

# **Cabinet SECOND SUPPLEMENTAL AGENDA**

**DATE: Thursday 20 June 2019**

## **AGENDA - PART I**

- 9. REVENUE AND CAPITAL OUTTURN 2018/19 (Pages 3 - 6)**

Appendix 5 to the report of the Director of Finance is attached.

## **PART II**

**Nil**

Note 2: In accordance with the Local Government Act (Access to Information) 1985, the appendix has been admitted late to the agenda by virtue of special circumstances and urgency detailed below:-

Agenda item

9. Revenue and Capital Outturn  
2018/19 – Appendix 5

Special circumstances/Grounds for  
Urgency

Members are requested to consider this appendix, which was previously circulated as an exempt appendix on the main agenda, as a matter of urgency, to enable the report in its entirety to be considered in public.

This page is intentionally left blank

**Appendix 5 - Commercial Update 2018/19, Quarter 4**

**Introduction**

1. As at Quarter 4 2018/19, the councils commercial structure consists of five separate legal entities set out in the table below and is presented as a flow chart at the end of this report.

**Table 1: Harrow Council Commercial 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
HB Public Law Limited	UK Limited Company	April 2015

2. These entities have been set up to provide a financial benefit to the council whilst enabling it to undertake specific commercial activities. Harrow Council therefore either directly or indirectly holds a 100% controlling interest in each of the five trading entities, through a commercial group holding structure.

**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 further subsidiaries and to act as a the minority partner in a council controlled Limited Liability partnership (Concilium Assets LLP). In effect, this is in effect a council owned holding company.
4. Concillium Business Services Ltd (trading as Smart Lettings) is a wholly owned subsidiary of Concillium Group Ltd. with the principal aim of providing private lettings, property management, property administration and tenant referencing services. Its principal source of revenue comes from the property management of 100 homes, managed on behalf of Harrow Council.
5. Sancroft Community Care Ltd. Is another wholly owned subsidiary of Concilium Group Ltd. and was set up to take over the operation of the 50 bed residential care home for the elderly. 45 of these beds are block contracted with the London Borough of Harrow under a five year contract.
6. Concilium Assets LLP (The LLP) is a Limited Liability Partnership owned 95% by Harrow and 5% by Concilium Group Ltd. and was set up to enable direct private rental sector (PRS) property investment activities. 53 PRS units on Gayton Road shall be transferred to the LLP in early 2019 for rent to the private market.

7. The formation of HB Public Law Ltd. was formally approved by cabinet on 13<sup>th</sup> November 2014 (began trading in 2015) and is set up as a council owned legal practice under an alternative business structure (ABS) agreement. This was in order to be able to carry out legal work which the shared service is prevented from undertaking by professional conduct rules. The practice is supported by a practice management team, a business support team and a finance team, with access to a dedicated legal library and comprehensive online legal research materials.

## **Financial Implications**

8. The accounting year end for all of these entities is the 31<sup>st</sup> March in line with the council's year end; this report references both financial years ended 31<sup>st</sup> March 2018 and 2019.
9. Audited financial reports for the year ended 31<sup>st</sup> March 2018 (The last full financial year) have been published for Concilium Group Limited and Concilium Business Services Limited whilst Concilium Assets LLP was yet to begin trading and Sancroft Community Care Limited had very minimal pre-trading transactions. The most recent published financial results have therefore been summarised as followed.

**Table 2: Commercial Full Year Position, 31<sup>st</sup> March 2018**

<i>Negative/(Positive)</i>	<b>Concilium Group Ltd.</b>	<b>Concilium Business Services Ltd.</b>	<b>Aggregate position</b>
Income	0	(76,581)	(76,581)
Administrative Expenditure	360	248,463	248,823
Finance Costs	0	19,168*	19,168
<b>(Net Profit)/Loss</b>	360	191,050	191,410
Retained Earnings c/f as at 31 <sup>st</sup> March 2018	5,282	420,605	425,887

\*The finance costs incurred by Concillium Business Services Ltd. represent income to the council by means of interest payable on the start up loan. This totals £28,416k over the past three financial years. A decision has recently been made to write off this loan.

10. The aggregate forecast financial position of Concilium Group Limited, Concilium Business Services Limited and Sancroft Community Care Limited is summarised in Table 3 as at 31<sup>st</sup> March 2019.

**Table 3: Commercial Full Year Forecast to 31<sup>st</sup> March 2019**

<i>Negative/(Positive)</i>	<b>Concilium Business Services Ltd</b>	<b>Concilium Group Ltd</b>	<b>Sancroft Community Care Ltd</b>	<b>Aggregate Position</b>
Income	(110,000)		(2,227,564)	(2,337,564)
Administrative Expenditure	165,000	500	2,273,228	2,438,728
Finance Costs	28,416			28,416
<b>(Net Profit)/Loss*</b>	83,416	500	45,664	129,580
Retained Earnings c/f*	504,021	5,782	40,664	550,467

\*This is forecast because figures are subject to change after the final accounts are finalised and audited

## Concilium Business Services Ltd.

11. Concilium Business Services Ltd has undergone a strategic change of direction and this will be presented separately as a standalone Appendix to July's P2 savings tracker report. This shall include all details and justifications along with plans, financials and recommendations.

## Sancroft Community Care Ltd.

12. The latest financial information is available for Sancroft Community Care Ltd as at the end of its first year of trading. A financial summary of Sancroft's performance against its business plan (budget) is presented as follows in Table 4.

**Table 4: Sancroft Forecast Annual Position as at 31<sup>st</sup> March 2019**

<i>Negative/(Positive)</i>	Full year Forecast*	Annual Budget	Forecast Budget Variance
Total Income	(2,227,564)	(2,317,054)	89,490
Total Expenditure	2,273,228	2,202,032	71,196
<b>(Net Profit)/Loss</b>	45,664	<b>(115,022)</b>	160,686

\*The first financial year end is 31<sup>st</sup> March 2019, accounts are yet to be audited so outlined as forecast as could be subject to change.

## Concilium Assets LLP

13. 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 31<sup>st</sup> December 2018 and for accounting purposes the LLP has been trading since 1<sup>st</sup> January 2019 and will prepare accounts to the 15 months ended 31<sup>st</sup> March 2020.

14. The indicative business plan for Concilium Assets LLP is to be presented at September cabinet. It will inform the financial benefits due and the MTFs will be updated accordingly.

15. The aggregate forecast financial position of Concilium Group Limited, Concilium Business Services Limited and Sancroft Community Care Limited is summarised in Table 4 as at 31<sup>st</sup> March 2019.

## Funding Arrangements

16. Concilium Business Services has received a start-up loan of £184,000 which was fully drawn down. Concilium Assets LLP has been granted a start-up loan of £175,000 and has drawn down £50,000 to date.

17. Following arrangements to transfer responsibility back to the authority, the loan given to Concilium Business Services Ltd along with other council creditors was written off in 2018/19.

18. A cash flow loan of £40,000 was advanced to HB Public Law Ltd in 2015 on commercial terms. To date £27,000 of capital and £7,354 interest has been repaid to Harrow. In 2018-19 the company has so far recorded a gross profit of £3,794 on a turnover of £15,027.

# Harrow Council Commercial Structure

