

Appendix 6 – Council Trading Company Update 2020/21, Quarter 4

Introduction

1. As at Quarter 4 2020/21, 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
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

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. Harrow Council either directly or indirectly holds a 100% controlling interest in each of them.

Background

3. 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).
4. 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.
5. Sancroft Community Care Ltd is a wholly owned subsidiary of Concilium Group Ltd. It was set up to take over the operation of the now 62 bed residential care home for the elderly. 45 of these beds are block contracted with the London Borough of Harrow for five years.
6. Concilium Assets LLP (The 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.

Financial Implications

7. The accounting year end for all of these entities is the 31st March in line with the council’s year end. This report references detail for financial years ended 2020 and 2021 along with a summary for financial years ended 2022 and 2023.

8. Financial accounts have been prepared for the year ended 31st March 2020 for Sancroft Community Care Limited and Concilium Assets LLP. Audits of these accounts have been completed. Group accounts have been prepared for Concilium Group Limited and Concilium Business Services Limited. These accounts are currently being audited. For reporting purposes, Concilium Group Limited is classified as a dormant entity. The published financial position for the companies for the year ending 31st March 2020 is summarised in Table 4.
9. The detailed annual forecast position to 31st March 2021 for the council's trading structure has been summarised in Table 5. These figures have not yet been subject to audit.
10. The annual forecast position for the council's trading structure has been summarised in Table 6. The table covers financial years 2020/21, 2021/22 and 2022/23 in line with the respective business plans.

Concilium Business Services Ltd

11. Concilium Business Services Ltd has undergone 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 legal ownership of 2 homes. The company retains 5% of the income collected from these tenants, distributing the remaining 95% back to the Council.
12. The entity is now trading as a principal as opposed to an agent, thus retaining legal ownership of these properties and neither charging a management fee nor undertaking any property management/agency activities.
13. The future financial position in Table 6 assumes that Concilium Business Services Limited shall remain active with minimal activities which may be subject to change in the coming years as there is a view to winding down the company.

Sancroft Community Care Ltd

14. The audited financial information for Sancroft Community Care Ltd for the year ending 31st March 2020 is summarised in Table 4 at the end of this report. A financial summary of Sancroft's performance against its business plan (budget) for 2020/21 is presented in Table 2 below.

Table 2: Sancroft Forecast Annual Position as at 31st March 2021

<i>Negative/(Positive)</i>	Full year Forecast	Annual Budget	Forecast Budget Variance
Total Income	(2,359,038)	(2,419,349)	60,311
Total Expenditure	2,290,791	2,363,116	(72,325)
(Net Profit)/Loss	(68,247)	(56,233)	(12,014)

15. The full business plan (refreshed) for Sancroft Community Care Ltd was presented as Appendix 8 (exempt) to the 12th September 2019 Cabinet report and approved along with the detailed quarterly performance against budget for Q1 2019/20 as Appendix 7 (exempt).

16. The forecast remains volatile due to the impact of Covid-19 and the continued uncertainty for the remainder of the year.

Concilium Assets LLP

17. Concilium Assets LLP has had its first year of trading extended for commercial reasons and its prior year shortened. Dormant accounts were therefore filed for the 9 months ended 31st December 2018 and for accounting purposes the LLP has been trading since 1st January 2019 and has prepared audited accounts to the 15 months ended 31st March 2020.

18. The final business plan including financial model for Concilium Assets LLP was included as Appendix 9 (exempt) to the 12th September Cabinet report and approved by Cabinet. The figures reported in Table 6 are a reflection of the final approved business plan.

19. Performance against the LLP's business plan this year is reported below in Table 3. Results for the quarter are in line with the annual budget.

Table 3: LLP Forecast Annual Position as at 31st March 2021

<i>Negative/(Positive)</i>	Full year Forecast	Annual Budget (B-Plan)	Forecast Budget Variance
Total Income	(1,080,945)	(1,072,113)	(8,832)
Total Expenditure*	1,054,317	605,303	449,014
(Net Profit)/Loss	(26,628)	(466,810)	440,182

* See paragraphs 20 - 22 below

20. 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 business plan which accounts for the forecast budget variance. The lease rent is a direct benefit to the Council and is included in the MTFS.

21. 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.

22. 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 2021/21 was £451k.

Funding Arrangements

23. 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

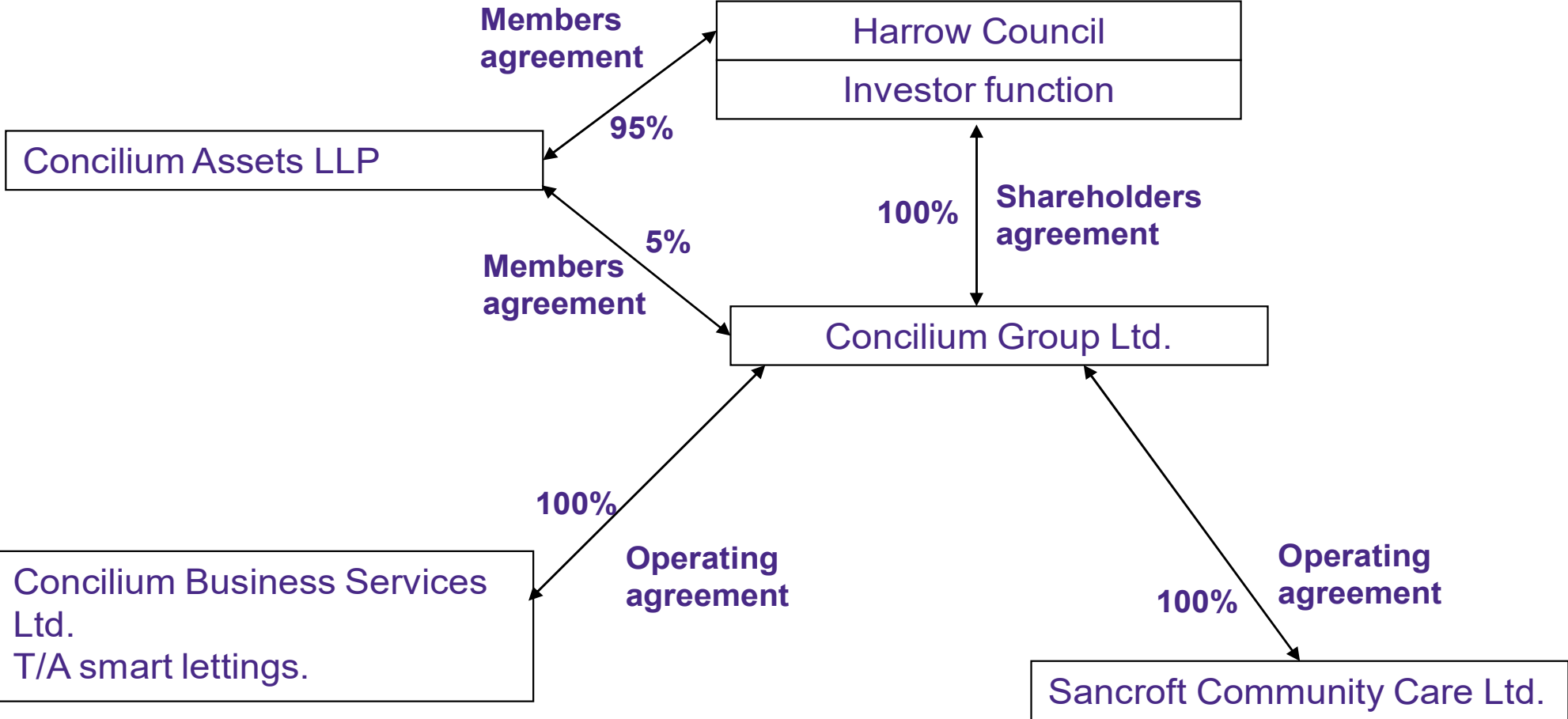


Table 4: Trading Structure Full Year Position to 31st March 2020

£ Negative/(£ Positive)	Concilium Business Services Ltd	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP	Aggregate Position
Income	(141,063)	0	(2,373,783)	(679,440)	(3,194,286)
Direct and Administrative Expenditure	145,262	10,463	2,309,648	754,195	3,219,568
(Net Profit)/Loss	4,199	10,463	(64,135)	74,755*	25,282
Retained Earnings c/f	(26,997)	10,463	2,356	74,755	60,577

* Refer to paragraph 21.

Table 5: Trading Structure Full Year Forecast to 31st March 2021 - unaudited

£ Negative/(£ Positive)	Concilium Business Services Ltd	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP	Aggregate Position
Income	(68,557)	0	(2,359,038)	(1,080,945)	(3,508,540)
Direct and Administrative Expenditure	73,500	2,500	2,290,791	1,054,317*	3,421,108
(Net Profit)/Loss	4,943	2,500	(68,247)	(26,628)	(87,432)
Retained Earnings c/f	(22,054)	12,963	(106,986)	48,127	(67,950)

* This figure includes the Council's 33% share of rental income which is treated as an expense in the accounts of the LLP. Refer to paragraph 20.

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	(26,997)	10,463	2,356	74,755	60,577
(Net Profit)/Loss - 2020/21	4,943	2,500	(68,247)	(26,628)	(87,432)
(Net Profit)/Loss - 2021/22	5,500	2,500	(45,964)	(23,414)	(61,378)
(Net Profit)/Loss - 2022/23	6,500	2,500	(29,062)	11,849	(8,213)
Retained Earnings c/f	(10,054)	17,963	(140,917)	36,562	(96,446)

* These figures include the Council's 33% share of rental income which is treated as an expense in the accounts of the LLP. Refer to paragraph 20.