

Report of: Executive Member for Finance, Planning and Performance

Meeting of: Executive

Date: 7 September 2023

## Subject: Closure of iCo (Islington Ltd)

### 1. Synopsis

To explain the rationale behind the closure of iCo and to set out the proposed steps required for members' voluntary liquidation and dissolution of iCo.

### 2. Recommendations

1. To note the steps required for members' voluntary liquidation and dissolution of iCo.
2. To delegate authority to the Corporate Director of Resources in consultation with the Executive Member for Finance, Planning and Performance to sign a special resolution of the members of iCo and appoint a liquidator
3. To appoint Dave Hodgkinson and Jed Young as directors to the board of iCo.
4. To delegate authority to the Corporate Director of Resources to hold a final meeting of the members of iCo and to take any other administrative steps required to close the company.
5. To delegate authority to the Corporate Director of Resources to make whatever budget adjustments are required by the Council to accommodate the closure of the company.

6. To delegate authority to the Corporate Director – Community Engagement and Wellbeing to establish a new commercial governance structure for the operation of the Memorials Service.

## 3. Background

- 3.1 Islington Ltd, trading as iCo, is Islington Council's commercial trading company. The Executive agreed to establish the company in May 2014 as a flexible vehicle to enable the council to take advantage of the powers introduced under the Localism Act 2011 and the Local Government Act 2003 to trade commercially. Islington Council is the sole shareholder of the company. As a limited company, iCo is bound by the requirements of the Companies Act 2006.
- 3.2 The original purpose of iCo was to make use of marginal capacity in Islington Council services to generate income through commercial activity and to enable the Council to trade. Over time and as a result of continued austerity there is less marginal capacity to trade and the costs of doing so have accelerated significantly.
- 3.3 Several council services carry out income generating activity independently of iCo. Services are delivered through iCo when they are solely for profit, or when there are regulatory barriers to Islington Council delivering the service directly, or when there is another benefit to offering the service through a commercial entity.
- 3.4 Since 2018 through to 2021 (audited accounts), the company has generated an average gross turnover of £842K per annum. However, it is now considered that the services currently offered by the company can be best delivered through alternative governance structures. It is therefore recommended that the company be closed. The Executive is asked to endorse this proposal.

### **Directors and Officer Support**

- 3.5 When the company was established six directors were appointed: Two executive members and four senior council officers. Following members and officers leaving the council, as of June 2023 there is one remaining director of iCo, the Executive Member for Environment and Transport.
- 3.6 iCo does not directly employ any staff. All council officers working on iCo projects and activities, do so in addition to their substantive roles.

### **iCo Services**

- 3.7 The activities of iCo have been reduced over recent years, with only two of the five original services still trading through iCo; Pest Control and Islington & Camden Cemeteries Services.

- 3.8 The Pest Control service does not see benefits of continuing to deliver services through iCo as there is no legal requirement for the service to be delivered through a trading company. The service does not carry out work outside of Islington.
- 3.9 The Islington & Camden Cemeteries Service has been successful in using iCo as a vehicle to trade in memorial sales, generating a critical income stream which is then fed back into the ring-fenced account, for re-investment. However, iCo was established as a generic local authority trading company and governance of the company is not best suited to delivering a single service. Following the review and recommended dissolution of iCo, Islington & Camden Cemeteries Service have been asked to look at other alternative trading company models, better suited to a single service, through which to trade. Islington and Camden Cemetery Service are actively working alongside internal support services and external legal counsel to identify alternative governance models that will be better suited to achieving its aims.

### **iCo Assets**

- 3.10 The iCo board had explored commercial arrangements with third parties, these were typically offered based on the company providing advice and expertise in exchange for a longer term return.
- 3.11 There are several assets held within iCo. These assets will need to be reviewed and transferred from iCo, to ensure best value and remove any risk for the Council.
- iCo made an investment in a 'Reverse Lid' fitted to bins. As a result of this investment iCo own an asset in the Intellectual Property and generate royalties through its expanding use.
  - iCo has a 10% stake in TES Ltd, a company that provides innovative traffic enforcement solutions. iCo will look to dispose of its shareholding for the best consideration it can achieve.
  - Memorials and stock held for the Cemetery Service.

### **iCo Closure Proposal**

- 3.12 Following an internal review of iCo's operating model and governance arrangements, it has been concluded that there is no benefit to the company continuing to operate. As a result, it is intended to liquidate and dissolve iCo in a timely manner.
- 3.13 Consideration has been given to the most appropriate way to close iCo,
- Compulsory liquidation: liquidation by order of the court;
  - Voluntary liquidation: Members or creditors voluntary liquidation.

- 3.14 Following a consideration of the options, it was concluded that a member's voluntary liquidation was the most appropriate route.
- 3.15 As part of the liquidation and dissolution of iCo there will need to be board meetings to provide statutory declaration of liquidation and a final meeting prior to the final filing of returns with Companies House. For this reason, there will need to be additional directors appointed to the Board of iCo to oversee the liquidation of the company.
- 3.16 To liquidate and dissolve iCo several actions will need to be carried out, these are addressed in the closure action plan. The high-level actions are
- Terminate contracts and exit services from iCo
  - Dissolve assets
  - Commence liquidation of iCo
  - Prepare final financial accounts
  - Dissolution of iCo

## 4. Implications

### 4.1 Financial Implications

4.1.1 iCo's overall financial performance has been inconsistent. The company held net brought forward losses for a number of years. This changed in 2021 when the company achieved a net accumulated profit position of £2,990. 2021 remains the latest audited set of accounts. The 2022 set of accounts are currently with the auditor and it is expected the company will file with companies house in mid July 2023.

4.1.2 This 2022 set of draft, unaudited accounts confirm iCo's key trading income values as follows:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
HR Services	44,908	37,257

Memorial Services	406,198	328,303
Pest Control	38,177	13,706
Tree Service	-	5,098
Waste Services	480,653	370,542
<b>Total</b>	<b>969,936</b>	<b>754,906</b>

- 4.1.3 Whilst revenues are up on the Covid impacted 2021 year, demand for services (with the exception of Memorial services) has been at a decline. As a result, many of the services have already stopped trading via iCo and are now being delivered through the Council directly. It is deemed that the dissolution of iCo and the subsuming of activity into the Council or another specific trading vehicle would achieve the same or more efficient financial outcomes.
- 4.1.4 Alternative delivery models for Memorials are currently under review. The budget implications for the service will be considered as part of that project.
- 4.1.5 London Borough of Islington also provides administrative support to iCo (e.g. Finance, Legal and Governance). Whilst there are no savings to be realised through dissolution of the company, budget adjustments will be required to remove the recharge.
- 4.1.6 Whilst many of the support services provided to iCo will not result in significant savings, the closing down of iCo will result in some cost reductions. For example the cost of auditing the accounts and servicing Companies House requirements is in excess of £10,000. In addition, costs such as company accounting and corporation tax would not be applicable.
- 4.1.7 The accounting valuation of the company's net assets is £198,924. The dissolution plan will set out how these assets will be disbursed to either the Council, sold to a third party or transferred to another trading vehicle. The Council will seek best consideration which may differ from the accounting valuation significantly. This is particularly true for the valuation of its investments.

## **4.2 Legal Implications**

- 4.2.1 This Report recommends the formal dissolution of Islington Ltd (known as iCo), a UK company registered at Companies House with company number 05303559.
- 4.2.2 iCo was incorporated and registered at Companies House on 3<sup>rd</sup> December 2004 as a general commercial company empowered to carry on any trade or business.
- 4.2.3 The background and reasons for the recommendation to dissolve iCo are set out in the body of this Report.
- 4.2.4 The sole member and shareholder of iCo is The London Borough of Islington and the recommendations in this Report require a formal decision of the council's Executive.
- 4.2.5 The Executive will also need to delegate certain administrative functions in the dissolution as recommended in this report to the Corporate Director of Resources.
- 4.2.6 The recommended mechanism for dissolution of iCo is a *Members' Voluntary Liquidation* which will require the formal appointment of a registered liquidator by a resolution of the iCo Board of Directors.
- 4.2.7 A *Members' Voluntary Liquidation* requires a declaration of solvency to be made; this is a formal declaration that iCo is in a position to discharge all its debts.
- 4.2.8 The liquidator will be independently and professionally responsible for managing and overseeing the administrative processes of the dissolution of iCo, including the gathering in of assets and discharge of debts, all regulatory filings with Companies House and HMRC and the preparation of final accounts.
- 4.2.9 The Articles of Association of iCo do not prohibit the distribution of any surplus assets to its members upon liquidation, accordingly any surplus remaining once all debts have been satisfied will be paid to the council as sole member and shareholder of iCo.

## **4.3 Environmental Implications**

This report proposes closing Islington Ltd. There are no environmental implications associated with the decision.

## **4.4 Equalities Impact Assessment**

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of

opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

An equalities impact assessment is not required in relation to this report, which relates to company governance matters.

## 5 Conclusion and reasons for recommendations

- 5.1 On average, iCo has generated an average gross turnover of £842K per annum (2018-2021 audited accounts) and an accumulated profit to the order of £150k since its inception. However, it is now considered that the trading company is no longer required. Only two of the original five services still trade through iCo and both services are in the process of exiting iCo. It is therefore recommended that the company be closed and the Executive is asked to endorse this proposal.

**Appendices:** none

### **Final report clearance:**

Authorised by: Executive Member for Finance, Planning and Performance

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