

## **POLICY & FINANCE COMMITTEE**

**25 JUNE 2020**

### **NEWARK & SHERWOOD HOMES LTD - VOLUNTARY WINDING-UP AND DISSOLUTION**

#### **1.0 Purpose of Report**

1.1 To consider giving delegated authority to the Chief Executive and/or the Director - Governance and Organisational Development to act on behalf of the Council as sole shareholder to authorise all documentation necessary to effect the voluntary winding-up and dissolution of Newark and Sherwood Homes Limited (the Company).

#### **2.0 Background Information**

2.1 At its meeting of 26 September 2019, the Policy & Finance Committee agreed to transfer the Council's housing management service back in-house for direct service provision, and to commence the necessary processes for the subsequent wind-up and dissolution of the Company.

2.2 The housing management service, including all its assets and liabilities, transferred to the Council on 1 February 2020.

#### **3.0 Proposals**

3.1 The Newark and Sherwood Homes' Board is due to meet shortly to agree to commence the process to voluntarily wind-up and dissolve the Company.

3.2 The Board will consider a report setting out in detail the conditions that need to be satisfied before a formal application to complete the winding-up process can be made to Companies House. The Board will need to be satisfied that all contracts have been novated, properties transferred, that all creditors have been discharged, that bank accounts have been closed, and that the business is no longer trading.

3.3 At the time of writing this report, almost all this work has been completed. All property has been transferred, the Company is de-registered for VAT, the bank account will be closed as soon as the last few direct debits are transferred to the Council, and arrangements are being put in place to close down the payroll scheme. A small number of contracts remain to be novated, and a response from HMRC is awaited regarding corporation tax.

3.4 The voluntary dissolution process is fairly straightforward. It involves a submission to Companies House and a published notice in the London Gazette inviting any person to state why the Company should not be struck off. Assuming there will be no representation to the notice in the London Gazette, Companies House estimate that the company will be struck off 2 months after the notice. It is estimated that this will be no later than November.

3.5 As the Council is sole shareholder of the Company, it is necessary for the Council to approve the voluntary dissolution of the Company before an application is made to Companies House. It is proposed that the Chief Executive and/or the Director of Governance and Organisational Development be given delegated authority to attend the

Newark and Sherwood Homes Board/Shareholder meeting and give the necessary approvals.

#### **4.0 Equalities Implications**

4.1 There are no equalities implications arising from the report.

#### **5.0 Financial Implications (FIN20-21/4505)**

##### Revenue Current Year

5.1 The Company's External Auditors Beever and Struthers wrote to HMRC on the 27<sup>th</sup> January 2020 enquiring about the Corporation Tax liability for the Company arising from the 19/20 financial year. A letter was received back from HMRC 19<sup>th</sup> May 2020, which stated that once the application to strike off the company is received by the Registrar at Companies House, a decision will then be made as to whether there may be a Corporation Tax liability for the 19/20 financial year. Any liability arising would be calculated on activity from interest receivable (both bank and loan interest). All income the Company received from the Council (through the Management Fee) would be deemed ineligible for Corporation Tax liability. Any liability arising can be funded within the HRA.

5.2 As referred to in paragraph 3.3 of the report, the Company has been de-registered for VAT. The financial management system has been combined into the Council's position so that the Council now accounts for all transactions. There are a small number of Direct Debits still being taken from the Company's bank account and work is on-going with those suppliers to move the Direct Debit to the Council's bank account. Once the Board has approved the dissolution of the Company, the final payroll run can take place, which will then allow for the closure of the Company's payroll scheme with HMRC.

5.3 There is no requirement for the Company to file accounts with Companies House prior to its dissolution.

5.4 Once the actions at paragraph 3.3 have been concluded, the application for dissolution can then be submitted with a fee payable of £10. This will be funded from within the HRA.

#### **6.0 Community Plan – Alignment to Objectives**

6.1 This proposal aligns with the Council's Community Plan objective to "Generate more income, improve value for money and increase residents' satisfaction with the Council". There is a specific action under this objective to undertake a review and implement the option that delivers the management of the Council's housing stock in the most cost effective and appropriate way. It has been agreed by Committee that the reintegration of the housing service back with the Council will deliver the most cost effective and appropriate delivery of the service for tenants and leaseholders.

#### **7.0 RECOMMENDATION**

**That delegated authority be given to the Chief Executive and/or the Director - Governance & Organisational Development to attend the necessary Newark and Sherwood Homes Board/Shareholder meetings on behalf of the Council in its capacity as**

**sole shareholder, and authorise all documentation necessary to effect the voluntary winding-up and dissolution of Newark and Sherwood Homes Limited.**

**Reason for Recommendation**

**To progress the decision of the Council to dissolve Newark and Sherwood Homes Ltd, given that assets and liabilities transferred to the Council on 1 February 2020.**

**Background Papers**

260919 – Policy & Finance Committee – Housing Management Review

150620 - Newark and Sherwood Homes Board Paper – Voluntary Dissolution of Company

For further information please contact Natalie Cook on Ext.5275 or Sue Bearman on Ext. 5935

Karen White

Director – Governance & Organisational Development