

## **Appendix 3 – Council Trading Company Update 2022/23, Quarter 2**

### **Introduction**

1. As at Quarter 2 2022/23, the Council's trading structure consists of five separate legal entities set out in table 1 below and presented as a flow chart at the end of this report along with detailed financial results.

**Table 1: Harrow Council Trading Structure**

<b>Name</b>	<b>Legal Structure</b>	<b>Date Started Trading</b>
Concilium Group Limited (Holding Company)	UK Limited Company	November 2015
Concilium Business Services Limited	UK Limited Company	November 2015
Sancroft Community Care Limited	UK Limited Company	January 2018
Concilium Assets LLP	Limited Liability Partnership	January 2019
Harrow Strategic Development Partnership LLP	Limited Liability Partnership	March 2021

2. These entities have been set up to provide a financial or other benefit to the Council whilst enabling it to undertake specific commercial activities.
3. The Council's interests in these entities are not material for the purposes of the financial statements. The Council's financial statements do not therefore include group accounts.

### **Background**

4. Concilium Group Ltd. is a wholly owned commercial subsidiary of the Council, set up with the dual purpose of consolidating the financials of its subsidiaries and to act as the minority partner in a Council controlled Limited Liability Partnership (Concilium Assets LLP). For reporting purposes, Concilium Group Limited is classified as a dormant entity.
5. Concillium Business Services Ltd is a wholly owned subsidiary of Concillium Group Ltd. Until February 2019 its principal source of revenue came from the property management of 100 homes, managed on behalf of Harrow Council. Its activities are now kept to a minimum.
6. Sancroft Community Care Ltd is a wholly owned subsidiary of Concilium Group Ltd. The company took over the operation of the residential care home for the elderly situated on Sancroft Road, Harrow on 8<sup>th</sup> February 2018. Of the care home's 62 beds, 45 are block contracted with the London Borough of Harrow for five years.

7. Concilium Assets LLP is a Limited Liability Partnership owned 95% by Harrow and 5% by Concilium Group Ltd, set up to enable direct private rental sector (PRS) property investment activities. 53 PRS units on Gayton Road were transferred to the LLP in July 2019 on a 10 year lease for rent to the private market.
8. Harrow Strategic Development Partnership LLP (HSDP LLP) is a Limited Liability Partnership owned 50% by Harrow and 50% by Wates Construction Limited, set up to facilitate the development of Council assets at Poets Corner, Peel Road and Byron Quarter phase 1 as per the Council's Regeneration Programme. The Council's investment in the LLP will primarily be the transfer of the land once individual schemes are ready to commence.

## **Financial Implications**

9. The accounting year end for all of these entities is 31<sup>st</sup> March in line with the Council's year end. This report references detail for financial years ended 2022 along with a summary for financial years ended 2023 and 2024.
10. The financial position for the companies for the year ending 31<sup>st</sup> March 2022 is summarised in Table 4. Financial accounts have been prepared for the year ended 31<sup>st</sup> March 2022 for Sancroft Community Care Limited and Concilium Assets LLP and the audits underway. Financial accounts are being prepared for the year ended 31<sup>st</sup> March 2022 for Concilium Group Ltd and Concilium Business Services Ltd.
11. The detailed annual forecast position to 31<sup>st</sup> March 2023 for the council's trading structure has been summarised in Table 5. These figures have not yet been subject to audit.
12. The annual forecast position for the council's trading structure has been summarised in Table 6. The table covers financial years 2020/21 to 2023/24 in line with the respective business plans.

### **Concilium Business Services Ltd**

13. Concilium Business Services Ltd underwent a strategic change of direction and the details were presented as part of the part two savings tracker to Cabinet in July 2019. As a result, the company is now only responsible for the management of 2 homes. The company retains 5% of the income collected from tenants and distributes the remaining 95% back to the Council.
14. The 5% retained income from tenants is insufficient to cover the company's running costs. Various options are now being considered for the company to be wound up. The future financial position in Table 6 assumes that Concilium Business Services Limited will be closed by the end of the 2022-23 financial year.

### **Sancroft Community Care Ltd**

15. The audited financial information for Sancroft Community Care Ltd for the year ending 31<sup>st</sup> March 2022 is summarised in Table 4 at the end of this report. A financial summary of Sancroft's performance against its business plan (budget) for 2022/23 is presented in Table 2 below.

**Table 2: Sancroft Forecast Annual Position as at 31<sup>st</sup> March 2023**

<i>Negative/(Positive)</i>	Full year Forecast	Annual Budget	Forecast Budget Variance
Total Income	(2,665,000)	(2,673,000)	8,000
Total Expenditure	2,543,000	2,522,000	21,000
<b>(Net Profit)/Loss</b>	<b>(122,000)</b>	<b>(151,000)</b>	<b>29,000</b>

16. There is uncertainty over the forecast caused by current high levels of inflation impacting the cost of energy and food.

### **Concilium Assets LLP**

17. The audited financial information for Concilium Assets LLP for the year ending 31<sup>st</sup> March 2022 is summarised in Table 4 at the end of this report. A financial summary of the LLP's performance against its business plan (budget) for 2022/23 is presented in Table 3 below.

**Table 3: LLP Forecast Annual Position as at 31<sup>st</sup> March 2023**

<i>Negative/(Positive)</i>	Full year Forecast	Annual Budget (B-Plan)	Forecast Budget Variance
Total Income	(1,113,058)	(1,104,619)	(8,439)
Total Expenditure*	1,098,124	1,092,188	5,936
<b>(Net Profit)/Loss</b>	<b>(14,934)</b>	<b>(12,431)</b>	<b>(2,503)</b>

\* See paragraphs 18 - 20 below

18. The Council charges the LLP 33% of its turnover (the lease rent) which is accounted for as an expense in the accounts of the LLP. This expense was not included in the original business plan however it has been reflected in the refreshed business plan approved by Cabinet on 23<sup>rd</sup> September 2021. The lease rent is a direct benefit to the Council and is included in the MTFS.

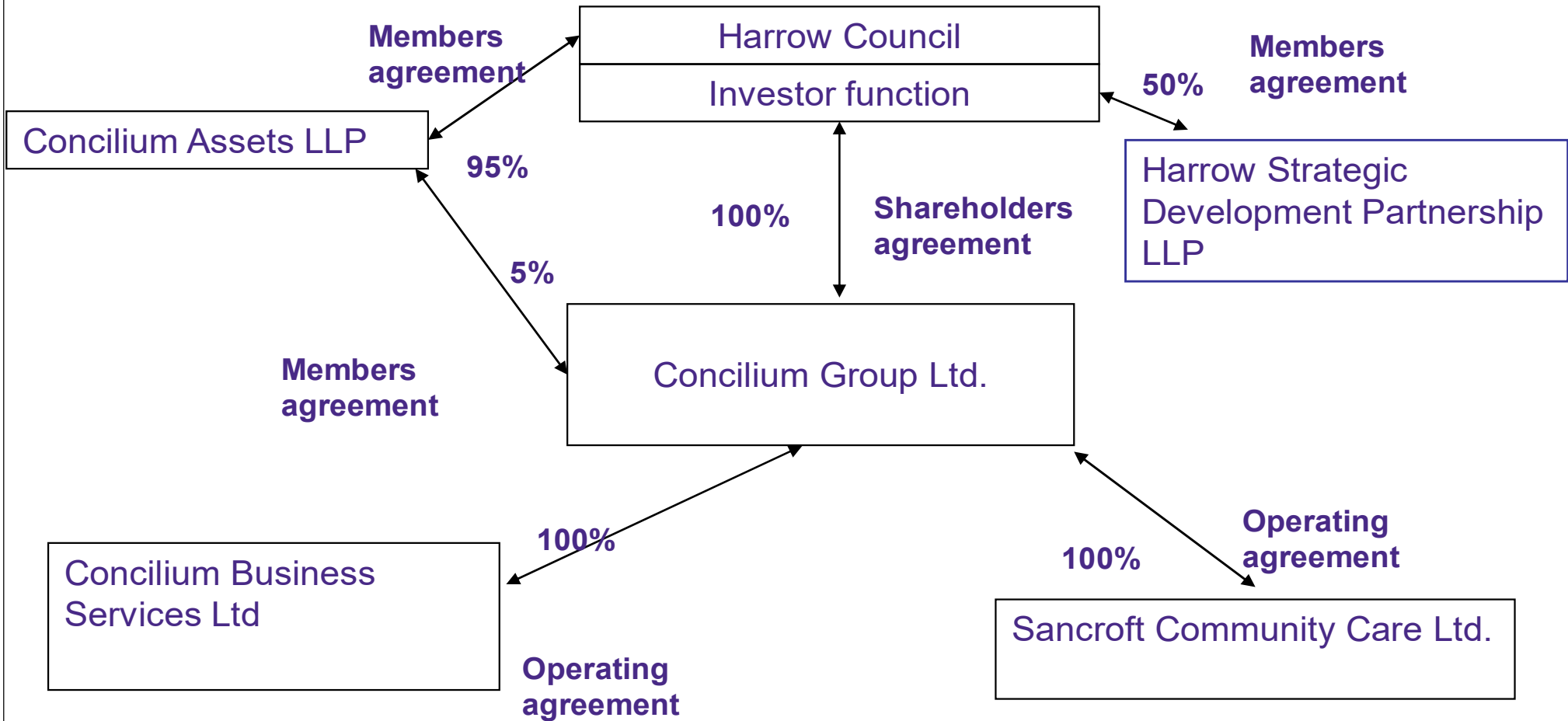
19. The LLP accounts for 2019/20 include a technical adjustment spreading lease rent payments to the Council over the full term of the lease rather than accounting for them on a cash basis. The value of this adjustment for 2019/20 is £199,687 resulting in a loss in the audited company accounts for 2019/20 of £74,755. The £199,687 adjustment will be offset by rental income received in future years.

20. Any remaining profit is distributed back to the council as a dividend. The position for the LLP including these distributions is published in the business plan and included in the council's MTFS. The amount paid to the Council in respect of lease rent and dividend for 2021/22 was £406k. The amount expected to be paid for 2022/23 is £580k.

### **Funding Arrangements**

21. Concilium Assets LLP was granted a start-up loan of £175,000 which was fully drawn down in 2019. An additional short term loan facility to the LLP of up to £250k was approved by Cabinet in July 2019 of which only £100k was drawn down. These loans were repaid in full before March 2020, ahead of business plan projections.

# Harrow Council Commercial Structure



**Table 4: Trading Structure Full Year Position to 31<sup>st</sup> March 2022 - unaudited**

£ Negative/( £ Positive)	Concilium Business Services Ltd	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP	Aggregate Position
Income	(35,000)	0	(2,627,000)	(1,108,695)	(3,770,695)
Direct and Administrative Expenditure	50,000	3,000	2,538,000	922,952	3,513,952
(Net Profit)/Loss	15,000	3,000	(89,000)	(185,743)	(256,743)
Retained Earnings c/f	(234)	10,824	(144,000)	(130,043)	(263,453)

**Table 5: Trading Structure Full Year Forecast to 31<sup>st</sup> March 2023 - unaudited**

£ Negative/( £ Positive)	Concilium Business Services Ltd	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP	Aggregate Position
Income	(10,000)	(10,197)	(2,665,000)	(1,113,058)	(3,798,255)
Direct and Administrative Expenditure	15,000	4,000	2,568,000	1,098,124	3,685,124
(Net Profit)/Loss	5,000	(6,197)	(97,000)	(14,934)	(113,131)
Retained Earnings c/f	4,766	4,627	(241,000)	(144,977)	(376,584)

**Table 6: Trading Structure Full Year Forecast for MTFS**

£ Negative/( £ Positive)	Concilium Business Services Ltd	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP	Aggregate Position
Retained Earnings b/f	(15,234)	7,824	(56,000)	55,700	(7,710)
(Net Profit)/Loss - 2021/22	15,000	3,000	(88,000)	(185,743)	(255,743)
(Net Profit)/Loss - 2022/23	5,000	(6,197)	(97,000)	(14,934)	(113,131)
(Net Profit)/Loss - 2023/24	-	(6,957)	-	(20,792)	(27,749)
Retained Earnings c/f	4,766	(2,330)	(241,000)	(165,769)	(404,333)