

Appendix 4 – Council Trading Company Update 2022/23

Introduction

1. As at Quarter 4 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

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
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. Concilium Business Services Ltd is a wholly owned subsidiary of Concilium Group Ltd. Until February 2019 its principal source of revenue came from the property management of 100 homes, managed on behalf of Harrow Council. Concilium Business Services Limited has now been dissolved at the end of 2022/23 and the remaining properties have been transferred to Concilium Group Ltd.
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 8th 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 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.
10. The financial position for the companies for the year ending 31st March 2022 is summarised in Table 4. Financial accounts have been prepared for the year ended 31st March 2022 for Sancroft Community Care Limited, Concilium Business Services Ltd and Concilium Assets LLP and the audits for Sancroft Community Care Limited and Concilium Assets LLP have been completed. Financial accounts for Concilium Group have been prepared for the year ended 31st March 2022 and the audit has been completed.
11. The detailed annual position to 31st 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.

Sancroft Community Care Ltd

13. The audited financial information for Sancroft Community Care Ltd for the year ending 31st 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 Unaudited Annual Position as at 31st March 2023

<i>Negative/(Positive)</i>	Full year Actual	Annual Budget	Forecast Budget Variance
Total Income	(2,837,000)	(2,673,000)	(164,000)
Total Expenditure	2,636,000	2,522,000	114,000
(Net Profit)/Loss	(201,000)	(151,000)	(50,000)

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

Concilium Assets LLP

15. The audited financial information for Concilium Assets LLP for the year ending 31st 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 Unaudited Annual Position as at 31st March 2023

<i>Negative/(Positive)</i>	Full year Actual	Annual Budget (B-Plan)	Forecast Budget Variance
Total Income	(1,152,139)	(1,104,619)	(47,520)
Total Expenditure*	1,126,649	1,092,188	34,461
(Net Profit)/Loss	(25,490)	(12,431)	(13,059)

* See paragraphs 18 - 20 below

16. 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 23rd September 2021. The lease rent is a direct benefit to the Council and is included in the MTFS.

17. 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.

18. 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 2022/23 is £580k (it was £406k in 2021/22).

Funding Arrangements

19. 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

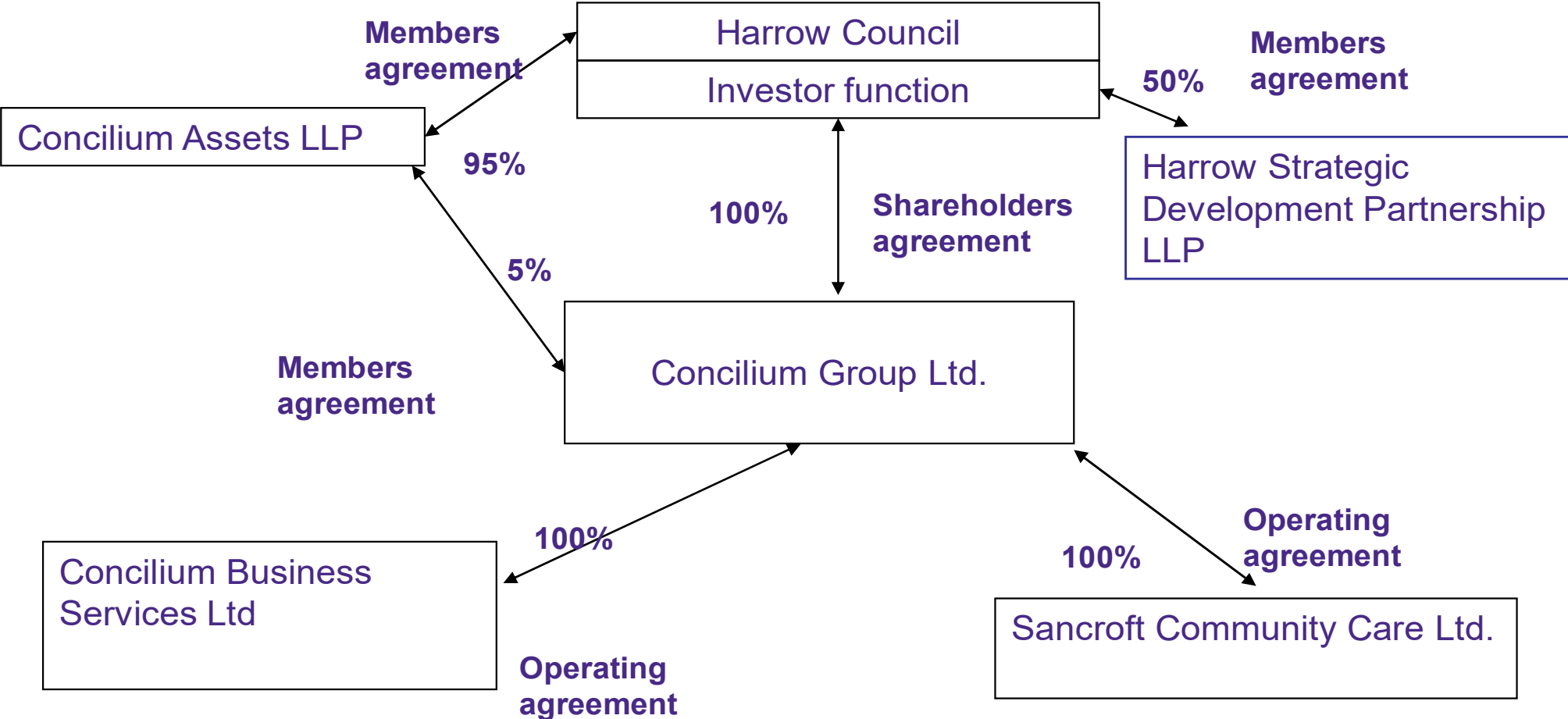


Table 4: Trading Structure Full Year Position to 31st March 2022 - audited

£ Negative/(£ Positive)	Concilium Business Services Ltd	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP	Aggregate Position
Income	(43,277)	0	(2,628,177)	(1,106,579)	(3,778,033)
Direct and Administrative Expenditure	46,346	6,163	2,411,543	922,940	3,386,992
(Net Profit)/Loss	3,069	6,163	(216,634)	(183,639)	(391,041)
Retained Earnings c/f	(12,165)	13,987	(272,634)	(127,940)	(398,752)

Table 5: Trading Structure Full Year Actual to 31st March 2023 - unaudited

£ Negative/(£ Positive)	Concilium Business Services Ltd	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP	Aggregate Position
Income	(31,400)	(10,261)	(2,725,000)	(1,152,139)	(4,030,800)
Direct and Administrative Expenditure	18,884	6,000	2,636,000	1,126,649	3,799,699
Final transfer on Liquidation	24,680	(24,680)	N/A	N/A	0
(Net Profit)/Loss	12,165	(28,941)	(201,000)	(25,490)	(231,101)
Retained Earnings c/f	(0)	(14,954)	(473,634)	(153,430)	(629,853)

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	3,069	6,163	(216,634)	(183,639)	(391,041)
(Net Profit)/Loss - 2022/23	12,165	(28,941)	(201,000)	(25,489)	(243,266)
(Net Profit)/Loss - 2023/24	-	(6,346)	-	(43,074)	(49,420)
Retained Earnings c/f	-	(21,300)	(473,634)	(196,053)	(691,437)