

Appendix 4 – Council Trading Company Update 2023/24, Quarter 3

Introduction

1. As at Quarter 3 2023/24, the Council's trading structure consists of four 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

Name	Legal Structure	Date Started Trading
Concilium Group Limited (Holding Company)	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. 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 8th February 2018. Of the care home's 62 beds, 45 are block contracted with the London Borough of Harrow for five years.
6. 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.
7. 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

8. The accounting year end for all of these entities is 31st March in line with the Council's year end. This report references detail for financial years ended 2023 along with a summary for financial years ended 2024.
9. The detailed annual position to 31st March 2023 for the council's trading structure has been summarised in Table 4. These figures have not yet been subject to audit.
10. The detailed annual forecast position to 31st March 2024 for the council's trading structure has been summarised in Table 5.
11. 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.

Sancroft Community Care Ltd

12. The unaudited financial information for Sancroft Community Care Ltd for the year ending 31st March 2023 is summarised in Table 4 at the end of this report. A financial summary of Sancroft's performance against its business plan (budget) for 2023/24 is presented in Table 2 below.

Table 2: Sancroft Unaudited Annual Position as at 31st March 2024

<i>Negative/(Positive)</i>	Full year Actual	Annual Budget	Forecast Budget Variance
Total Income	-2,906,832	-2,860,970	-45,862
Total Expenditure	2,800,484	2,781,763	18,721
(Net Profit)/Loss	-106,348	-79,207	-27,141

13. Costs have been controlled despite pressures relating to increase in the price of essential supplies and recruiting/retaining staff.

Concilium Assets LLP

14. The audited financial information for Concilium Assets LLP for the year ending 31st March 2023 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 2023/24 is presented in Table 3 below.

Table 3: LLP Unaudited Annual Position as at 31st March 2024

<i>Negative/(Positive)</i>	Full year Actual	Annual Budget (B-Plan)	Forecast Budget Variance
Total Income	-1,232,643	-1,189,922	-42,721
Total Expenditure*	1,205,028	1,174,761	30,267
(Net Profit)/Loss	-27,615	-15,161	-12,454

* See paragraphs 18 - 20 below

15. 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. The lease rent is a direct benefit to the Council and is included in the MTFS.

16. 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 to be paid to the Council in respect of lease rent and dividend for 2023/24 will be £602k (it was £580k in 2022/23).

HARROW COUNCIL UPDATED COMMERCIAL STRUCTURE

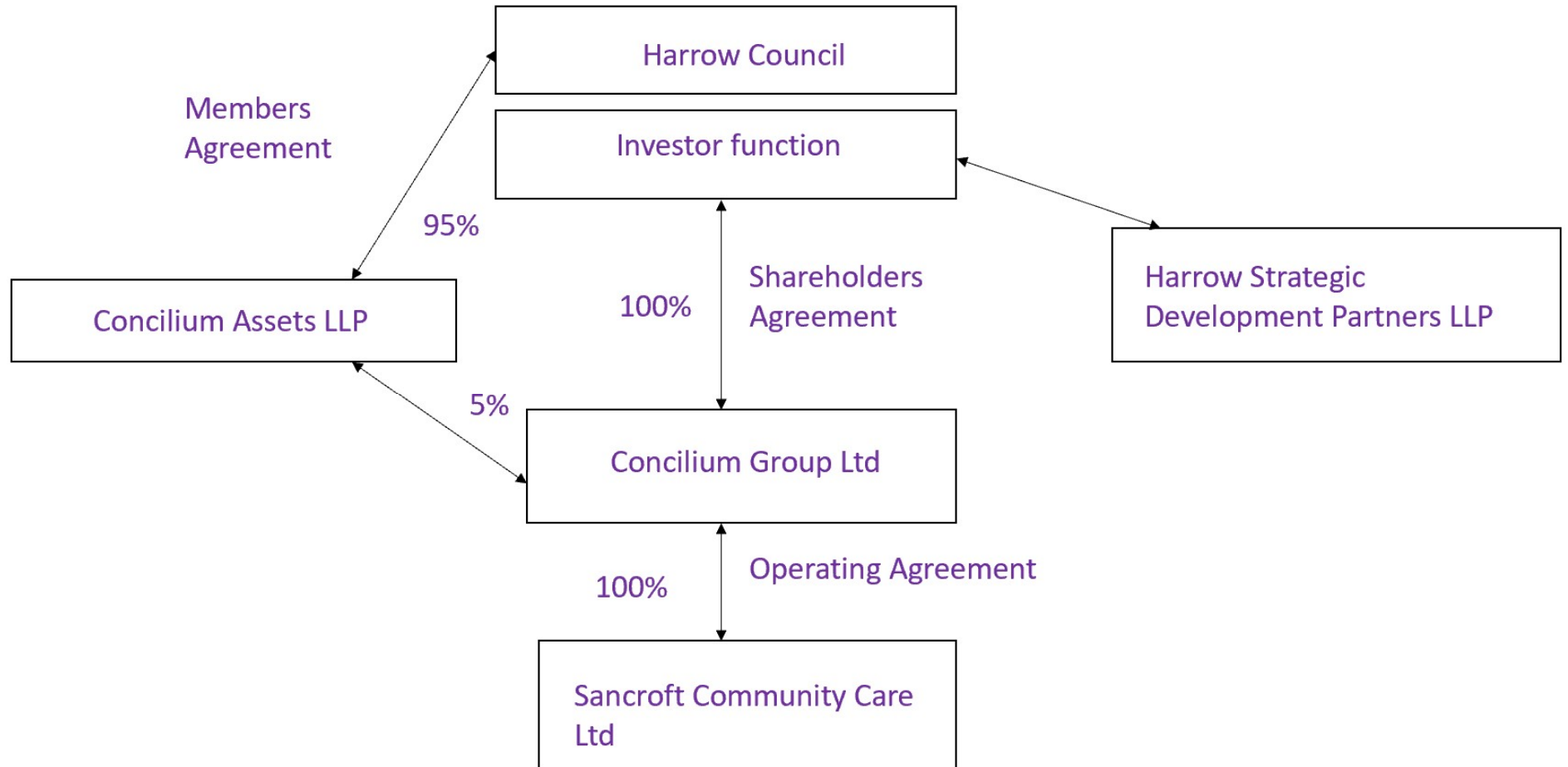


Table 4: Trading Structure Full Year Position to 31st March 2023

£ Negative/(£ Positive)	Concilium Business Services Ltd	Concilium Group Ltd (unaudited)	Sancroft Community Care Ltd (unaudited)	Concilium Assets LLP (audited)	Aggregate Position
Income	-31,400	-10,261	-2,836,963	-1,152,139	-4,030,763
Direct and Administrative Expenditure	18,885	-6,727	2,578,409	1,126,649	3,777,872
(Net Profit)/Loss	-12,515	-16,988	-258,554	-25,490	-252,891
Reserve transfer on closedown (previously taxed profits)	24,680	-24,680	N/A	N/A	0
Retained Earnings c/f	0	-27,681	-531,218	-153,429	-712,328

Table 5: Trading Structure Full Year Forecast to 31st March 2024

£ Negative/(£ Positive)	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP	Aggregate Position
Income	0	-2,906,832	-1,232,643	-4,139,475
Direct and Administrative Expenditure	4,000	2,800,484	1,184,247	3,988,731
(Net Profit)/Loss	4,000	-106,348	-48,396	-150,744
Less Corporation Tax		28,605		
Less reserve-funded capex	0	0	20,781	20,781
Retained Earnings c/f	-23,681	-77,743	-181,044	-282,468

Table 6: Trading Structure Full Year Forecast for MTFS

£ Negative/(£ Positive)	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP	Aggregate Position
Retained Earnings b/f	7,824	-56,030	55,700	7,524
(Net Profit)/Loss - 2021/22	6,163	-216,634	-183,639	-394,110
(Net Profit)/Loss - 2022/23	-41,668	-258,554	-25,490	-265,093
(Net Profit)/Loss and reserve adjustment- 2023/24	4,000	-77,743	-27,615	-101,358
Retained Earnings c/f	-23,681	-608,961	-181,044	-813,686