

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE: Camden Living Financial Statements 2021/22	
REPORT OF: Director of Finance	
FOR SUBMISSION TO: Audit and Corporate Governance Committee	DATE: 26 th May 2023
<p>SUMMARY OF REPORT: This report covers the audited financial statements for Camden Living Limited and highlights key points of Camden Living Limited's financial position and performance for the 12-month period to 31st March 2022.</p> <p>LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION: No documents that require listing were used in the production of this report.</p> <p>CONTACT OFFICER: Paresh Shah Company Accountant & Finance Business Partner – Capital Projects 5 Pancras Square London N1C 4AG paresh.shah@camden.gov.uk</p>	
<p>RECOMMENDATION</p> <p>The Committee is asked to note and comment on the report and Camden Living Limited's financial statements for the 12-month period to 31st March 2022.</p>	
<p>SIGNED: As approved by the Director of Finance</p> <p>DATE: 5 June 2023</p>	

1. Purpose of the Report

- 1.1 This report presents Camden Living Limited's (CL) 2021/22 financial statements, attached as **Appendix A**.
- 1.2 Financial Reporting Standard (FRS) 102 1A of the standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice applicable to Smaller Entities) is the applicable law and the basis for preparation of Camden Living Limited's financial statements.
- 1.3 Given Camden Living Limited is a wholly-owned subsidiary, the Audit and Corporate Governance Committee is asked to note the financial statements of Camden Living Limited both to complement its role in approval of the Council's main accounts and also as part of its role in overseeing the Council's governance structures.

2. Key messages

What is Camden Living

- 2.1 Camden Living Limited is a wholly owned subsidiary of the London Borough of Camden as incorporated under Company Law. The operational decision-making is overseen by an unpaid board made up of Council officers with a spread of officer expertise. Cabinet on 7th September 2022, agreed to update CL's structure to create a "CL Registered Provider" Company as a tool available to optimise delivery of social housing (initially delivering 34 new social rent homes in Central Somers Town by 2024.) However, this report relates to CL in its current form and its most recent audited accounts.
- 2.2 CL acquired its first units in March 2018 and currently owns and lets 65 intermediate rent units. The Council provided CL with a loan to purchase these homes at an interest rate comparable to the Market rent. The loan is not repayable but is secured by a debenture that acts as a floating charge over the assets. This is a similar model to that employed by housing associations. Should circumstances necessitate (if CL ever ceased to be a viably trading going concern) the debenture would crystallise and the title of the assets would revert to the London Borough of Camden.
- 2.3 In 2020, CL obtained the right to use 48 units under an operating lease arrangement, Camden Council retains ownership of these assets
- 2.4 The 65 intermediate units are rented at a lower than market "Camden Living Rent". The aim is to provide an intermediate rent product affordable to households with lower earnings. While 48 leased assets are rented at the market rate. CL has been making a modest profit on these units since the model was established except for the first year. CL's core business model is both low risk and profitable, because:

- Intermediate and market rent homes have a healthy demand, as a result, CL has a low level of void homes.
- The company remains a going concern as demand for the product remains strong with minimal rent arrears despite the COVID-19 and high cost of living.

Audit of the 2021/22 Financial Statements

- 2.5 CL has a duty to prepare and file statutory financial statements. Mazars, CL's independent auditors, have completed the audit of CL's Financial Statements for the period ending 31st March 2022. Mazars have expressed an unqualified audit opinion, this means the auditors believe the accounts give a true and fair view and have been properly prepared in accordance with generally accepted principles and applicable laws.
- 2.6 The company has made a profit of £138,417 after tax for the year to 31st March 2022. The cumulative profit is £174,010 and in 21/22 £150,000 has been transferred to non-distributable reserve to provide for future major works costs.

To date Camden Living has made a provision of £270k for unexpected and life cycle costs. This is considered prudent provision for a small company in the early years of its operation.

It is also worth mentioning that (although this does not form part of the profit and loss account of the company) the operating lease relating to the 48 market rent units generated the sum of £454k (rent paid by tenants less CL's management costs) for the Council and which is paid by the Company to the Council's Housing Revenue Account.

The current cost-of-living crisis and high interest rates does create uncertainty for landlords and tenants alike. Nonetheless, as noted the auditors confirm the CL Director's assessment that CL is a going concern and trading viably.

- 2.7 The final fee for the financial statements and audit work is set out in the table below, together with the fee for the previous year:

Table 1

Year	2020/21	2021/22
Audit fee	£15,150	£15,600

3. Finance Comments of the Executive Director Corporate Services

- 3.1 This is a report of the Director of Finance, whose financial comments are incorporated into this report.

4. Legal Comments of the Borough Solicitor

- 4.1 Legal Comments are incorporated in the Report.

5. **Environmental Implications**

5.1 There are no environmental impacts arising from this report.

6. **Appendices**

Appendix A Camden Living Limited Financial Statements for the year ended 31st March 2022

REPORT ENDS