smoothing parameter of 7.0 and an initial addition to improvement of 0.0% p.a. and a 2021 weighting of 5%.

The assumed life expectancy of a male member retiring on 31st March 2023 and reaching age 65 in 2043 is 20.7 and 22.0 years respectively (2021/22 – 21.6 years for someone retiring on 31st March 2022 and 23.0 years for someone reaching 65 in 2042). The life expectancy of female members retiring on 31st March 2023 and reaching age 65 in 2043 is 23.5 and 25.0 years

21. RETIREMENT BENEFITS – continued

respectively (2021/22 – 24.3 years for someone retiring on 31st March 2022 and 25.8 years for someone reaching 65 in 2042). It has been assumed that:

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

- Members will exchange pension to get 50% of the maximum available cash on retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of membership that had taken up the 50:50 option at the previous valuation date will remain the same.

The amounts charged or (credited) to profit, or loss, are as follows:

	2023	2022
	£'000	£'000
Current service cost	13,351	13,435
Net interest on defined liability	3,038	2,739
Administration expenses	108	100
Total	<u>16,497</u>	<u>16,274</u>

The amounts charged or credited in profit or loss were included in operating expenses – staff costs i.e. within operating profit, with the exception of interest on obligation and the expected return on Scheme assets which were netted off and charged to interest payable. The expected return on assets is based on the discount rate.

	2023	2022
	£'000	£'000
Actual return on Scheme assets	(4,166)	15,595

In 2023/24 it is anticipated that the expected pension scheme employer contributions will be £5.485 million. The major categories of Scheme asset, as a percentage of the total Scheme assets, are as follows:

	2023	2022
	%	%
Equities	58	62
Gilts	2	3
Other Bonds	6	7
Property	12	11
Cash	5	6
Other	17	11
Total	<u>100</u>	<u>100</u>

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

22. RETIREMENT BENEFITS – continued	2023	2022
	£'000	£'000
Opening defined benefit obligation	340,234	343,852
Service cost	13,120	13,435

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

Interest cost	8,792	6,838
Change in financial assumptions	(146,441)	(20,597)
Change in demographic assumptions	(18,730)	-
Experience loss on defined benefit obligation	28,677	659
Estimated benefits paid (net of transfers in)	(6,380)	(5,764)
Past Service Costs	231	-
Contributions by Scheme participants	1,898	1,814
Unfunded pension payments	(3)	(3)
	<u>221,398</u>	<u>340,234</u>
Closing defined benefit obligation	<u>221,398</u>	<u>340,234</u>

	2023	2022
	£'000	£'000
Changes in the fair value of Fund assets:		
Opening fair value of Fund assets	220,931	204,498
Interest on assets	5,754	4,099
Return on assets less interest	(9,920)	11,496
Other actuarial gains/(losses)	3,885	-
Contributions by employers including unfunded benefits	5,214	4,891
Administration expenses	(108)	(100)
Contributions by Fund participants	1,898	1,814
Estimated benefits paid plus unfunded net of transfers in	(6,383)	(5,767)
	<u>221,271</u>	<u>220,931</u>
Fair value of assets at end of period	<u>221,271</u>	<u>220,931</u>

The overall change in the pension scheme deficit is therefore as follows:

	2023	2022
	£'000	£'000
Deficit brought forward	(119,303)	(139,354)
Current service cost	(13,351)	(13,435)
Employer contributions	5,211	4,888
Unfunded pension payments	3	3
Net interest on the defined liability	(3,038)	(2,739)
Administration Expenses	(108)	(100)
Re-measurement of the net assets (defined liability)	130,459	31,434
Deficit at end of period	<u>(127)</u>	<u>(119,303)</u>

Amounts for the current and previous four periods are as follows:

	2023	2022	2021	2020	2019
	£'000	£'000	£'000	£'000	£'000
Fair value of Scheme assets	221,271	220,931	204,498	167,156	185,831

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

Present value of the defined benefit obligation	(221,398)	(340,234)	(343,852)	(254,344)	(276,784)
Net defined benefit liability	(127)	(119,303)	(139,354)	(87,188)	(90,053)
Return on Fund assets less interest	(9,920)	32,560	32,560	(21,325)	12,594

The cumulative actuarial gains recognised in the statement of changes in equity at 31 March 2023 are £63.614 million (2021/22: actuarial losses of £66.845m).

23. SHARE CAPITAL AND RESERVES

The Company is limited by guarantee and the liability of members to contribute to any deficiency of assets is £1 per member. The members have no rights to the income or assets of the Company.

24. RESERVES

	Group Profit and loss reserve £'000	Group Total £'000	Company Profit and loss reserve £'000	Company Total £'000
At 1 st April 2022	(95,610)	(95,610)	(99,334)	(99,334)
Total comprehensive income	122,573	121,655	120,457	119,358
At 31 st March 2023	26,963	26,055	21,123	20,024

25. RECONCILIATION OF LOSS AFTER TAX TO NET CASH GENERATED FROM OPERATIONS – 2023 not figures updated

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Loss after tax	(7,855)	(6,999)	(9,971)	(8,881)
Adjustments for:				
Depreciation of tangible fixed assets	655	677	585	607
Impairment Charges	805	-	805	-
Defined benefit pension schemes	130,524	8,644	130,524	8,644
(Decrease) / Increase in provisions	102	(23)	102	(23)
Profit on disposal of fixed assets	(363)	-	(365)	-
Gain on revaluation of investment properties	(1,534)	(2,002)	(66)	(389)

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

Interest payable	4,931	4,637	3,885	3,557
Operating cash flows before movements in working capital	127,267	4,934	124,398	3,515
Decrease / (Increase) in stock & work in progress	981	(483)	981	(483)
Decrease / (Increase) in debtors	1,168	(806)	2,124	(549)
	(124,613)	(1,154)	(124,514)	(565)
Increase /(Decrease) in creditors				
CASH INFLOW / (OUTFLOW) FROM OPERATIONS	4,803	2,491	4,090	1,918

26. COMMITMENTS UNDER OPERATING LEASES GROUP

The Group as a lessee is committed to total future minimum lease payments as follows:

	Land and buildings		Plant and machinery	
	2023	2022	2023	2022
Amounts due:	£'000	£'000	£'000	£'000
- Within one year	1,292	271	6	6
- between one & five years	191	104	-	-
	1,483	375	6	6

The Company has no Land & Building lease commitments. The Company's commitments for Plant and machinery are as stated for the Group above.

27. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2023	2022
	£'000	£'000
Capital expenditure contracted for but not provided for in the financial statements	-	334

The contract for the construction of 21 homes on the Meadows Police Station site was completed in July 2022. There are no further capital commitments for the Group or the Company.

28. ULTIMATE PARENT UNDERTAKING

The Company is a subsidiary limited by guarantee and controlled by NCC, a local government organisation. Under the Memorandum and Articles of Association, NCC appoints one quarter of the board (2 of the 8 Members), with the balance of directors being drawn from Council tenants, or leaseholders, and members of the wider community. NCC's Group accounts can be obtained from

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

the NCC Information Governance department at the Council's address on page 2.

29. RELATED PARTY TRANSACTIONS

The Group has related party transactions with NCC. The majority of the turnover and other income is invoiced to NCC (or its agents) and NCC provides a range of services to the Company. During the year, £68.435 million, (2021/22: £63.464m) was invoiced to NCC for housing stock management, the repair of homes and recharges for services. An amount of £8.311 million (2021/22: £12.513m) was charged by NCC for services provided to the Company and repayment of loans.

The balance of the turnover in the main represents amounts invoiced to tenants for rechargeable works and services. The net amount owed by NCC as at the year-end is shown in the analysis of creditors and is further analysed below. All operational building assets used by the Company are owned by NCC and a rent is charged by NCC to the Company in respect of these.

The amount due to the parent undertaking, as shown in the analysis of debtors is a net figure. The Company has related party transactions with its subsidiaries, NCH RP Ltd and NCH EL. The individual balances are presented below.

	Group (NCC) Balances with NCH		NCH balances with subsidiaries	
	2023 £'000	2022 £000	2023 £000	2022 £000
Trade and other debtors	5,477	7,471	695	1,620
Intercompany loans (due within 1 year)	-	-	-	-
Trade and other creditors	(8,541)	(9,208)	(31)	(252)
Intercompany loans (due within 1 year)	(233)	(312)	-	-
Grant (due within 1 year)	(1)	(1)	-	-
	<u>3,298</u>	<u>2,050</u>	<u>664</u>	<u>1,368</u>
Intercompany loans (due after 1 year)	(48,710)	(49,304)	-	-
Grant (due after 1 year)	(116)	(116)	-	-
	<u>(45,528)</u>	<u>(47,370)</u>	<u>664</u>	<u>1,368</u>

The directors have elected not to disclose any further details of transactions and balances with its subsidiary companies under the exemptions for local government controlled groups of companies set out in paragraph 33.11 of FRS 102.

Nottingham City Homes Limited
(Company limited by guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2023

30. POST BALANCE SHEET EVENTS

On the 1st April 2023 all direct employees of NCH were TUPE transferred into NCC along with the associated pension liabilities as at 31st March 2023.

From 1st April 2023, any NCC staff deployed on activity in relation to the NCH Group will be recharged from NCC to the relevant NCH Group Company by way of a Service Agreement between NCC and NCH

31. CONTINGENT LIABILITIES

32. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the Executive Directors of the Group and Company, who are considered to be the key management personnel, was £706k (2021/22 £649k). These costs reflect only those of the Directors and Company Secretary of the Executive Management Team, a set out on page 1.

During the year the non-executive directors received salary payments of £24k (2021/22 £nil) for their services to the Group and two were members of the NCH pension scheme.

The only transactions between the Company and key management personnel were salaries and the reimbursement of employee expenses, as disclosed in this note. No amounts were owed at the balance sheet date.

Company Registration
Number: 9810057

NOTTINGHAM CITY HOMES REGISTERED PROVIDER LIMITED
(Company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS

For the year ended 31st March 2023

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
CONTENTS OF THE REPORT AND FINANCIAL STATEMENTS
For the year ended 31st March 2023

Company Registration Number: 9810057

CONTENTS	PAGE
Administrative Information	1
Strategic Report	2 – 9
Directors' Report	10 – 13
Value for Money Statement	14 – 16
Independent Auditor's Report to the Members of Nottingham City Homes Ltd	16 – 18
Income Statement	18
Statement of Comprehensive Income	19
Statement of Changes in Equity	20
Statement of Financial Position	21
Statement of Cash Flows	22
Accounting Policies	23 – 25
Notes to the Financial Statements	26 – 32

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
ADMINISTRATIVE INFORMATION
For the year ended 31st March 2023

BOARD OF DIRECTORS

Mike Khouri-Bent
Vicky Evans
Paul Moat
Andrew Knight (Resigned 3rd November 2022)
Julian Owen (Resigned 21st February 2023)
Martyn Shaw (Resigned 11th May 2023)

EXECUTIVE MANAGEMENT TEAM

Nick Murphy – Chief Executive (Resigned 31st July 2022)
Steve Feast – Director of Housing (Resigned 28th April 2023)
Alison Brown – Director of Property Services (Appointed 8th April 2022)
Joanne Clifford – Director of Corporate Services (Resigned 9th May 2022)
James Howse - Director of Corporate Services (Appointed 18th July 2022, Resigned 31st May 2023)
Surjit Balu – Director of Property Services (Appointed 3rd October 2022, Resigned 30th April 2023)
Sharon Guest – Interim Director of Property Services (Appointed 5th June 2023)

REGISTERED OFFICE AND PRINCIPAL OFFICE

Loxley House
Nottingham
NG2 3NJ

AUDITORS

Bishop Fleming
Salt Quay House
4 North East Quay, Sutton Harbour
Plymouth, Devon
PL4 0BN

SOLICITORS

Nottingham City Council
Legal Department
Loxley House, Station Street
Nottingham
NG2 3NG

BANKERS

Lloyds Bank Plc
Parliament Street
Nottingham
NG1 SDA

RP registered number

4862

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

The directors present their reports and the audited financial statements for the year ended 31 March 2023.

BUSINESS REVIEW

Nottingham City Homes Registered Provider (NCH RP) is a housing company working to deliver our wider vision of creating homes and places where people want to live. It forms part of the wider Nottingham City Homes Group but acts independently of the group, with its own Board.

As a not for profit company, we reinvest any surpluses for the benefit of local people, making a significant contribution to the Nottingham economy.

Under s172 of the Companies Act 2006, NCH RP has a duty to promote the success of the company for the benefit of its members as a whole, having regard to:

- Maintaining a high standard of business conduct
- Acting fairly between the members of the business
- The interests of employees
- Fostering business relationships with suppliers, customers and others
- The impact of operations on the community and the environment
- The likely consequence of any decision in the long term

The Board also needs to address the following:

- The issues, factors and stakeholders the directors consider relevant in complying with the above and how we have formed that opinion.
- The methods the directors have used to engage with stakeholders and understand the issues to which they must have regard.
- The effect of that regard on the company's decisions and strategies during the year.

NCH RP's S172 STATEMENT

During the period the Company supported NCH's 2021 to 2024 Corporate Plan goals through its key objectives:

- **To deliver the NCH Tenants' Charter**
 - To be safe in your home
 - To have a good quality home and neighbourhood to live in
 - To have a home you can afford
 - To have your voice heard and to be treated with respect
 - To know how we are performing
 - To have your complaints dealt with promptly and fairly
- **To diversity and grow**
- **To pursue organisational excellence**

The Company's core business over the year included:

- Providing new homes for local families
- Delivering Move-On homes, with MHCLG funding, to house and support survivors of domestic and sexual violence and abuse in conjunction with Refuge providers in the City
- Providing accommodation for homeless families on behalf of Nottingham City Council (NCC)
- Providing homes and wraparound support to single homeless citizens through the Housing Led programme

Housing regulation

The Regulator of Social Housing adopts a model of co-regulation, which sees the focus on governance, financial viability, quality of service and value for money, with organisations held accountable for service delivery through effective tenant scrutiny arrangements. NCH RP embraces co-regulation wholeheartedly and through the NCH Group have a Scrutiny Panel resourced to enable the panel to undertake their work effectively, leading to challenge of the organisation and improvement of services.

The regulatory approach taken by the Regulator of Social Housing for NCH RP is as follows:

- Both the economic and consumer standards apply;
- Only limited data requirements apply;
- The RP must publish annual Value for Money performance information;
- The RP must submit early information on restructures;
- It must submit relevant statutory notifications in relation to constitutional changes and disposals;
- The RP is subject to annual review of financial statements and, if relevant, the audit management letter. As appropriate, other information may be assessed e.g. if developing new homes, the regulator normally seeks and considers financial forecast information;
- Regulatory notices issued where the regulator has evidence that provider is in breach of an economic standard or for serious detriment finding;

NCH RP is not required to complete a Quarterly Survey, or subject to Stability Checks, IDAs or regulatory judgements.

The government is expected to introduce the Housing Regulation Bill in 2023 and NCH Group is working towards ensuring that group wide it is able to meet the requirements of all government policy in this area.

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

Investing in the housing stock

As at 31 March 2023, NCH RP owns and manages 39 homes for Nottingham families. 17 of these are in Lenton, 14 are part of the Martin's Reach, Wollaton development S.106 acquisition and the remaining 8 are 'Move-on' homes.

We are continuing to lease more properties, from NCH and the open market to provide housing for homeless families and homeless citizens with complex needs:

- 171 homes leased from NCH
- 24 homes leased from NCH EL
- 28 homes leased from individual landlords through our Private Sector Leasing scheme
- 1 home leased from Nottingham City Council
- 29 flats at Highwood House leased from Nottingham City Council
- 126 serviced apartments leased from corporate landlords
- 11 flats leased from NCH for homeless citizens with complex needs through the Housing Led programme.
- 5 sanctuary rooms in a shared secure house for homeless women with complex needs and risks of domestic violence and sexual abuse (DVSA), providing 24/7 care, support and supervision in conjunction with partners

Successes

- Managing 31 new homes for social and affordable rent to local families
- Providing 11 permanent homes with wrap-around support for homeless citizens with complex needs through the Housing Led programme
- Providing 5 sanctuary rooms for homeless women at acute risk of DVSA
- Providing 8 Move-On homes, linked to 3 Women's Aid Refuges in the City, for survivors of domestic and sexual violence and abuse.
- Providing temporary accommodation, care, support and supervision to homeless families in 379 properties

Future Developments and Prospects

The Board are ambitious and would like to deliver more homes but recognise the current financial constraints. We will continue to seek investment for more affordable housing in the city and maintain a constructive relationship with Homes England.

All NCH staff delivering services to NCHRP were TUPE Transferred into NCC on 1st April 2023. Services are now bought in from NCC under a service level agreement.

Using Nottingham City Council's housing management services, NCH RP will continue to support tenants and residents. Our priority continues to be sustaining tenancies, minimising evictions, reducing problem debts and supporting homeless households back into a permanent home. We give practical support to help people into training and employment.

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

We work with partner agencies such as the Nottingham Credit Union and the services provided through Advice Nottingham to help people manage their finances.

We want our homes and neighbourhoods to be attractive, safe and welcoming places to live and visit. Places which people are proud to call their home. We deliver this by working with our partners in the City Council and with others.

Over the next financial year NCH RP plans to:

- Manage our existing homes well, delivering the NCH Tenants Charter to provide housing services based on our tenants' priorities
- Provide support and assistance to families and citizens who are in housing crisis - ensuring temporary accommodation meets their needs and they are assisted in securing a permanent home and preventing repeat homelessness
- Be a well governed and financially stable organisation
- Look for opportunities that will allow us to deliver our long-term aims of building more social housing
- Support Nottingham's zero carbon ambitions
- Promote the value of NCH RP to NCC and other stakeholders more widely

Operational Context

The sector has continued to face increased demand for homelessness services and associated need for accommodation. Upward pressures on household expenditure have also proved difficult for residents and rapidly increasing market rent levels are unsustainable for many households.

Financial constraints and the difficult fiscal environment in which local authorities are operating has meant that access to local authority supported borrowing has not been possible. It is expected that this will not change in 2023-24. Alternative sources of development funding are being actively sought, but the small freehold portfolio will make this difficult.

The Social Housing White Paper: 'The Charter for Social Housing Residents' set the key themes for social housing for the future, and it focused on the following areas:

- Resident and building safety
- Landlord performance, and the clear publication of performance information
- Prompt and fair complaints processes
- A strong consumer regulator, supporting tenants to be treated with respect
- Residents' voices being heard by their landlord
- Good quality homes and neighbourhoods, including the prospect of a new Decent Homes Standard
- Helping tenants take their first steps into home ownership.

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

The Government is expected to enact the Housing Regulation Bill in 2023. NCHRP recognises the importance of the Bill and will seek ensure services and procedures are in line with requirements, including any proposed changes from the Regulator of Social Housing. Although the likelihood of regulatory intervention is low due to the size of its operation, NCH RP is committed to delivering services and standards in line with current and emerging regulation.

NCHRP is setting a prudent Business Plan to ensure its current homes and services remain good quality, provide value for money and the business is sustainable.

COMPLIANCE WITH THE GOVERNANCE AND FINANCIAL VIABILITY STANDARD

The NCH RP has undertaken a review of its compliance against the Governance and Financial Viability Standard in 2022/23 and can confirm that the company complies with the Standard.

PRINCIPAL RISKS AND UNCERTAINTIES

The NCHRP Risk Register sets out the risks deemed to most adversely impact on the Company's ability to achieve its corporate objectives and is monitored by the Board. The principal risks, impacts and mitigation which reflect uncertainties facing the business are highlighted in the table below. We aim to identify, control and manage all risks within a culture of risk management. Each risk is assessed for likelihood and severity of impact. Mitigating actions are agreed to reduce or eliminate these factors, and progress is monitored by both management and the Board.

Risk	Impact	Mitigation
Governance		
The Board has a clear Business Plan which outlines the business priorities and strategic direction	The potential for Board decisions that are not aligned to a corporate plan or to NCC objectives leading to fragmented use of resources	Redrafting the NCHRP business plan in line with the new three-year corporate plan, incorporating option appraisals, Group Board involvement.
There is a highly skilled, diverse and well-trained Board able to lead NCHRP, which is compliant with NHF Code of Practice and industrywide best practice, successfully manages its relationships with key stakeholders and is aware how it will be supported post transition to NCC	The potential for poor Board decisions that are not fully understood and the potential impacts on the property portfolio or tenants not properly managed.	Regular review of board structure and composition and overall skillset to comply with best practice. An appraisal, induction and training programme in place. Annual assessment of Board effectiveness. Service agreement to be in place with NCC

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

Finance		
There is a clear financial plan which demonstrates viability, sustainability and consideration to risks	Risks are not identified which may impact financial performance	Three-year corporate plan in place for NCH. Annual budget produced for 23/24 and monitored with regular reforecasting of financial performance and cash control. Regular updates to the budget and business model. Annual stress testing. Focus on plans to recover irrecoverable VAT arising from services to tenants provided by NCC.
There are mechanisms in place to monitor and assess funding, new business and development opportunities	Poor cashflow, inability to finance new opportunities, missed development opportunities	Modelling for new opportunities, robust approval process for significant new projects, oversight of project performance, clear and accurate cash projections, formal funding agreements in place with NCC
Legal and Regulation		
Board is aware of its legal and regulatory obligations and can demonstrate compliance with them, including GDPR and cyber security	Breaches in Board and Director legal and regulatory requirements leading to possible company and/or director fines or punishment.	Annual report produced outlining compliance with relevant regulations and legislation. All reports carry legal and regulatory requirements. Group solicitor and legal advisory framework is available. Annual self-assessment
Changes in NCC, Government or Government Policy	Impact on operating environment and business model and potential funding	Changes to Govt Policy and updates on legislative changes are provided across NCH and the NCHRP Board. There is a dedicated policy and planning manager to advise on all current and impending policy changes
Property		
Robust management of key compliance areas (asbestos, gas, fire, electric, water) with strong reporting and analysis	Lack of control leading to significant risk of injury, health and safety of tenants and potential risk of loss of life	Compliance control regime in place including quarterly reports and ARCC oversight. Gas and Electric testing regime in place. Risk assessments undertaken by competent fire safety professional. Regular staff training. Employment of NCH Building Safety Manager and oversight and assurance provided by Building Safety Group.
Health and Safety and wellbeing for tenants /	Risks to health, safety issues for	Risk assessment processes in place for both tenants and property related

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

properties / service delivery is effectively monitored and managed	tenants and service contractors from the property and its conditions	activity. CDM and H&S processes in place, accident monitoring and reporting in place. Escalation process through EMT and H&S Committee. Covid task force in place. Eyes wide open initiative in place encouraging reporting of issues.
Tenants are satisfied with the management of the property and have a voice	Property issues and property management issues lead to H&S risks, potential payment disruption and reputational damage	Tenants charter in place within strategic plan to ensure tenants have a voice. Regular in-house survey outcomes provided to board, complaints procedure in place
Risks to funding of building new homes	Failure to identify and deliver housing requirements in line with business plan projections	Dedicated professional staff are in place to identify and assess opportunities and apply for funding. Regular reports on potential opportunities are provided to Board.

FINANCIAL REVIEW

The Company's Income Statement shows a reported surplus of £793k for the 2022/23 financial year (2021/22 – surplus of £264k). The 2023/24 budget is a surplus of £204k and it is fully anticipated that NCH RP will continue to deliver an annual and cumulative surplus position.

GOING CONCERN

NCH Registered Provider Limited is a not-for-profit provider of social housing, registered with the Regulator of Social Housing. NCH Registered Provider's business interests are concentrated on delivering general needs homes for social and Affordable rent let to families and citizens in Nottingham, the provision of specialist supported housing for homeless families and citizens in housing crisis including move on from women's aid refuges and exploring opportunities to meet the housing needs of Nottingham in accordance with the aims and objectives of the NCH Registered Provider business plan.

At its meeting on xx September 2023, the Board of NCH RP approved that, in their opinion, NCH RP has adequate resources to continue in operational existence for the foreseeable future, defined as a period not less than 12 months following the signing of the financial statements. Accordingly, it continues to adopt the going concern basis in preparing financial statements.

TAXATION

The Company is a wholly owned subsidiary of NCH and all of NCH RP's income is derived from letting property. This income is offset in the main by respective eligible expenditure

FINANCIAL INSTRUMENTS

The Company's business is entirely based in the UK and all activities are conducted with UK based counterparties in sterling. The Company does not use or trade in any derivative financial instruments. Surplus cash balances are held with NCC as bank deposits. Credit risk is managed by NCC Treasury in line with its approved policies.

POST BALANCE SHEET EVENTS

All NCH staff delivering services to NCHRP were TUPE Transferred into NCC on 1st April 2023. Services are now bought in from NCC under a service level agreement.

DIRECTORS' REPORT

CONSTITUTION

The Company is incorporated as a private company limited by guarantee under the Companies Act 2006. As such it has no share capital. The Company's sole member is Nottingham City Homes Limited ('NCH').

PRINCIPAL ACTIVITIES

The principal activities of the Company are to act as a landlord to provide social and affordable housing to tenants and temporary accommodation for families in housing need.

RISK MANAGEMENT

Our Risk Management Framework sets out the Group's approach to risk management and how the organisation's key risks are identified, monitored and reported through the Risk Management Group, Executive Management Team and ARC Committee. It is held under review by the NCH Full Board and supported by a Risk Management Group comprising senior officers. . A full review of the risk management process was completed last year. New risk registers have been created for both our subsidiaries and the Group Board in line with the RoSH Sector Risk Profile, the Group Corporate Plan 2021-24 and a revised Group Risk Management Framework.

NCH RP's Corporate Risk Register outlines the existing counter measures in place to mitigate each corporate risk as well as the additional controls identified and developed to manage risk to an acceptable level. The risk register is regularly reviewed as are the NCH Group business continuity and emergency planning plans, policies and procedures.

The NCH Group is certified to BS OHSAS 45001:, the national standard for occupational health and safety management systems, and is independently audited by an external certification body annually in order to ensure compliance with the standard. Maintenance of this certification provides independent assurance that health and safety is effectively managed throughout the Group and can be advantageous when seeking new business, especially within the construction sector. NCH also hold external Safe Contractor certification which is part of the National Safety Schemes in Procurement aimed at the construction and supply chain sectors.

The NCH Group holds monthly building and corporate health and safety meetings, which is attended by Nottinghamshire Fire & Rescue Service and helps promote NCH as a proactive local partner for NFRS.

EQUALITY AND DIVERSITY

NCH RP and the NCH Group have a high level of commitment to equality of opportunity. NCH RP is committed to promoting equality and embracing and celebrating the diversity of our customers and services. NCH RP will ensure that no resident or service user, is

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

discriminated against unfairly or receives less favourable treatment on the grounds of a protected characteristic defined by the Equality Act 2010.

NCH RP and the NCH Group are fully compliant with the Public Sector Equality Duty and uses the Equality Framework for Local Government (EFLG) as a tool of self-appraisal, and action planning.

We recognise that an organisation that reflects and values the diversity of its community will deliver better services. We provide inclusive, accessible services, increasingly tailored to individual need. We are committed to continually improving our approach to equality and diversity issues in partnership with our tenants, partners and Board. The NCH Group Equality, Diversity & Inclusion Strategy ensures that we take an inclusive and empathetic approach to managing people and delivering services.

NCH RP and the NCH Group recognises the responsibility that we share with our suppliers, to buy materials and deliver our services in a transparent and ethical manner. As part of this commitment Group Modern Day Slavery Statement is produced each year in line with the Ethical Trading Initiative (ETI) framework and Modern Slavery Act 2015.

EMPLOYEES

The Company has no employees, with services provided by NCH through an Inter Group Agreement.

GOVERNANCE

A full review of the Company's governance arrangements has been undertaken in response to:

- The publication of the White Paper on Social Housing,
- Nottingham City Council's Together Nottingham
- The new NHF Code of Governance published in December 2020 and
- A review of risk management processes.

NCH RP and the NCH Group have previously adopted the National Housing Federation's Excellence in Governance Code launched in 2010 to encourage the highest standards of governance, accountability and probity while responding to change and increased risk. The Governance and Selection Committee assessed its compliance against the Code of Governance during 2020, and was satisfied that overall it meets the standards of the Code.

NCH RP complies with the requirements of the General Data Protection Regulation 2018 and the Data Protection Act 2018.

DIRECTORS

Under the Memorandum and Articles of Association the directors, all of whom are non-executive, represent the local community.

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

The non-executive directors who served during the year are shown on page 1. The non-executive directors have no interests in the shares of the Company and no contribution is paid towards their retirement arrangements.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Insurance cover has been established for all directors to provide cover against their reasonable actions as officers of the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

COMPLIANCE WITH THE GOVERNANCE AND FINANCIAL VIABILITY STANDARD

The NCH RP undertook a review of the Governance & Financial Viability Standard in February 2022 and identified 4 areas which required remedial action. These have subsequently been addressed to ensure compliance in those areas.

**Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023**

CHARITABLE DONATIONS

The Company did not make any charitable donations in the year (2021/22: £0).

STATEMENT OF DISCLOSURE TO THE AUDITORS

So far as the directors are aware, there is no relevant audit information of which NCH's Group auditors are not aware. Additionally the directors have taken all the necessary steps they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that NCH Group auditors are aware of that information.

AUDITORS

The Company's articles require annual reappointment of the auditors. Bishop Fleming were appointed in 2021. In accordance with s485(4) of the Companies Act 2006 a resolution to appoint the Company's auditors was approved at the Annual General Meeting held on 13th September 2022.

The Strategic and Directors' reports approved by order of the board.

Name TBC
Title

31st July 2023

VALUE FOR MONEY STATEMENT

The Regulator of Social Housing (RSH) has implemented a new set of requirements with regard to VfM reporting, commencing from 1st April 2018. This means that as a Registered Provider (RP) we are required to include seven key financial metrics in this report. These are set out below.

Metric 1 – Reinvestment %

Good = higher %

Development of New Properties	= £0.000m
Works to existing properties	= £0.000m
Capitalised Interest	= <u>£ 0m</u>
Total	= £0.000m
Divided by	
Tangible Fixed Assets (note 7)	= £4.730m

Result = 0%

(2021/22 0.4%)

This is a measure of spending on new homes compared to previous spending.

Direction of travel – this has fallen since 2021/22 and would normally be expected to fall each year as NCHRP's asset base increases. At the start of 21/22 there were no further property acquisition schemes agreed or approved by the Board

Metric 2 – New supply delivered %

Good = higher %

A Social housing (includes affordable housing)

New supply	57
Divided by	
Total at period end	434

Result = 13%

(2021/22 13%)

Figures include those Homes leased by the Company from NCH, NCC and private sector landlords.

Direction of travel – this has stabilised during 22/23 and would normally be expected to fall each year as NCHRP's asset base increases.

Metric 3 – Gearing 52.9%

(2021/22 58.0%)

Good = lower %

This is a measure of the ratio between the net value of borrowing (less cash and cash equivalents) and the fixed assets owned by the RP. At the end of 2022/23, 39 homes belong

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

to NCH RP with all others leased and the balance between the value of fixed assets and borrowing met mostly by grants.

Direction of travel – fallen since 2021/22 with no further acquisitions or borrowing

Metric 4 – Earnings before interest, tax, depreciation, amortisation, major repairs (EBITDA) Interest Cover %

Good = higher

Operating Profit	£0.922m
Add back:	
- amortised grants	£0.010m
- depreciation charge	<u>£0.070m</u>
Total	£1.002m

Divided by	
Interest payable and financing costs	<u>£0.129m</u>
Total	£0.129m

Result = 776%
(2021/22 425%)

This is a measure of the ratio between earnings and interest costs. This result is one that will look rather strange as operating profit includes significant income from leased properties, which incur no loan interest charges.

Direction of travel – this has increased since 2021/22 and would be expected to where increased turnover from activities is driven by leases rather than owned properties supported by loans.

Metric 5 – Headline social housing cost per unit

Good = lower

For NCH RP, this is represented by the cost of premises and services less depreciation and lease charges = £2,728k.

Divided by
Total social housing units owned or managed = 434

Result = £6,285 per unit.
(2021/22 (£6,161 per unit))

This may be higher than a number of other RPs due to the majority of NCH RP's properties being let to Homeless families and hence costs include the intensive support for families during those tenancies.

Direction of travel – Increasing costs compared with the prior year representing a 2% increase overall, lower than the average inflationary increases during 22/23

Metric 6 & 6b – Operating margin %

Good = higher

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

Operating profit	£0.922m
Divided by	
Turnover	£7.753m
Result = 11.9%	
(2021/22 7.8%)	

This measure shows whether and to what degree an operational surplus is generated on the RP's turnover.

Direction of travel – this increased in 22/23 due to increased covid impact still being experienced in 21/22

Metric 7 – Return on capital employed (ROCE)

Operating profit	£0.922m
Divided by	
Total assets less current liabilities	£5.830m
Result 15.8%	
(2021/22 9.3%)	

This measure shows whether and to what degree an operational surplus is generated on the RP's capital.

Direction of travel – this increased in 22/23 due to increased covid impact still being experienced in 21/22

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

TO FOLLOW

Nathan Coughlin FCA (Senior statutory auditor) for and on behalf of
Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
Salt Quay House, 4 North East Quay, Sutton Harbour
Plymouth, PL4 0BN
Date:

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
INCOME STATEMENT
For the year ended 31st March 2023

	<i>Notes</i>	Year to 31 March 2023	Year to 31 March 2022
		£'000	£'000
TURNOVER	2	7,753	6,051
Operating expenses	3	(6,871)	(5,641)
Other operating income		40	64
OPERATING PROFIT		922	474
Interest payable	4	(129)	(130)
Interest receivable	4	-	-
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		793	344
Taxation	6	162	80
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL YEAR		631	264

The accounts are prepared on the historical cost basis and relate to continuing activities.

The accounting policies and notes on pages 24 to 32 form part of the accounts.

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st March 2023

	Year to 31 March 2023	Year to 31 March 2022
<i>Notes</i>	£'000	£'000
PROFIT FOR THE FINANCIAL YEAR	631	264
PENSION SCHEME GAINS AND (LOSSES)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	631	264

The notes on pages 26 to 32 form part of the accounts.

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31st March 2023

	<i>Notes</i>	Profit & loss account £'000
BALANCE AT 31 st MARCH 2021	16	42
Profit for the year	16	264
Other comprehensive income		-
		<hr/>
BALANCE AT 31 st MARCH 2022	16	306
		<hr/> <hr/>
Profit for the year	16	631
Other comprehensive income		-
		<hr/>
BALANCE AT 31 st MARCH 2023	16	937
		<hr/> <hr/>

The notes on pages 26 to 32 form part of the accounts.

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
STATEMENT OF FINANCIAL POSITION
As at 31st March 2023

Company Registration
Number: 9810057

	<i>Notes</i>	2023 £'000	2022 £'000
FIXED ASSETS			
Tangible Assets	7	4,730	4,800
CURRENT ASSETS			
Stocks and work in progress		-	-
Debtors due within one year	8	140	77
Current Asset Investment	9	-	-
Cash at bank and in hand		1,468	1,219
		<u>1,608</u>	<u>1,296</u>
CREDITORS:			
amounts falling due within one year	11	<u>(670)</u>	<u>(1,013)</u>
NET CURRENT LIABILITIES		<u>938</u>	<u>284</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,668</u>	<u>5,083</u>
Creditors: Amounts falling due after more than one year	12	(4,731)	(4,777)
Provisions for liabilities		<u>-</u>	<u>-</u>
NET ASSETS		<u>938</u>	<u>306</u>
CAPITAL AND RESERVES			
Profit and loss account	16	<u>938</u>	<u>306</u>
TOTAL EQUITY		<u>938</u>	<u>306</u>

As disclosed in note 14, members derive no financial interest from their shareholding and accordingly all capital and reserves are classed as non-equity.

The financial statements on pages 18 to 32 were approved and authorised for issue by the Board on 30th September 2023 and signed on its behalf by:

TBC (Board Chair)

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
ACCOUNTING POLICIES
For the year ended 31st March 2023

	<i>Notes</i>	2023 £'000	2022 £'000
OPERATING ACTIVITIES			
Cash inflow generated from operations	17	285	206
		<u>285</u>	<u>206</u>
NET CASH FROM OPERATING ACTIVITIES		285	206
INVESTING ACTIVITIES			
Purchase of tangible fixed assets	7	-	(21)
		<u>-</u>	<u>(21)</u>
NET CASH USED IN INVESTING ACTIVITIES		-	(21)
FINANCING ACTIVITIES			
Proceeds of new borrowing	13	-	734
Repayment of borrowing		(36)	(29)
		<u>(36)</u>	<u>(29)</u>
NET CASH IN / (OUT) FROM FINANCING ACTIVITIES		(36)	705
		<u>(36)</u>	<u>705</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		249	890
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,219	329
		<u>1,219</u>	<u>329</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,468	1,219
		<u>1,468</u>	<u>1,219</u>
Relating to:-			
Bank balances and short term deposits included in cash at bank and in hand and overdrafts	9	1,468	1,219
		<u>1,468</u>	<u>1,219</u>

NCC holds funds on behalf of the Company and the above includes the cashflows paid by NCC on behalf of the Company, as set out in Note 9.

The notes on pages 26 to 32 form part of the accounts.

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
ACCOUNTING POLICIES
For the year ended 31st March 2023

GENERAL INFORMATION

Nottingham City Homes Registered Provider Limited (“the Company”) is a limited company domiciled and incorporated in England. The address of the Company’s registered office and principle place of business is disclosed on page 2. The Company’s principal activities and the nature of the Company’s operations are set out in the Director’s report on pages 9 to 12.

BASIS OF ACCOUNTING

These financial statements are prepared in accordance with Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (FRS 102) and in accordance with the Housing Statement of Recommended Practice (SORP) and Accounting Direction for Private Register Providers of Social Housing 2019.

The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

TURNOVER

Turnover includes rental income due to the Company from tenants in relation to the letting of its social housing to Homeless Families on behalf of the City Council.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are included in the balance sheet at historical cost less depreciation, where appropriate. Depreciation is calculated to write off the cost of tangible fixed assets’ less the estimated residual value, on a straight line basis over their estimated useful lives. Cost for housing properties includes the cost of acquiring land and building, construction costs including internal equipment and fittings, directly attributable development administration costs, cost of capital employed during the development period and expenditure incurred in respect of improvements and extension of existing properties to the extent that it enhances the economic benefit derived from the assets.

The following depreciation rates have been used:

<u>Asset Type</u>	<u>Years</u>
Boilers	15
Heating Systems	30
Kitchens	20
Bathrooms	20
Doors	30
Windows	30
Re-wiring	40
Roofs	70
Structure	80

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
ACCOUNTING POLICIES
For the year ended 31st March 2023

Land and assets in the course of construction are not depreciated and going forward the useful life of components will be reassessed annually. The accounting policy for depreciation is that charges are applied in the year construction was completed or the year properties were purchased.

IMPAIRMENT

The company will undertake impairment reviews where there is an indication that impairment may have occurred. Fixed Assets that are considered to be permanently impaired shall be written down to their recoverable amounts.

OPERATING LEASES

Payments under operating leases shall be charged to the profit and loss account on a straight line basis over the period of the lease.

CAPITAL GRANTS

Grants due from Government organisations or received in advance are included as current assets or liabilities. All capital grants are amortised to the Consolidated Income Statement over 80 years and the remaining grant is split between Creditors less than and more than, one year. We adopt the accruals method of accounting for capital grants.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing difficulties that exist at the reporting date. Timing differences between taxable profit and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

GOING CONCERN

NCH Registered Provider Limited is a not-for-profit provider of social housing, registered with the Regulator of Social Housing. NCH Registered Provider's business interests are concentrated on delivering general needs homes for social and Affordable rent let to families and citizens in Nottingham, the provision of specialist supported housing for homeless families and citizens in housing crisis including move on from women's aid refuges and exploring opportunities to meet the housing needs of Nottingham in accordance with the aims and objectives of the NCH Registered Provider business plan.

At its meeting on xx September 2023, the Board of NCH RP approved that, in their opinion, NCH RP has adequate resources to continue in operational existence for the foreseeable

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
ACCOUNTING POLICIES
For the year ended 31st March 2023

future, defined as a period not less than 12 months following the signing of the financial statements. Accordingly, it continues to adopt the going concern basis in preparing financial statements.

FINANCIAL INSTRUMENTS

The Company has chosen to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all its financial instruments.

Financial instruments and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and liability simultaneously.

Financial assets

Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2023

1. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. TURNOVER	2023	2022
	£'000	£'000
Property rental income	7,753	6,051
	<u>7,753</u>	<u>6,051</u>

Turnover represents the value of goods and services provided to third parties.

3. OPERATING EXPENSES	2023	2022
	£'000	£'000
Supplies and services	2,528	2,169
Premises	4,331	3,465
Legal and Professional	7	6
Administration	5	1
	<u>6,871</u>	<u>5,641</u>

PARTICULARS OF TURNOVER & OPERATING COSTS
2021/22

	Turnover & Op Income £'000	Operating Costs £'000	Operating Profit £'000
Social and Affordable Housing	220	91	129
Other Housing	<u>5,895</u>	<u>5,550</u>	<u>345</u>
	<u>6,115</u>	<u>5,641</u>	<u>474</u>

2022/23

	Turnover & Op Income £'000	Operating Costs £'000	Operating Profit £'000
Social and Affordable Housing	324	122	202
Other Housing	<u>7,469</u>	<u>6,749</u>	<u>720</u>
	<u>7,793</u>	<u>6,871</u>	<u>922</u>

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2023

SOCIAL & AFFORDABLE HOUSING LETTINGS – GENERAL NEEDS

	2023 £'000	2022 £'000
Rents (net of void loss)	316	
Other income	-	214
	<u>316</u>	<u>214</u>
Amortised grant	8	6
Total Income	<u>324</u>	<u>220</u>
Housing management	9	10
Routine Maintenance	20	15
Property insurance	4	4
Other supplies & services	33	6
Depreciation	56	56
Operating expenditure	<u>122</u>	<u>91</u>
Operating surplus pre interest charges	<u>202</u>	<u>129</u>
Void losses	<u>0</u>	<u>0</u>

Interest paid on property loans in 2022/23 was £129k (2021/22 £130k).

4. INTEREST RECEIVABLE / (PAYABLE)	2023 £'000	2022 £'000
Interest on short term lending from parent undertaking	-	(23)
Interest on long term lending from Group parent	(129)	(107)
	<u>(129)</u>	<u>(130)</u>
5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2022 £'000	2021 £'000
Fees payable to Bishop Fleming and its associates In respect of audit and non-audit services are as follows:		
	5	5
- Statutory audit of company		
- Taxation Compliance Services	1	1
Operating rentals	<u>1</u>	<u>1</u>

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2023

	-	-	
- land and buildings	<u> </u>	<u> </u>	
6. TAXATION			
Analysis of charge in the year:	2023	2022	
	£'000	£'000	
<i>UK corporation tax</i>			
Current tax on income for the year	164	78	
Adjustments in respect of prior years	(2)	2	
	<u> </u>	<u> </u>	
Tax on profit on ordinary activities	162	80	
	<u> </u>	<u> </u>	
<i>Current tax reconciliation</i>			
Profit on ordinary activities before tax	793	344	
Current tax at apportioned standard rate for the year – 19% (2020/21 19%)	151	65	
Effected by:			
- Corporation tax exemption	11	15	
	<u> </u>	<u> </u>	
Total current tax charge	162	80	
	<u> </u>	<u> </u>	
7. TANGIBLE FIXED ASSETS			
	Assets Under Construction £'000	Freehold Land and Buildings £'000	Unaudited Total £'000
Cost			
At 1 st April 2022	-	4,971	4,971
Additions	-	-	-
-Disposals	-	-	-
Transfers	-	-	-
	<u> </u>	<u> </u>	<u> </u>
At 31 st March 2023	-	4,971	4,971
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 st April 2022	-	(171)	(171)
Charge for the period	-	(70)	(70)
Disposals	-	-	-
	<u> </u>	<u> </u>	<u> </u>
At 31 st March 2023	-	(241)	(241)
	<u> </u>	<u> </u>	<u> </u>
Net book value			
At 31 st March 2022	-	4,800	4,800
	<u> </u>	<u> </u>	<u> </u>
At 31 st March 2023	-	4,730	4,730
	<u> </u>	<u> </u>	<u> </u>

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2023

The total accumulated amount of financial assistance and other government grant received or receivable at the date of the statement of financial position is £829k (2021/22 - £829k) based upon properties owned at that date.

At the balance sheet date £42k (2021/22 - £31k) has been recognised in the Statement of Comprehensive Income and £787k (2021/22 - £798k) held as deferred income.

8. DEBTORS: amounts falling due within one year

	2023 £'000	2022 £'000
Trade debtors	533	386
Bad debt provision	(433)	(306)
Amounts owed by Group parent	-	-
Amounts owed by Parent undertaking	28	-
Prepayments and accrued income	12	15
	<u>140</u>	<u>77</u>

9. CASH AT BANK AND IN HAND.

The figure disclosed on the balance sheet represents cash held in bank accounts of £1,468k (2021/22 - £1,219k).

	2023 £'000	2022 £'000
10. CREDITORS: amounts falling due within 1 year		
Trade creditors	-	-
Amount due to Group Parent	-	2
Amounts due to Parent undertaking (note 21)	326	765
Amounts due to Parent subsidiary	-	10
Other taxes and social security	24	91
Accruals & payments in advance	151	138
Other creditors	7	7
	<u>508</u>	<u>1,013</u>

11. CREDITORS: amounts falling due after more than one year

	2023 £'000	2022 £'000
Intercompany loans (note 13)	3,950	3,986
Grants	781	791
	<u>4,731</u>	<u>4,777</u>
Included in creditors are :		
Amounts repayable in instalments falling due after more than five years	3,791	3,834

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2023

12. BORROWING	2023	2022
	£'000	£'000
Creditors: amounts falling due within one year		
- Intercompany Parent loans	18	18
Creditors: amounts falling due after more than 1 year		
- Intercompany Parent loans	3,950	3,986
	<u>3,968</u>	<u>4,004</u>

13. FINANCIAL INSTRUMENTS

The Company holds trade debtors, cash and accrued income financial assets and trade creditors, accruals and loan financial liabilities that are all measured at amortised cost. The balances are disclosed in the respective notes.

14. SHARE CAPITAL AND RESERVES

The Company is limited by guarantee and the liability of members to contribute to any deficiency of assets is £1 per member. The members have no rights to the income or assets of the Company.

15. RESERVES

	Profit and loss reserve	Total
	£'000	£'000
At 1 st April 2022	306	306
Total comprehensive income	793	793
	<u>1,099</u>	<u>1,099</u>
At 31 st March 2023	<u>1,099</u>	<u>1,099</u>

16. RECONCILIATION OF PROFIT AFTER TAX
TO NET CASH GENERATED FROM
OPERATIONS

	2023	2022
	£'000	£'000
Profit after tax	793	264
Depreciation of tangible fixed assets	70	70
Interest payable	129	130
Amortisation of Grant	<u>(10)</u>	<u>(10)</u>
Operating cashflows before working capital	982	454
Decrease / (Increase) in debtors	(63)	454
(Decrease) / Increase in creditors	<u>(634)</u>	<u>(702)</u>
CASH GENERATED FROM OPERATIONS	<u>285</u>	<u>206</u>

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2023

17. ACCOMMODATION

At the end of the year accommodation in management for each class of accommodation was as follows:

General Needs Housing and buildings		
- Social rent	10	10
- Affordable rent	29	29
Total Owned	<u>39</u>	<u>39</u>
Accommodation leased from others		
- Social rent	390	338
Total accommodation	<u>429</u>	<u>377</u>

18. COMMITMENTS UNDER OPERATING LEASE

	2023	2022
	£'000	£'000
Land and buildings. Amounts due:		
- within one year	2,924	907
- between one and five years	1,953	56
	<u>4,877</u>	<u>963</u>

19. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2023	2022
	£'000	£'000
Capital expenditure contracted for but not provided for in the financial statements	-	-

The Company has no capital commitments.

20. ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary of NCH.

21. RELATED PARTY TRANSACTIONS

The Company has related party transactions with NCH and the City Council (NCC). NCH provides a range of services to the Company and collects rental

Nottingham City Homes Registered Provider Limited
(Company limited by guarantee)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2023

income on its behalf. During the year £3,579k (2021/22: £3,102k) was charged by NCH and £354k (2021/22: £376k) by NCC and £280k by NCH EL (2021/22 £310k) for services provided to the Company, the leasing of property assets & repayment of NCC loans. Individual balances are presented below.

	NCH 2023 £'000	NCH 2022 £000	NCC 2023 £'000	NCC 2022 £'000
Trade and other debtors	-	-	69	61
Trade and other creditors	(326)	(765)	(41)	(63)
Intercompany loans (due within 1 year)	-	-	(18)	(18)
	<u>(326)</u>	<u>(765)</u>	<u>(10)</u>	<u>(20)</u>
Intercompany loans (due after 1 year)	-	-	(3,950)	(3,986)
Grant (due after 1 year)	-	-	(114)	(116)
	<u>(326)</u>	<u>(765)</u>	<u>(4,074)</u>	<u>(4,122)</u>
	=====	=====	=====	=====

There were no transactions between the Company and key NCH management personnel.

22. EMPLOYEES

NCH RP has no employees with all such services provided by NCH.

23. EXECUTIVE OFFICER'S EMOLUMENTS

None of the Executive Management Team, including the Chief Executive Officer, receive any emoluments from NCH RP or have pension contributions paid by NCH RP on their behalf.

Company Registration
Number: 09805670

NOTTINGHAM CITY HOMES ENTERPRISES LIMITED
(Company limited by ordinary shares)

REPORT AND FINANCIAL STATEMENTS

For the year ended 31st March 2023

Nottingham City Homes Enterprises Limited
(Company limited by shares)
CONTENTS OF THE REPORT AND FINANCIAL STATEMENTS
For the year ended 31st March 2023

Company Registration Number: 09805670

CONTENTS	PAGE
Administrative Information	1
Strategic Report	2 – 6
Directors' Report	7-10
Independent Auditor's Report to the Members of Nottingham City Homes Enterprises Limited	11
Income Statement	12
Statement of Comprehensive Income	13
Statement of Changes in Equity	14
Statement of Financial Position	15
Accounting Policies	16 – 18
Notes to the Financial Statements	19 – 24

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
ADMINISTRATIVE INFORMATION
For the year ended 31st March 2023

BOARD OF DIRECTORS

Madeleine Forster – (Appointed 19th April 2023)
Kieran Timmins – (Appointed 19th April 2023)
Stephen Feast (Resigned 28th April 2023)
Alison Brown – (Appointed 19th May 2022)
James Howse – (Appointed 19th July 2022 – Resigned 31st May 2023)
Nick Murphy – (Resigned 31st July 2022)
Joanne Clifford – (Resigned 6th May 2022)

REGISTERED OFFICE AND PRINCIPAL OFFICE

Loxley House
Nottingham
NG2 3NJ

AUDITORS

Bishop Fleming LLP
Salt Quay House
4 North East Quay, Sutton Harbour
Plymouth, Devon
PL4 0BN

SOLICITORS

Nottingham City Council
Legal Department
Loxley House
Station Street
Nottingham
NG2 3NG

BANKERS

Lloyds Bank Plc
Parliament Street
Nottingham
NG1 SDA

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

The directors present their reports and the audited financial statements for the year ended 31 March 2023

STRATEGIC REPORT

BUSINESS REVIEW

Nottingham City Homes Enterprises Limited (NCHEL or the Company) is a housing company working to deliver our vision of creating homes and places where people want to live. The Nottingham City Homes Group (NCH or NCH Group) manages homes and provides a range of services to support people in the communities we serve.

NCHEL forms part of the NCH Group with a primary objective to deliver our core services – managing, maintaining and delivering additional rented homes that Nottingham people can afford to live in.

Under s172 of the Companies Act 2006, NCHEL has a duty to promote the success of the company for the benefit of its members as a whole, having regard to:

- Maintaining a high standard of business conduct
- Acting fairly between the members of the business
- The interests of employees
- Fostering business relationships with suppliers, customers and others
- The impact of operations on the community and the environment
- The likely consequence of any decision in the long term

The Board also needs to address the following:

- The issues, factors and stakeholders the directors consider relevant in complying with the above and how we have formed that opinion.
- The methods the directors have used to engage with stakeholders and understand the issues to which they must have regard.
- The effect of that regard on the company's decisions and strategies during the year.

NCHEL's S172 STATEMENT

The Company Supported NCH's 2021 to 2024 Corporate Plan goals through its key objectives:

- Provide market rented homes for communities in Nottingham.
- Be a well governed and financially stable organisation.
- Ensure NCHEL tenants receive high quality housing management, repairs and maintenance services.

The Company's core business over the year included:

- Providing housing to households seeking to rent good quality accommodation on a prolonged basis.
- Identifying and reviewing potential future opportunities for the acquisition of market rented homes.

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

Successes

During the year to 31 March 2023 NCHEL has successfully provided and let 168 market rented properties (with 167 properties remaining in the portfolio at 31st March 2023)

Future Developments and Prospects

Nottingham City Council's (NCC) decision to terminate the Partnering agreement to bring Nottingham City Homes back in-house and the legacy of the Covid-19 pandemic continue to present a number of unprecedented and potential risks to NCHEL including an asset disposal strategy which will carry significant potential impact on NCHEL. These risks continue to be monitored

Operational Context

The financial year was again impacted by the legacy of the coronavirus pandemic, which inevitably had an impact on NCHEL's operations. Throughout the pandemic NCHEL and all of the NCH Group ensured that core and emergency services continued to be provided and they continued to deliver on our Recovery and Re-invention plan to maintain and increase service levels across areas of the business. Systems to monitor financial and other performance have been maintained throughout the period.

The local housing market remained strong during 2022-23, driving up house prices and rent levels. This has served to prevent many people accessing homes they can afford, which has a significant impact on NCHEL's customers.

Financial constraints and the extremely difficult financial situation in which local authorities are operating, means that access to local authority supported borrowing has become increasingly difficult.

PRINCIPAL RISKS AND UNCERTAINTIES

The NCHEL Risk Register sets out the risks deemed to most adversely impact on the Company's ability to achieve its corporate objectives and is monitored by the Board. The principal risks, impacts and mitigation which reflect uncertainties facing the business are highlighted in the table below. We aim to identify, control and manage all risks within a culture of risk management. Each risk is assessed for likelihood and severity of impact. Mitigating actions are agreed to reduce or eliminate these factors, and progress is monitored by both management and the Board.

Risk	Impact	Mitigation
Governance		
The Board has a clear Business Plan which outlines the business priorities and strategic direction	The potential for Board decisions that are not aligned to a corporate plan or to NCC objectives leading to fragmented use of resources	Redrafting the NCHEL business plan in line with the new three-year corporate plan, incorporating option

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

		appraisals, Group Board involvement.
There is a highly skilled, diverse and well-trained Board able to lead NCHEL, which is compliant with NHF Code of Practice and industrywide best practice	The potential for poor Board decisions that are not fully understood and the potential impacts on the property portfolio or tenants not properly managed.	Regular review of board structure and composition and overall skillset to comply with best practice. An appraisal, induction and training programme in place. Annual assessment of Board effectiveness.
Finance		
There is a clear financial plan which demonstrates viability and sustainability	Risks are not identified which may impact financial performance	Three-year corporate plan in place for NCH. Annual budget produced for 23/24 and monitored with regular reforecasting of financial performance and cash control. Regular updates to the budget and business model in light of the asset disposal strategy
There are strong financial controls in place	Income and expenditure are not appropriately accounted for, statutory reporting is inaccurate. Risks are not identified.	Standing Orders (Articles), financial controls and procurement procedures in place. Separate Oracle ledger in place for financial records. Internal audit in place for controls and external audit of statutory accounts.
Board has clear oversight of NCHEL financial performance	Board decisions based on inaccurate financial drivers leading to impact on financial results of delivery of the housing service.	Regular reporting to both Board and Management of financial performance and a cash control reporting system to be developed
Legal and Regulation		
Board is aware of its legal and regulatory obligations and can demonstrate compliance with them	Breaches in Board and Director legal and regulatory requirements leading to possible company and/or director fines or punishment.	Annual report produced outlining compliance with relevant regulations and legislation. All reports carry legal and regulatory requirements. Group solicitor and legal advisory framework is available.
Changes in NCC, Government or Government Policy	Impact on operating environment and business model and potential funding	Changes to Govt Policy and updates on legislative changes are provided

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

		across NCH and the NCHEL Board. There is a dedicated policy and planning manager to advise on all current and impending policy changes
Property		
Risks to funding of building new homes or acquiring new stock	Failure to deliver housing requirements in line with business plan projections	Dedicated professional staff are in place to identify and assess opportunities and apply for funding. Regular reports on potential opportunities are provided to Board.

FINANCIAL REVIEW

The Company's Income Statement shows a Profit of £1.484 million for the 2022/23 financial year (2021/22 Profit of £1.109 million). This profit has arisen due to the unrealised gain on the Investment Properties following revaluation net of deferred capital gains tax.

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

GOING CONCERN

On 11 May 2022, the Council formally issued a notification of termination of the partnership agreement with NCH that triggers the transfer of the management of the Council's housing stock back into NCC on 10 May 2023, but was agreed to be with effect from 1st April 2023.

NCH Enterprises Limited is a for-profit subsidiary of NCH Limited. It's business interests are primarily concerned with the direct letting, management and maintenance of homes for market rent in Nottingham and delivering an operating surplus back to the NCH Group to assist in the delivery of the aims and objectives of the NCH Corporate Plan

From the start of 2023/24, NCHEL has commenced a process of asset disposal as part of the solution to the repayment of HRA Surplus Funds invested within the NCH group of companies. There is a degree of uncertainty around the extent and timing of the deliverability of this solution and as such, NCC will continue to offer the necessary resources and financial support (including the deferral of loan repayments) to NCHEL and the wider group to ensure they remain cash solvent during this period of asset disposal. As a result of the disposal of the properties within NCHEL, it is envisaged that the company will ultimately be closed and as such the accounts are prepared on a basis other than going concern.

TAXATION

The Company is a wholly owned subsidiary of NCH and all of NCHEL's taxable profit is derived from letting property.

FINANCIAL INSTRUMENTS

The Company's business is entirely based in the UK and all activities are conducted with UK based counterparties in Sterling. The Company does not use or trade in any derivative financial instruments. Deficit (surplus) cash balances are held with NCC as bank overdrafts (deposits), in accounts in NCH's name. Credit risk is managed by NCC Treasury in line with its approved policies.

POST BALANCE SHEET EVENTS

All NCH staff delivering services to NCHEL were TUPE Transferred into NCC on 1st April 2023. Services are now bought in from NCC under a service level agreement.

Name to be confirmed
Company Director
Date TBC

DIRECTORS' REPORT

CONSTITUTION

The Company is incorporated as a private company limited by share capital under the Companies Act 2006. The Company's sole shareholder is Nottingham City Homes Limited ('NCH').

PRINCIPAL ACTIVITIES

The principal activities of the Company are to act as a landlord to provide housing to market rents.

RISK MANAGEMENT

Our Risk Management Framework sets out the Group's approach to risk management and how the organisation's key risks are identified, monitored and reported through the Risk Management Group, Executive Management Team and ARC Committee. It is held under review by the NCH Full Board and supported by a Risk Management Group comprising senior officers. A full review of the risk management process was completed last year. New risk registers have been created for both our subsidiaries and the Group Board in line with the Regulator of Social Housing Sector Risk Profile, the Group Corporate Plan 2021-24 and a revised Group Risk Management Framework.

NCHEL's Corporate Risk Register outlines the existing counter measures in place to mitigate each corporate risk as well as the additional controls identified and developed to manage risk to an acceptable level. The risk register is regularly reviewed as are the NCH Group business continuity and emergency planning plans, policies and procedures.

The NCH Group is certified to BS OHSAS 45001:, the national standard for occupational health and safety management systems, and is independently audited by an external certification body annually in order to ensure compliance with the standard. Maintenance of this certification provides independent assurance that health and safety is effectively managed throughout the Group and can be advantageous when seeking new business, especially within the construction sector. NCH also hold external Safe Contractor certification which is part of the National Safety Schemes in Procurement aimed at the construction and supply chain sectors.

The NCH Group holds monthly building and corporate health and safety meetings, which is attended by Nottinghamshire Fire & Rescue Service and helps promote NCH as a proactive local partner for NFRS.

EQUALITY AND DIVERSITY

NCH EL and the NCH Group have a high level of commitment to equality of opportunity. NCH EL is committed to promoting equality and embracing and celebrating the diversity of our customers and services. NCH EL will ensure that no resident or service user, is

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

discriminated against unfairly or receives less favourable treatment on the grounds of a protected characteristic defined by the Equality Act 2010.

NCH EL and the NCH Group are fully compliant with the Public Sector Equality Duty and uses the Equality Framework for Local Government (EFLG) as a tool of self-appraisal, and action planning.

We recognise that an organisation that reflects and values the diversity of its community will deliver better services. We provide inclusive, accessible services, increasingly tailored to individual need. We are committed to continually improving our approach to equality and diversity issues in partnership with our tenants, partners and Board. The NCH Group Equality, Diversity & Inclusion Strategy ensures that we take an inclusive and empathetic approach to managing people and delivering services.

NCH EL and the NCH Group recognises the responsibility that we share with our suppliers, to buy materials and deliver our services in a transparent and ethical manner. As part of this commitment Group Modern Day Slavery Statement is produced each year in line with the Ethical Trading Initiative (ETI) framework and Modern Slavery Act 2015.

EMPLOYEES

The Company has no employees, with services provided by NCH through an Inter Group Agreement.

GOVERNANCE

A full review of the Company's governance arrangements has been undertaken in response to:

- The publication of the White Paper on Social Housing,
- Nottingham City Council's Together Nottingham
- The new NHF Code of Governance published in December 2020 and
- A review of risk management processes.

NCH EL and the NCH Group have previously adopted the National Housing Federation's Excellence in Governance Code launched in 2010 to encourage the highest standards of governance, accountability and probity while responding to change and increased risk. The Governance and Selection Committee assessed its compliance against the Code of Governance during 2020, and was satisfied that overall it meets the standards of the Code.

NCH RP complies with the requirements of the General Data Protection Regulation 2018 and the Data Protection Act 2018.

DIRECTORS

Under the Memorandum and Articles of Association the directors, all of whom are non-executive, represent the local community.

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

The non-executive directors who served during the year are shown on page 1. The non-executive directors have no interests in the shares of the Company and no contribution is paid towards their retirement arrangements.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Insurance cover has been established for all directors to provide cover against their reasonable actions as officers of the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

CHARITABLE DONATIONS

The Company did not make any charitable donations in the year (2021/22: £0).

STATEMENT OF DISCLOSURE TO THE AUDITORS

So far as the directors are aware, there is no relevant audit information of which NCH's Group auditors are not aware. Additionally the directors have taken all the necessary steps

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
STRATEGIC AND DIRECTORS' REPORTS
For the year ended 31st March 2023

they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that NCH Group auditors are aware of that information.

AUDITORS

The Company's articles require annual reappointment of the auditors. Bishop Fleming were appointed in 2021. In accordance with s485(4) of the Companies Act 2006 a resolution to appoint the Company's auditors was approved at the Annual General Meeting to be held on 15th November 2022.

The Strategic and Directors' reports approved by order of the board.

Name to be confirmed
Company Director
Date TBC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAM CITY HOMES ENTERPRISES LIMITED

TO FOLLOW

Nathan Coughlin FCA (Senior statutory auditor) for and on behalf of
Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
Salt Quay House, 4 North East Quay, Sutton Harbour, Plymouth, PL4 0BN
Date: **30 September 2023**

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
INCOME STATEMENT
For the year ended 31st March 2023

	<i>Notes</i>	Year to 31 March 2023	Year to 31 March 2022
		£'000	£'000
TURNOVER	2	1,459	1,419
Operating expenses	3	(526)	(487)
Other operating income		-	22
Unrealised gain on Investment Properties		1,468	1,613
OPERATING PROFIT		2,401	2,567
Interest payable	5	(917)	(949)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,484	1,618
Taxation	6	(tbc)	(509)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL YEAR		1,484	1,109

The accounts are prepared on the historical cost basis and relate to continuing activities.

The accounting policies and notes on pages 16 to 24 form part of the accounts.

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st March 2023

	Year to 31 March 2023	Year to 31 March 2022
	£'000	£'000
PROFIT FOR THE FINANCIAL YEAR	1,484	1,109
PENSION SCHEME GAINS AND (LOSSES)		
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,484	1,109

The notes on pages 19 to 24 form part of the accounts.

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31st March 2023

	Revaluation reserve £'000	Profit & loss account £'000	Total £'000
BALANCE AT 31 st MARCH 2021	1,757	(263)	1,494
Profit / (Loss) for the year	1,613	(504)	1,109
Other comprehensive income	-	-	-
	<u> </u>	<u> </u>	<u> </u>
BALANCE AT 31 st MARCH 2022	3,370	(767)	2,603
	<u> </u>	<u> </u>	<u> </u>
Profit / (Loss) for the year	1,468	16	1,484
Other comprehensive income	(38)	38	-
	<u> </u>	<u> </u>	<u> </u>
BALANCE AT 31 st MARCH 2023	4,800	(713)	4,087
	<u> </u>	<u> </u>	<u> </u>

The purpose of the Profit and loss account is to hold profits (or losses) delivered through the Company's day to day principal activities. The purpose of the Revaluation reserve is to hold separately unrealised gains from the revaluation of Investment properties. During the year a transfer was made from the Revaluation reserve to the Profit and loss account in respect of a sale of one investment property.

The notes on pages 19 to 24 form part of the accounts.

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
Company Registration Number: 09805670
STATEMENT OF FINANCIAL POSITION
As at 31st March 2023

	<i>Notes</i>	2023 £'000	2022 £'000
FIXED ASSETS			
Investment properties	8	24,030	22,737
CURRENT ASSETS			
Debtors due within one year	9	62	295
Cash at bank and in hand	10	419	246
		481	541
CREDITORS:			
amounts falling due within one year	11	(975)	(1,095)
NET CURRENT LIABILITIES		<u>(494)</u>	<u>(554)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		23,536	22,183
Creditors: Amounts falling due after more than one year			
	12	(18,606)	(18,737)
Deferred tax liability	8	(843)	(843)
NET ASSETS		<u>4,087</u>	<u>2,603</u>
CAPITAL AND RESERVES			
Profit and loss account		(713)	(767)
Revaluation reserve		4,800	3,370
TOTAL EQUITY		<u>4,087</u>	<u>2,603</u>

The financial statements on pages 12 to 24 were approved and authorised for issue by the Board on 30th September 2023 and signed on its behalf by:

Name TBC (Board Chair)

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
ACCOUNTING POLICIES
For the year ended 31st March 2023

GENERAL INFORMATION

Nottingham City Homes Enterprises Limited (“the Company”) is a limited company domiciled and incorporated in England. The address of the Company’s registered office and principal place of business is disclosed on page 1. The Company’s principal activities and the nature of the Company’s operations are set out in the Director’s report on pages 6 to 9.

BASIS OF ACCOUNTING

These financial statements are prepared in accordance with Financial Reporting Standard 102 1A ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (FRS 102).

The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

TURNOVER

Turnover includes rental income due to the Company from tenants in relation to the letting of market rented properties to the private sector. Associated income is included in turnover on the basis of housing accommodation provided and work done.

IMPAIRMENT

The company will undertake impairment reviews where there is an indication that impairment may have occurred.

FIXED ASSETS - INVESTMENT PROPERTIES

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the profit or loss.

OPERATING LEASES

Payments under operating leases shall be charged to the profit and loss account on a straight line basis over the period of the lease.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
ACCOUNTING POLICIES
For the year ended 31st March 2023

Deferred tax liabilities are recognised in respect of all timing difficulties that exist at the reporting date. Timing differences between taxable profit and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

CASH EQUIVALENTS

Liquid resources are cash balances held by NCC which the Company can draw against on demand through NCH.

GOING CONCERN

NCH Enterprises Limited is a for-profit subsidiary of NCH Limited. It's business interests are primarily concerned with the direct letting, management and maintenance of homes for market rent in Nottingham and delivering an operating surplus back to the NCH Group to assist in the delivery of the aims and objectives of the NCH Corporate Plan

From the start of 2023/24, NCHEL has commenced a process of asset disposal as part of the solution to the repayment of HRA Surplus Funds invested within the NCH group of companies. There is a degree of uncertainty around the extent and timing of the deliverability of this solution and as such, NCC will continue to offer the necessary resources and financial support (including the deferral of loan repayments) to NCHEL and the wider group to ensure they remain cash solvent during this period of asset disposal. As a result of the disposal of the properties within NCHEL, it is envisaged that the company will ultimately be closed and as such, at a meeting on **xx September 2023**, the Board of NCH approved that the accounts are prepared on a basis other than going concern.

FINANCIAL INSTRUMENTS

The Company has chosen to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all its financial instruments.

Financial instruments and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and liability simultaneously.

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
ACCOUNTING POLICIES
For the year ended 31st March 2023

Financial assets

Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2023

1. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are limited to those included in the annual revaluation of Investment Properties (note 8).

2. TURNOVER

	2023 £'000	2022 £'000
Property rental income	1,179	1,109
Property lease income	280	310
	<u>1,459</u>	<u>1,419</u>

Turnover represents the value of goods & services provided to third parties.

3. OPERATING EXPENSES

	2023 £'000	2022 £'000
Supplies & Services	475	446
Administration	18	18
Other	33	23
	<u>526</u>	<u>487</u>

4. UNREALISED GAIN ON INVESTMENT PROPERTIES

Income of £1.468 million (2021/22 £1.613 million) is recognised in the Income Statement in relation to the increase of Investment Properties held at the balance sheet date following revaluation.

5. INTEREST RECEIVABLE / (PAYABLE)

	2023 £'000	2022 £'000
Interest on short term lending from Parent undertaking	-	31
Interest on loans from Group parent	917	918
	<u>917</u>	<u>949</u>

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2023

6. TAXATION

	2023 £'000	2022 £'000
Analysis of tax charge for the period		
<i>Current tax</i>		
UK Corporation tax	-	-
	<u> </u>	<u> </u>
 <i>Deferred tax</i>		
Origination and reversal of timing differences	367	403
Effect of tax rate change on opening balance	-	106
	<u> </u>	<u> </u>
Total deferred tax charge	367	509
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	367	509
	<u> </u>	<u> </u>
Provision for deferred tax		
Capital gains/(losses)	367	509
	<u> </u>	<u> </u>
<i>Movement in Provision</i>		
Provision at the end of the period	843	334
Deferred tax charged in the Profit & loss account for the period	367	509
	<u> </u>	<u> </u>
Provision at the end of period	1,209	843
	<u> </u>	<u> </u>
Reconciliation of tax charge		
Profit (Loss) on ordinary activities before tax	1,484	1,618
Current tax at apportioned standard rate for the year – 19% (2020/21 19%)	281	307
<i>Effects of:</i>		
Income not taxable for tax purposes	(278)	(307)
Chargeable gains	286	307
Group relief surrendered	(10)	(1)
Re-measurement of deferred tax for changes in tax rates	88	202
	<u> </u>	<u> </u>
Tax charge for the period	367	509
	<u> </u>	<u> </u>

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2023

7. DEFERRED TAXATION

	2023
	£'000
At the beginning of the year	843
Charged to the Profit and loss	367
	<u>1,209</u>

The deferred tax liability is made up as follows:

	2023	2022
	£'000	£'000
Origination and reversal of timing differences	1,209	843
	<u>1,209</u>	<u>843</u>

8. INVESTMENT PROPERTIES

	2023	2022
	£'000	£'000
Fair Value		
At 1 st April	22,737	21,105
Additions relating to external acquisitions	-	-
Disposal	(175)	
Transfer from parent undertaking	-	-
Capital expenditure	-	19
Revaluation	1,468	1,613
At 31 st March	<u>24,030</u>	<u>22,737</u>

Investment property comprises freehold land and buildings. The fair value of the investment property at 31st March 2023 and 31st March 2022 has been arrived at on the basis of the independent valuation carried out at that date. During the year one investment property was sold at the net book value of £175,000.

9. DEBTORS

	2023	2022
	£'000	£'000
Trade debtors	31	33
Amounts owed by Parent undertaking	-	252
Amounts owed by Parent subsidiaries	31	10
Amounts due to Group parent	<u>-</u>	<u>-</u>
	<u>62</u>	<u>295</u>

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2023

10. CASH AT HAND OR IN BANK

The figures disclosed on the balance sheet represent cash in bank balances of £419k (2021/22 £246k).

11. CREDITORS

	2023 £'000	2022 £'000
Trade creditors	1	41
Amounts due to Parent undertaking (note 19)	369	853
Amounts due to Parent subsidiary	-	-
Amounts due to Group parent (note 19)	428	-
Other taxes and social security	32	39
Other creditors	-	-
Accruals and deferred income	145	162
	<u>975</u>	<u>1,095</u>

12. BORROWING

	2023 £'000	2022 £'000
Creditors: amounts falling due within 1 year	-	87
Creditors: amounts due after more than 1 year	18,606	18,737
	<u>18,606</u>	<u>18,824</u>
Included in creditors are :		
Amounts repayable in instalments falling due after more than five years	<u>17,639</u>	<u>17,981</u>

Annuity loans from NCC are repayable over 40 years with interest set at fixed rates between 4.58% and 4.94%. Loan principal and accrued interest on the outstanding balances are repaid every 6 months. Borrowings are secured against the Investment Properties of the Company (as detailed in note 8).

NCHEL has requested consent from NCC to defer its 2023/24 loan repayments and creditor payments to NCC until NCHEL has sold assets (44 properties) as part of its plan to fund the repayments of its debts to NCC. This is subject to NCC receiving all necessary information required to support their decision making.

13. FINANCIAL INSTRUMENTS

The Company holds accrued income financial assets and trade creditors, accruals all measured at amortised cost. The balances are disclosed in the respective notes.

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2023

14. SHARE CAPITAL AND RESERVES

The Company is limited by Ordinary share capital. The class of shareholding is two 1p ordinary shares.

15. RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED FROM OPERATIONS

	2023 £'000	2022 £'000
Profit after tax	1,484	1,109
Deferred tax	-	509
Gain on revaluation of investment properties	(1,468)	(1,613)
Loss on disposal of investment property	3	-
Interest payable	<u>917</u>	<u>949</u>
Operating cashflows before working capital	935	954
Decrease in debtors	(234)	2
Decrease in creditors	<u>590</u>	<u>(588)</u>
CASH GENERATED FROM OPERATIONS	<u>579</u>	<u>368</u>

16. COMMITMENTS UNDER OPERATING LEASE

	2023 £'000	2022 £'000
Land and buildings. Amounts due:		
- within one year	43	22
- between one and five years	-	-
	<u>43</u>	<u>22</u>

Lease commitments relate to the provision of 10 units of accommodation on Forest Road West by NCH.

17. ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary of NCH.

Nottingham City Homes Enterprises Limited
(Company limited by ordinary shares)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2023

18. EXECUTIVE OFFICER'S EMOLUMENTS

None of the Executive Management Team, including the Chief Executive Officer, receive any emoluments from NCHEL or have pension contributions paid by NCHEL on their behalf.

19. RELATED PARTY TRANSACTIONS

The Company has related party transactions with NCH. An amount of £356k (2020/21: £348k) was charged by NCH for services provided to the Company or paid on its behalf. The individual balances are presented below.

	NCH 2023 £'000	NCH 2022 £000	NCC 2023 £'000	NCC 2022 £'000
Trade and other debtors	-	252	45	92
Trade and other creditors	(369)	(853)	(473)	(5)
Intercompany loans (due within 1 year)	-	-	-	(87)
	<u>(369)</u>	<u>(601)</u>	<u>(428)</u>	<u>-</u>
Intercompany loans (due after 1 year)	-	-	(18,606)	(18,737)
	<u>(369)</u>	<u>(601)</u>	<u>(19,034)</u>	<u>(18,737)</u>

There were no transactions between the Company and key NCH management personnel.

NCH GROUP WIDE SUMMARY BUDGET 23-24

I&E	BUDGET 22-23 Full Year	FORECAST 22- 23 (PD9)	BUDGET 23-24	Forecast to Budget Variance	Commentary (see Key Assumptions and Budget Setting Principles Below)
	£'000	£'000	£'000	£'000	
Income					
HRA Revenue Fees	50,107	50,107	0	50,107	All HRA services cease to be delivered by NCH Ltd
Other Income	30,816	28,834	10,362	18,472	Loss of capital works income and other NCC related income such as Nottingham On Call. NCH income consists primarily external lease income for the group
Total	80,923	78,941	10,362	68,579	
Less :					
Expenditure					
Direct Employee Costs	44,808	40,821	0	(40,821)	Additional NCC corporate recharge. Primarily for staff costs and associated overheads, included in 23-24
NCC Management Recharges	0	0	1,955	1,955	NCC Management, staff and overhead recharges
Non-Pay Costs	34,593	37,402	8,404	(28,999)	Costs consist primarily of loan interest and depreciation for NCH Group owned properties and other running costs such as property repairs and insurance
Total	79,401	78,224	10,359	(67,865)	
Loss/(Surplus)	(1,522)	(717)	(3)	714	

NCH BOARD	£'000	£'000	£'000	£'000	Commentary
NCH	(1,413)	(187)	(11)	176	Consists of Intercompany leases, external rental income and associated costs only
NCHEL	148	19	212	193	Additional NCC corporate recharges £67k and additional VAT charges of £95k
NCHRP	(257)	(549)	(204)	345	Additional costs/income: £520k VAT, £176k increase in NRP bad debt provision (22-23 forecast includes a positive adjustment to BDP following a detailed review of existing provision compared to outstanding debt), £130k Highwood staff vacancy savings, £30k NOC cost reduction, £179k extra supporting people grant
Total	(1,522)	(717)	(3)	714	

Key Assumptions

- NCC SLA recharges budgeted in line with 22/23 charges. Formal costed SLAs are required for provision of services between NCC and NCH for 23/24, which may result in changes to SLA charges incurred by NCH Group. **Science behind this**
- NRP Ltd budget assumes NCC will not recharge any vacant posts relating to Highwood House
- NRP budget includes additional £179k of Supporting People Grant income, which is in the process of being agreed with NCC
- NRP budget includes an NOC saving of £30k, which needs to be formally agreed with NCC
- VAT charges increase significantly in 23/24 - all recharges from NCC will be subject to VAT, which cannot be reclaimed by NCH Ltd because rental income is outside the scope for VAT. All associated costs that incur VAT must be expensed to the I & E, impacting surplus
- Assumes vehicles are sold to NCC with nil impact to the I & E, agreement in principle, which requires NCC and NCH approval. A proposal will be presented to a future Board for approval
- Intercompany leases are budgeted in line with formal lease arrangements and/or 22/23 lease costs (increase of 3% - in line with lease agreement)
- Arboretum - capital information???**

Budget Setting Principles to Agree with NCC - DO WE WANT FORMAL RECOGNITION FROM NCC?

NCH residual budgets 22-23 assumes BAU. Any in year changes to property asset structure and ownership will impact the budgeted position and will need to be reflected in a budget latest position
 NCC SLA recharges in line with NCH recharges for 22/23, pending a formal costed SLA for provision of services to NCH Group
 Adjustments made to NCC recharges in NCH residual budgets to reflect expected actual spend in 23-24 (ie: removal of long term vacancies from the recharge). This should have minima/nol impact on NCC budget position
 NCC and NCH residual budgets to be adjusted to reflect formal SLA charges during 23-24

Risks

Cashflow - NCH Ltd: I & E is showing a small surplus, but additional costs, such as loan capital repayments and completion of the Arboretum is likely to result in a negative cashflow position in year (est. £115k)
 NCH Ltd may be using banked HRA cash to cover its costs in year.

Cashflow - NEL Ltd: will not have enough cash to pay the Oct 22-Mar 23 Loan capital and interest due to NCC in April (approx £540k).
 If loan support is not feasible, then alternative options must be explored to avoid an insolvency situation

22-23 Accruals: If 22-23 accruals are missed during the yearend close process these will need to be accounted for in 23-24 at a cost to NCH in year. This could adversely affect NCH Group outturn position and cashflow
NCC Recharges: Budget uses NCH 22/23 recharges as a basis, which is in line with actual costs incurred for the group. All recharges need to be supported by revised NCC SLA's, which may increase (or decrease) the charges

Pay Award: NCC recharges assume a 4% increase for pay award. If the pay award is settled at a different %, budgeted outturn will be impacted

Vehicles: Budget assumes that NCC will purchase the company's vehicles, which has been agreed in principle but requires formal approval. There are no vehicle running costs included in the NCH budgets.

If a lease is agreed as an alternative, this should cover depreciation costs as a minimum to avoid impact on the NCH residual budgets. A small grant is held on the balance sheet also that have to be repaid, which will impact NCH cashflow

NRP Ltd - Supporting people grant increase and NOC cost reduction is not delivered in full, impacting the surplus position for NRP and the group

Arboretum:
 Any others?

ITEM:

NOTTINGHAM CITY HOMES LIMITED

THE GROUP BOARD

MINUTES of the **CONFIDENTIAL MEETING** held on **30th MARCH 2023**
via Microsoft Teams.

Board Members

Madeleine Forster (Chair)
Cllr Sam Webster
Kieran Timmins
Mike Savage
Vicky Evans

Also in Attendance:

Stephen Feast	Director of Transition
James Howse	Director of Corporate Resources
Alison Brown	Director of Property
Surjit Balu	Director of Housing
Samantha Barlow	Governance Manager
Mona Sachdeva	Company Solicitor
George Pashley	Head of Governance & Compliance

13. WELCOME, INTRODUCTIONS & CHAIR'S ANNOUNCEMENTS

The Chair opened the confidential part of the meeting.

14. APOLOGIES FOR ABSENCE

There were no apologies for absence

15. DECLARATIONS OF INTEREST

None.

16. REQUESTS MADE BY THE REGULATOR SOCIAL HOUSING

- 16.1 There had been two recent requests for information from the RoSH. One matter related to a Damp and Mould enquiry at Cranmer Street. After consideration of the evidence submitted to the RSH no further action was being taken as no breaches in regulatory standards were found.

16.2 The second matter related to a fire at 23 Fairisle Close where a mother and her two children tragically died. This matter was previously reported to the Board on 23rd February 2023. The RoSH contacted NCH on 17th March 2023 requesting that the outcomes of the investigations into the incident are shared with them once these are available. It was acknowledged by the RoSH that the ongoing external investigations might take some time.

RESOLUTION

The Board agreed to note the report.

17. NCH EL CASH SUPPORT UPDATE

17.1 The DoCR informed the Board that the first three NCH EL properties to be sold are due to go onto the market as they are currently empty. There was no intention yet to sell the next 41. These would have to come back to the NCH EL Board first.

RESOLUTION

The Board agreed to note the report.

DATE OF THE NEXT MEETING

The next scheduled meeting will be 13 July 2023

SIGNEDDATE.....

ITEM 3.2

PROJECT INITIATION DOCUMENT (PID)

Project Name: Include project reference number where applicable.	Nottingham City Homes subsidiary company options
Project Manager: Responsible for delivery of project, day-to-day management and team leadership. Responsible for compliance with relevant reporting process to the Project Board and Programme Office.	Project Executive: Accountable for the successful delivery of the project. Responsible for objectives, specification, budget, finished product. Owner of the project at Project Board level.
Rob Adkin	Kevin Lowry/Ian Edward (consultant advisor)
Project Purpose: Describe what you want to achieve by doing the project.	
<p>To identify and implement the optimum changes to the current company structures and assets to:</p> <ol style="list-style-type: none"> 1. Retain use of (and potentially increase) Temporary accommodation available to NCC via NCHRP Ltd 2. Ensure repayment of the total £49.3m of outstanding borrowing from NCC by all three companies (instalments agreed at the time of borrowing, or earlier if companies elect to do so) 3. Address the solvency challenges in NCH 4. Maximise available cash within NCH Ltd to address repayment (to the fullest extent possible) for the £20.133m debt owed to the HRA (£17.277m plus £2.856m interest) 5. A managed withdrawal from the market rented business 6. A residual company structure that is sustainable in terms of solvency and financial stability 7. Implement a legitimate and transparent legal and financial relationship between NCC and the NCH companies 	

REVISION HISTORY

Version	Revision Date	Status	Summary of Changes
1.0	March 2 2023		Initial form
1.1	June 27 2023		File name 27-6-23v9: revision to objective 2, revision to project deliverable 4 to ensure board agreement to implementation plan, correction to stakeholder description of NCH, removal of NCH union reps as a stakeholder, addition of NCH customer base as a stakeholder, private sector landlords added as stakeholder, revision to value for money assessment, revision to equalities impact, additional interdependency for ASC, additional risk of legal challenge added, amendment to risk of board member co-operation.

APPROVALS

Name	Title	Role	Signature	Date
Project Board		Operational oversight		
Member lead group	David Mellen	Member oversight		
Sajeeda Rose	Corporate Director of Growth and City Development	Joint SRO		
Ross Brown	Director of Corporate resources (s151)	Joint SRO		

DISTRIBUTION

Name	Title	Date of Issue
	Project Board	
	Companies governance Executive Committee	

Name	Title	Date of Issue
	IAB	

PROJECT APPROACH & SCOPE

Approach:

How are you going to approach the achievement of project objectives?

The achievement of project objectives will depend on identifying a solution which is legally achievable, compliant with accounting and financing regulations, and demonstrates value for money. The solution will be informed by a number of factors:

- The legal and accounting basis on which assets are valued by a local authority vs a limited company
- Capacity for the solution to protect NCCs financial interests
- The current financial performance of the leasing and letting arrangements in place between the companies in the group and external customers
- Accounting and Taxation implications of assets sales between NCC and the group entities
- The viability of the market for disposal to either corporate entities or private buyers
- Current dependencies and the cost effectiveness experienced by NCC in respect of the use of temporary accommodation compared to other homelessness solutions
- The costs of change to current arrangements
- Impacts on current customers of the NCH Group
- The imperative of NCHL to dispose of assets to market in order to repay its borrowing from NCC after a short period of loan repayment deferral to NCC

When an appropriate solution is identified to achieve the 7 key objectives, an appropriate project implementation plan will be agreed between the Council and Group Board.

Scope:

Define the areas of business for the Council and its partners that will be affected by the project and the parameters of project activity.

The project is intrinsically linked to NCCs homelessness and Temporary Accommodation service requirements, companies governance and fiduciary duties and as a finance provider to NCH group.

OBJECTIVES

Ref:	Objective <i>List each of the objectives (as outlined in the Project Purpose)</i>	Measure <i>Which performance indicator/s or measure/s will be used to monitor the achievement of the objectives?</i>	Baseline performance <i>What is the actual performance against the 'measure' at the project start?</i>	Target <i>What is the targeted performance against the 'measure'?</i>	Date <i>When will the target be achieved?</i>
1.	Retain use of (and potentially increase) Temporary accommodation available to NCC via NCHRP Ltd	Current 422 units – potential for additional 110 units (and associated savings compared to current B&B costs)	422 available units	To maintain	Dependent on solution approved by NCC

Ref:	Objective List each of the objectives (as outlined in the Project Purpose)	Measure Which performance indicator/s or measure/s will be used to monitor the achievement of the objectives?	Baseline performance What is the actual performance against the 'measure' at the project start?	Target What is the targeted performance against the 'measure'?	Date When will the target be achieved?
2.	Ensure repayment of the total outstanding £49.3m of borrowing from NCC by all three companies (instalments agreed at the time of borrowing, or earlier if companies elect to do so)	Repayments made as agreed including associated interest accrued (including any agreed deferral)	NCH, NCHRP repayments per loan facilities, NCHEL deferred by agreement until asset disposals take place	NCH, NCHRP repayments per loan facilities, NCHEL deferred by agreement until asset disposals take place	Dependent on solution approved by NCC
3.	Address the solvency challenges in NCHEL	Company can satisfy creditors as they fall due	Company can satisfy creditors subject to deferral agreement with NCH and NCC to postpone recovery until asset disposals agreed.	Assurance of full repayment of outstanding debt to NCC	Dependent on solution approved by NCC
4.	Maximise available cash within NCH Ltd to address repayment of the £20.133m debt owed to the HRA (£17.277m plus £2.856m interest)	Cash available for return to NCC after payment of creditor balances as at 31/3/23 plus any planned receipts from disposals	TBC – cash balance as at 31/3/23 will be subject to external assurance process	To ensure the repayment of the HRA debt by the Company subject to NCCs ongoing statutory obligations	Dependent on solution approved by NCC

Ref:	Objective List each of the objectives (as outlined in the Project Purpose)	Measure Which performance indicator/s or measure/s will be used to monitor the achievement of the objectives?	Baseline performance What is the actual performance against the 'measure' at the project start?	Target What is the targeted performance against the 'measure'?	Date When will the target be achieved?
5.	A managed withdrawal from the market rented business [timing to get out is driven by the solvency issue/ pressures]	Number of market rented properties in NCHEL	117 properties	Zero properties	Dependent on solution approved by NCC
6.	A residual company structure that is sustainable in terms of solvency and financial stability	Cash flow projections	TBC – NCHEL insolvent without approval of creditor deferrals, NCH and NCHRP solvent in FY23/24	Cash balances which equate to 3 months of operational expenditure for each entity	Dependent on solution approved by NCC
7.	Implement a legitimate and transparent legal and financial relationship between NCC and the NCH companies	Agreement for provision of services from NCC to NCH companies, data processing agreements, arms-length charging based on recognised standards	Agreements to be in place 1/4/2023	To comply with the agreements	1/4/2023

Ref:	Project Deliverables/Products List the tangible items / products (outputs) that the project has to create to achieve the objectives. This should include all products (outputs) throughout the life of the project and not just those at the end. Actions / timescales to create the deliverables should be identified within the Project Plan.	Date
1.	Outline business case for asset transfer/ movements/ disposal	9 June 2023
2.	Business model for operation of assets under outline case (costs/ revenues/ resultant savings)	16 June 2023

Ref:	Project Deliverables/Products	Date
	List the tangible items / products (outputs) that the project has to create to achieve the objectives. This should include all products (outputs) throughout the life of the project and not just those at the end. Actions / timescales to create the deliverables should be identified within the Project Plan.	
3.	NCC Approval of preferred option	End of June 2023
4.	Implementation plan for approved option – agreed between NCC and company Boards	July 2023-September 2024
5.	Company closures/ changes	March 2025.

PROJECT PLAN

Please list the **critical** milestones that your project must achieve if it is to be successful. These should be clearly linked to the identified deliverables and include all key decision making points. The project will be monitored against these.

Ref:	Task Name	Start	Finish	Owner
	Themes Asset valuation Financial appraisal Company governance Legal considerations Tax considerations Accounting and audit considerations Tenant Engagement Project planning Communications			
1.				
2.				
3.				

Ref:	Task Name	Start	Finish	Owner
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				

Project Budget & Source of Funding			
Please indicate the total cost of your project.			
Project Costs		Source of Funding:	
	• Project Board	Existing Budget	
	• Project Management	NCH - TBC	
	• Legal Services	NCH - TBC	
	• Taxation advice	NCH - TBC	
	• Valuations advice	NCH - TBC	

Ongoing Operational Costs:		Source of Funding:	
	• NCH Governance & management	Existing Budget	
	•		
	•		
Role	Name	Description / Activities	
Project Sponsor	Sajeeda Rose/Ross Brown	The Sponsor is seen as the major champion of the project at a Board level.	
Project Executive	Kevin Lowry/Ian Edward (consultant advisor)	<p>The Project Executive is the senior officer accountable for delivery of the project. The Project Executive has overall responsibility for the project, i.e. to ensure that it remains on target to deliver the expected objectives/benefits, the risks and issues are kept under control and the project will be completed within its budget and schedule. They are required to:</p> <ul style="list-style-type: none"> ▪ Approve the Project Initiation Document ▪ Set the limits within which the Project Manager can work without referring to the Project Board ▪ Chair Project Board Meetings ▪ Confirm the satisfactory completion of individual products, project stages and the project as a whole ▪ Recommend any future action on the project 	
Project Manager	Robert Adkin - TBC	The Project Manager (PM) is responsible for delivery of project, the authorisation of work packages, day-to-day management and project team leadership. They are also responsible for compliance with relevant reporting process to the Project Board and the Project Management Office. The PM should chair the Project Team Meetings.	
Finance Officer	Annabel Scholes - NCC Andrew Berry - NCH	<p>The Director of Finance Officer (Annabel Scholes) will provide the finance overview supported by the wider finance team relating to relevant specialisms from the following officers:</p> <ul style="list-style-type: none"> - HRA housing issues – Martin Johnson - GF housing issues – Alison Bennett - Companies finance issues - Kevin Barr - VAT and taxation issues – Gary Robbins - Accounting and audit considerations – Jean Stevenson <p>The team will provide assurance, support and advice, and be responsible for completing any complex finance related tasks within the scope of the project. Not all projects need a Finance Officer.</p>	
Project Partner/Analyst	Dal Singh	Provision of project support on a formal basis is optional – it is driven by the needs of the individual project and Project Manager. The Project Administrator will provide general administrative services e.g. arranging and minuting meetings, circulating papers and maintaining appropriate project files / records.	

<p>Project Team Members</p>	<p><u>NCC</u> Kevin Lowry Martin Johnson Beth Brown Ian Edward Mark Lowe</p> <p>Contracts/Procurement - Steve Oakley</p> <p><u>NCH</u> Andrew Berry - Corporate services Mona Sachdeva-Legal Mark Lawson- Subsidiaries/ RP Tim Shirley – Market rental George Pashley- Governance Tracey Martin - Finance</p>	<p>A member of the team is anyone who will deliver a key area of work (or work package) related to the project. Work packages will be allocated predominantly to members of the Project Board however discrete elements may be further sub-delegated or allocated to additional colleagues</p>
<p>Member led Project Board</p>	<p>Leader, Deputy Leader, Portfolio Holder, CLT.</p>	<p>The Project Board represents the decision-making authority for the project as well as a source of advice and guidance for the Project Manager. It may be chaired by the Project Executive and have senior representation from both the customer and supplier sides.</p>

<p>Key Stakeholders</p>	<p>NCC Members, corporate colleagues NCH Boards NCH Tenants, leaseholders, and service users of NCH subsidiaries. Suppliers and contractors. Grant providers RSH (Housing regulator)</p>	<p>People or groups outside the project team whose commitment or involvement is required, e.g. an external client, partners, Members, Director of another department, other government agencies, organisations, or any other significant interested parties.</p>
<p>Partners, External Contractors, etc.</p>	<p>Agency for ITA/ITF</p>	<p>Any third parties / contractors involved in the delivering the project.</p>

STAKEHOLDER ANALYSIS AND COMMUNICATIONS PLAN

Effective communication is vital to ensure that colleagues, partners and other stakeholders are aware of what you are doing, when it will be delivered, how they should be involved and what you need from them.

Stakeholder <i>(internal/external)</i>	Criticality How critical is their involvement to the success of the project? [H/M/L]	Involvement to Date [H/M/L]	Current Attitude [H/M/L]			Desired Attitude [H/M/L]			Plan for Engagement Outline how you will seek to move the current attitude in terms of 'awareness', 'buy-in' or 'ownership' to the desired attitude. Please include timescales for specific consultation and communication activities where known.
			Awareness	Buy in	Ownership	Awareness	Buy in	Ownership	
NCC elected members and CLT	H	H	H	H	H	H	H	H	Regular progress updates/briefings - monthly?
NCH Boards	H/M	M	H	L	L	H	H	H	Regular meetings; progress updates/briefings;
Suppliers and contractors (NHC)	M/L	L	L	L	L	H	H	H	Letter/email, regular updates as required
NCH customer base	M/L	L	L	L	L	H	H	H	Letter/email, regular updates as required
Private sector/ commercial landlords	M/L	L	L	L	L	H	H	H	Letter/email, regular updates as required

VALUE FOR MONEY IMPACT

Outline how you will obtain the maximum benefit with the resources available, achieving the right balance between economy, efficiency and effectiveness. This includes the cost of goods and services plus quality, resource use, fitness for purpose and timeliness to judge whether or not, together, they constitute good value.

The budget is delegated to the Project Sponsor in consultation with the Portfolio holder, 151 officer and monitoring officer. Any budget allocation or agreed spend is subject to a specific approved business case.

Explain how you will monitor and assess that the project is value for money.

A change to the current position is required in order to address risk and cost. Changes to the asset base and company structures must demonstrate positive contribution to the objectives and provide a positive impact against the costs of doing nothing and achieve either a favourable variance against NCC retained budgets or mitigate the impact of potential adverse variances.

EQUALITIES IMPACT

Outline the particular needs that have been identified with regards to equalities and diversity that you will seek to address as part of this project.
Identify if any particular groups will be affected by the project through potential outcomes.

The project may involve the potential TUPE of NCC staff into the company entities, equality impacts will be made should the preferred option involve staff transfer.

SUSTAINABILITY IMPACT

Outline any issues that will affect sustainability and climate change that you will seek to address as part of this project.
Consider whether equipment or products are energy (and/ or water) efficient and made from recycled or environmentally responsible materials.

No impacts

What waste or recycling demands will the project create and how will you ensure that the Council and partners sustainability policies are applied?
If your project is likely to increase energy usage please identify how you will offset this associated increase in carbon emissions.

As above it is not anticipated this project will create any additional recycling demands.

Explain how you will assess and mitigate the impact of the project.

Given the response above it is no mitigations are proposed or required at this stage.

INTERDEPENDENCIES & RISKS

Interdependencies: Interdependency is any activity, project, or task that: is dependent on your project delivering on time and within budget; or, your project is dependent on to deliver on time and within budget. There may be milestones within your project that are dependent on other tasks or milestones within a different project. Interdependencies need to be identified and managed to reduce the risk of project failure.

Name of interdependency Identify the activity, project, or task which affects (or is affected by) your project	Explain dependency relationship Describe <u>how</u> the activity, project, or task affects (or is affected by) your project	Action to Manage Describe the action you will take to ensure dependencies are managed effectively – this is likely to focus on communications.
NCC Homelessness temporary accommodation budget	Dependent on NCH RP ability to lease properties and let utilising enhanced housing benefit. Depends upon ability to retain independent RP and to viably staff this.	Ian Edward review of companies. Review of NCH staffing arrangements for RP and EL.

Name of interdependency Identify the activity, project, or task which affects (or is affected by) your project	Explain dependency relationship Describe <u>how</u> the activity, project, or task affects (or is affected by) your project	Action to Manage Describe the action you will take to ensure dependencies are managed effectively – this is likely to focus on communications.
Procurement	Post in-housing will need to consider the issue of continuation of novated contracts or the retendering/procurement of alternatives.	
Adult social care	ASC is a customer of the company. Options may involve the need for ASC to find alternative accommodation for c15 families.	

Provisional Risk Assessment:

Risk management is an ongoing activity throughout the project. Risks must be identified, and mitigating strategies drawn up. List any potential events that could cause the project to fail or go over budget or delay it significantly. Identify what you will do to seek to prevent the event/s occurring and the affect this will have on the risk assessment. Please use a scale of 1-5, where 1 is very unlikely and 5 is certain.

Risk/s	Current Risk Assessment			Risk Treatment Measure/s	Residual Risk Assessment			Responsible/ Risk Owner	Timescale/ Frequency of Review
	Impact (I)	Likelihood (L)	Risk Score (I*L)		Impact (I)	Likelihood (L)	Risk Score (I*L)		
Subsidiaries not viable	5	4	20	Budgeting for 23/24, deferral of loan repayments, short term disposal plan to recover lending/ security					
Loss of TA provision	3	3	9	Engagement with RP Board					
Reputational	3	4	12	A consistent and managed message is required if tenants are to be impacted through sale/ transfer of assets.					

	Lack of support and cooperation from NCH board directors	3	4	12	Continued engagement with board directors to ensure their views are represented in the assessment of options					
	Adverse financial impacts on NCC e.g. Impairment of loans to 3 companies	5	3	15	Key objective of any solution is to protect NCC General Fund lending to NCH companies and maximise recovery of funds from NCH to repay the HRA					
	Potential legal challenge to gain vacant possession of properties which are to be sold or re-purposed	3	4	12	Legal oversight of process for serving of notices, and ongoing support if challenges are raised					
	Regulatory intervention on the RP	5	3	15	Demonstrate clear plan and timeframe at which point RP operates as independent viable organisation					
	VAT, SDLT implications on NCC MTFP	3	4	12	To be addressed via preferred solution					

Item 3.3

Discussion Paper for Nottingham City Homes Company Directors **13th July 2023**

Background

This discussion paper outlines the options for NCH group properties which have been generated by the Council project team comprising of NCC housing and former NCH management colleagues.

The outcomes sought by the Council were set out in 2022 in conjunction with executive members and the council s151 officer at that time. They are:

1. Retain use of (and potentially increase) Temporary accommodation available to NCC via NCHRP Ltd to mitigate NCC GF costs
2. Ensure repayment of the total £49.3m of outstanding borrowing from NCC by all three companies (instalments agreed at the time of borrowing, or earlier if companies elect to do so)
3. Address the solvency challenges in NCH EL
4. Maximise available cash within NCH Ltd to address repayment (to the fullest extent possible) for the £20.133m debt owed to the HRA (£17.277m plus £2.856m interest))
5. A managed withdrawal from the market rented business
6. A residual company structure that is sustainable in terms of solvency and financial stability
7. Implement a legitimate and transparent legal and financial relationship between NCC and the NCH companies

Advice was commissioned in late 2022 from Savills on the marketability, and potential disposal options for properties across the three companies. This included soft market testing on an anonymous basis with ten potential future owners. Additionally, advice was taken from Trowers and Hamblins on the implications of asset disposals. That advice has informed the project team review of the potential options.

A number of the options considered do not support the outcomes sought by the council, and therefore are not brought to the directors of the NCH companies for further discussion. This is identified below where the options which were considered are listed:

A) Do Nothing (Not recommended for progression – considered in this paper to demonstrate the case for change)

B) Sell all NCH and NCH EL property assets on the open market with vacant possession (Not recommended for progression)

C1) Sell some NCH EL market rent on the open market with vacant possession. Transfer the remainder to NCH Limited and lease to NCH RP as Temporary

Accommodation, or market rent (in line with existing use) – (option to be considered further in this paper)

C2) Sell NCH EL market rent and NCH Arboretum property assets on the open market with vacant possession, consolidate all other assets in NCH Ltd (including NCHRP assets), amend usage of NCH Limited to become a new RP. NCHRP, and NCH EL subsequently wound up. (option to be considered further in this paper)

D) Transfer NCH social rent homes to NCC Housing Revenue Account, tenanted, transfer market rented properties to NCC general fund and convert to additional TA as units become vacant, transfer NCH dispersed homelessness properties to NCC and continue to lease to NCHRP. (Not recommended for progression)

E1) Sell all properties, and transfer leases on an Existing Use basis to a private not-for-profit Registered Provider of Social Housing. (Not recommended for progression).

E2) Sell all non-Market rental properties, on and transfer leases on an Existing Use basis to a private not-for-profit Registered Provider of Social Housing and Market rental. (Not recommended for progression)

Whilst it is regarded that sale of property assets on the open market with vacant possession will always deliver the highest potential capital receipt with which to repay outstanding loans and, for NCH Limited, potentially contribute to payment of the HRA debt, that option is balanced against increased revenue costs, reputational harm and possible legal challenges. Homelessness provision and the associated duty to shelter costs c£35k per family per annum in a hotel/ bed and breakfast.

At the time of documenting the options there is instability in the broader economic conditions for the UK as a whole, this may impact the ability to successfully implement options which require demand for properties by third parties.

A. Do Nothing	
Change proposed	❖ None. Leave all NCH companies to trade as they do currently
What is in scope	❖ All NCH company entities and their business as usual operations as at 1 st April 2023.
What is <u>not</u> in scope	❖ Any form of change to current business operations
How would it be implemented	❖ No implementation required
Implications for service users	<ul style="list-style-type: none"> ❖ No immediate impact, however market rent tenants would be impacted in due course due to NCH EL cash flow insolvency and the need to sell properties to address outstanding debts and maintain a positive cash position ❖ Potential loss of the TA facility at Fairham House if NCH EL was allowed to enter an unmanaged insolvency situation.
Financial Implications	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> NEGATIVE; <ul style="list-style-type: none"> <input checked="" type="checkbox"/> NCH EL could enter an unmanaged insolvency <input checked="" type="checkbox"/> NCC loans would not be paid as they fell due <input checked="" type="checkbox"/> No equity released to aid repayment towards HRA debt from NCH owned assets <input checked="" type="checkbox"/> NCH Ltd may not recover cash support provided to NCH EL in previous years
Legal Implications	❖ To achieve a managed insolvency notices to gain vacant possession are required, but could be open to challenge.
Risk Implications	<ul style="list-style-type: none"> ❖ Reliance of financial information relating to previous trading years may not provide assurance that NCH Ltd, and NCHRP are viable entities in the medium term, as a minimum fundamental review of the expected cash flow of each business is required to identify solvency or interventions required to achieve financial stability ❖ Reputational risk of an unmanaged insolvency (NCH EL) and adverse impacts for current tenants ❖ Risk associated with the implementation of a disposal plan for properties.
Advantages of this approach	<input checked="" type="checkbox"/> None. The objectives of the review fail to be addressed by this option.
Disadvantages of this approach	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Financial; <ul style="list-style-type: none"> ○ Doesn't optimise NCH EL insolvency position ○ Doesn't offer assurance of repayment of loans for the three companies ○ Does not offer assurance on future trading position of NCH Ltd, NCHRP ○ Doesn't address how funds will be maximised to repay HRA debt <input checked="" type="checkbox"/> Governance: a clear strategy for the three companies is not addressed <input checked="" type="checkbox"/> Governance: Lack of clear rationale for the existence of three separate companies which duplicate activities is not resolved
Key outcomes delivered	❖ None
Key outcomes <u>not</u> delivered	❖ 1, 2, 3, 4, 5, 6, 7

Summary

Do nothing is NOT a viable options for the reasons set out above.

Discussion

<p>C1. Sell some NCH EL market rent on the open market with vacant possession (determined by market demand). Transfer the remainder of unsold properties to NCH Limited and lease to NCH RP as Temporary Accommodation, or market rent (in line with their existing use)</p>	
<p>Change proposed</p>	<ul style="list-style-type: none"> ❖ Sell a proportion of NCH EL market rent homes with vacant possession on the open market to satisfy indebtedness against those properties ❖ Transfer remainder of properties which are unsold/ may prove uneconomical to sell to NCH Limited to lease to NCH RP for additional temporary accommodation (TA) or retain as market rent
<p>What is in scope</p>	<ul style="list-style-type: none"> ❖ NCH EL Market rent homes (number to be determined by market demand) – this option is a fall back to option C1 should market demand determine that not all NCHEL Market rental properties are viable to sell
<p>What is <u>not</u> in scope</p>	<ul style="list-style-type: none"> ❖ Properties owned by NCH RP freehold. ❖ NCH social rent homes ❖ NCH owned dispersed homes leased to NCH RP for TA ❖ NCH owned Midland House leased to NCH RP for TA ❖ NCH EL Fairham House, leased to NCH RP for TA ❖ NCH EL leased to NCC Social Care – although should be considered
<p>How would it be implemented</p>	<ul style="list-style-type: none"> ❖ Phased ending of NCH EL assured tenancies using Section 21 notices/ possession proceedings as required to realise vacant possession for sale on the open market ❖ Agreement on valuation methodology for properties to transfer that best achieves outcomes required by NCH EL and NCH Ltd ❖ Transfer ownership to NCH Limited & agree a Lease with NCH RP for TA that maintains on-going loan repayments or retain as market rent if the latter demonstrates that the costs (including financing of the properties are covered by the rental income generated), exploration of restructure of current NCC debt may be required. . ❖ NCC deferral of recovery of loan repayments during the period of the disposal programme ❖ Managed closure of NCHEL once it has disposed of its assets
<p>Implications for service users</p>	<ul style="list-style-type: none"> ❖ NCH EL market rent tenants will have to leave – same for any option, although some properties may be retained for market rent ❖ Potential further provision of temporary accommodation for NCH RP from NCH meaning more families move out of unsuitable B&B
<p>Financial Implications</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> POSITIVE; <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Starts to address the debt and accrued interest associated with the NCHEL market rental properties. <input checked="" type="checkbox"/> Allows on-going trading of NCH at a level sufficient to meet future debt and interest payment liabilities

	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Gives scope to make effective use of properties that cannot be sold on the open market for optimal value, <input checked="" type="checkbox"/> NEGATIVE; <input checked="" type="checkbox"/> NCH Ltd would need to take on NCH EL borrowing if market rent homes are converted to TA or retained for market rent use. <input checked="" type="checkbox"/> NCC may need to restructure debt associated with homes transferred from NCHEL to NCH Ltd to achieve a sustainable financial outlook for those properties. <input checked="" type="checkbox"/> Model susceptible to change if HB policies change <input checked="" type="checkbox"/>
<p>Legal Implications</p>	<ul style="list-style-type: none"> ❖ Section 21 Notices could be open to challenge and need to keep an eye on the provision of the new Renters Reform Bill legislation for grounds for possession being amended and the Supported Housing Regulatory oversight bill in relation to supported exempt housing. ❖ In relation to transfer of NCHEL units to NCH An intra-group asset transfer at book value is challengeable if it constitutes either an unlawful distribution in kind or an unlawful return of capital. Each transferring company will need to ensure that it has profits available for distribution (even as little as £1) and provided there are distributable reserves it is acceptable for that transferring company to transfer assets at less than market value (but no less than book value). However, if assets are transferred at less than market value this may expose the group to a number of potential company law problems which carry serious penalties and or consequences. <ul style="list-style-type: none"> ❖ If the group elects to transfer the assets at full market value, market value will need to be determined with commercial advice.
<p>Risk Implications</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Ending of NCH EL market rent tenancies presents a low reputational risk to NCC. <input checked="" type="checkbox"/> As with other options involving sale of assets at market rent, sale values achieved may not be in line with market valuations. Legal and tax liability on profits impacting cash released from sale <input checked="" type="checkbox"/> Changing the use of properties which cannot be sold does not guarantee ongoing viability of NCH Ltd. Income may not be sufficient to cover running costs and meet future debt liabilities. <input checked="" type="checkbox"/> NCC may not require additional TA which limits this solution to maintaining the market rental properties for that same use, which may not be financially viable for NCH Ltd
<p>Advantages of this approach</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> End of market rent in a standalone company <input checked="" type="checkbox"/> Prepares NCHEL for a managed closure <input checked="" type="checkbox"/> Addresses NCC debts against the Market rental properties to the maximum extent possible under current market conditions. <input checked="" type="checkbox"/> Provides a fall back to option C1 should market demand not require all 143 Market rental properties

	<ul style="list-style-type: none"> ☑ Utilising the remainder of market rent homes for temporary accommodation through NCH in the short term would deliver revenue savings in reduced B&B costs, whilst maintaining loan repayments (subject to this aligning with NCC housing strategy for homelessness). ☑ May provide a holding solution until market conditions improve and houses can be sold to market in the future when conditions improve
Disadvantages of this approach	<ul style="list-style-type: none"> ☒ NCH EL loans would not be paid in full, debt would remain on the residual Market rental properties and would need to be serviced by operating revenues in NCH Ltd. ☒ An increase in dispersed temporary accommodation is not part of the long term Council plan for tackling homelessness. However, such plans will take a time to enact, so short term measures could be considered to reduce current B&B spend. One property equals a £35k per annum B&B saving. ☒ Potential for increased costs in repairing damage and additional void rent loss whilst dealing with dilapidations
Key outcomes delivered	❖ 1, 2 (in part), 3, 5, 6, 7
Key outcomes <u>not</u> delivered	❖ 2 (in part) and 4
Summary	<p>This option provides a compromise/ hybrid between repaying all borrowing and increasing TA provision to mitigate the on-going revenue implications of rising homelessness.</p> <p>Following the open market vacant possession sale of sufficient market rent homes to satisfy the current indebtedness and repay some loans, remaining market rent homes could be transferred to NCH and put to a short term alternative use or continued market rent. This would allow for the closedown of NCH EL.</p> <p>Conversion of some market rent properties for use as temporary accommodation, owned by NCH (subject to agreed valuation and viability), could deliver £35k per property in B&B savings annually.</p> <p>This could be a short to medium term measure whilst other homelessness prevention and hostel measures are implemented, then sold with vacant possession and loans settled.</p>

C2. Sell NCH EL market rent and NCH Arboretum property assets on the open market with vacant possession, consolidate all other assets remaining after the sales project in NCH Ltd (including NCHRP assets). Amend usage of NCH Limited to become a new/ the new Registered Provider. NCHRP, and NCH EL subsequently wound up.

Change proposed	❖ Open market sale of NCH EL owned market rent property assets and NCH Arboretum property assets with vacant possession to maximise available cash to address payment to NCC.
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	<ul style="list-style-type: none"> ❖ All assets remaining after sales have been attempted, are consolidated into NCH Limited. NCH Limited adopts RP status to become NCC's new RP. ❖ NCHEL and NCHRP are closed when appropriate
What is in scope	<ul style="list-style-type: none"> ❖ All properties are in scope
What is <u>not</u> in scope	<ul style="list-style-type: none"> ❖ All properties are in scope
How would it be implemented	<ul style="list-style-type: none"> ❖ Phased ending of existing NCH EL assured shorthold and periodic tenancies using Section 21 notices and possession proceedings as required. ❖ Phased placing of properties for sale on the market with vacant possession (including Arboretum). ❖ NCH Limited seeks RP status from Housing Regulator and is engaged by NCC as its new RP ❖ Acquisition by NCH Ltd of all subsidiary assets and transfer of leases to NCH Limited ❖ NCH Limited assumes responsibility for all NCC borrowing, proposing adjusted terms if appropriate ❖ NCH Limited to become employer of staff directly associated with the business/ where NCC has delegated its function to the new RP ❖ Managed closure of NCHEL and NCHRP once they have disposed of its assets
Implications for service users	<ul style="list-style-type: none"> ❖ All NCH EL market rent tenants (143 of) may potentially have to leave their home, but this will be determined by the number of properties for which sales are actually achieved ❖ All other service users remain unaffected
Financial Implications	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> POSITIVE; <ul style="list-style-type: none"> <input checked="" type="checkbox"/> This option will address outstanding loan repayments to NCC for market rent to the extent of the sales achieved. <input checked="" type="checkbox"/> Employment of staff by the amended NCH entity will avoid VAT (in part) that is paid on current service agreement with NCC (which is a significant net cost to the NCH entities) <input checked="" type="checkbox"/> Could provide modest additional equity on sale completion to contribute to HRA repayment through payment of funds via shareholding to parent co NCH Ltd <input checked="" type="checkbox"/> Advantage of tax group between the three companies whilst property transactions are being made <input checked="" type="checkbox"/> Over time the adjusted NCH Limited entity could seek third party finance to relieve NCC as sole lender (on either current lending, or future lending required for growth) <input checked="" type="checkbox"/> NEGATIVE; <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Reduced rental income and potential NCH EL cash-flow issues during void periods prior to sale. <input checked="" type="checkbox"/> NCH would need to have assurance that in assuming responsibility for NCHEL/ NCHRP borrowing against assets it takes ownership of, the financial performance of those assets is sustainable to meet their costs
Legal Implications	<ul style="list-style-type: none"> ❖ Section 21 Notices will need to be served and possession and/ eviction proceedings undertaken if vacant possession is not delivered

	<ul style="list-style-type: none"> ❖ The Arboretum was acquired from NCC by way of a 999 year lease containing covenants which will apply on sale. ❖ The Arboretum properties have not met the desired standards for sale to obtain optimum market value ❖ The Arboretum acquisition costs together with the value of works carried out to date exceed the value of the assets therefore an impairment will arise. ❖ NCH limited constitution will require adjustment to become fit for purpose as an RP ❖ NCC will need to engage the new entity as its RP ❖ NCC will need to delegate homelessness function to the new RP with an associated contracting arrangement ❖ Current services contract with NCC will require amendment to remove services that NCH as an employer will provide to itself ❖ All parties will have to agree changes to the current lending and mortgage agreements in order to enable the transfer of asset ownership
<p>Risk Implications</p>	<ul style="list-style-type: none"> ☑ Ending of NCH EL market rent tenancies presents a low reputational risk to NCC. ☑ Loss to NCH limited on sale of the Arboretum leases reducing the value of return to the HRA from these assets ☑ values achieved may not be in line with market valuations. Legal and tax liability on profits impacting cash released from sale ☑ Duration of disposal programme will incur growing accrued interest charges to NCC which creates a risk that despite sale NCC borrowing is not repaid in full and impairments are required ☑ If NCC loan is not satisfied there will by implication be no funding available for NCH EL to repay support taken from the parent co in previous years, leading to impairment in NCH Ltd, it may need to be discounted from prices paid by NCH to acquire NCH EL assets ☑ Market may not respond to disposal due to pressures on buyers in terms of interest rate and mortgage availability ☑ Risk that NCH Limited is not successful in satisfying the Housing Regulator to obtain RP status ☑ Complex transition which involves asset transfers and TUPE and significant legal support
<p>Advantages of this approach</p>	<ul style="list-style-type: none"> ☑ Potential to create a new more resilient RP entity that has potential for growth ☑ Low customer impact and maintains affordable housing provision ☑ Has potential to produce capital receipts for the repayment of outstanding borrowing by NCH EL to NCC and parent company support from previous financial years ☑ Recovers sums back to NCH reserves which have been used to fund the construction of Arboretum to date, and should improve NCH cash reserves and capacity to address the HRA debt in part (but not in full). ☑ reduces NCC involvement in market rent provision, with an aspiration to end such provision ☑ reduces company structure to a single entity

Disadvantages of this approach	<ul style="list-style-type: none"> ☒ Rules out the option of waiting for completion of arboretum and for market conditions to recover to avoid impairment that would occur if sold in the near term. ☒ Complex programme of change to co-ordinate which requires involvement of 4 separate entities and external engagement with the market and Housing Regulator
Key outcomes delivered	❖ 1, 2, 3, 5, 6, 7
Key outcomes <u>not</u> delivered	❖ 4 (addressed in part but not full)
Summary	<p>The adjustment to NCH Limited to become a new, resilient (asset owning) RP reduced the number of companies to a single entity which would employ the majority of staff required to undertake its functions. Under an adjusted constitution this entity would serve as the Councils RP. Consolidation of the assets under a new RP creates a potential for further options in respect of NCCs ownership stake in the entity in the future.</p>