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| <b>REPORT TO:</b>   | <b>CABINET 7 June 2021</b>  |
| <b>SUBJECT:</b>   | <b>YOURCARE (CROYDON) OPTIONS APPRAISAL</b>   |
| <b>LEAD OFFICER:</b>  | <b>RACHEL SONI, INTERIM DIRECTOR OF COMMISSIONING &amp; PROCUREMENT</b><br><br><b>ASMAT HUSSAIN, INTERIM EXECUTIVE DIRECTOR RESOURCES</b>   |
| <b>CABINET MEMBER:</b>  | <b>COUNCILLOR CALLTON YOUNG, CABINET MEMBER FOR RESOURCES AND FINANCIAL GOVERNANCE</b><br><br><b>COUNCILLOR JANET CAMPBELL, CABINET MEMBER FOR FAMILIES, HEALTH AND SOCIAL CARE</b> |
| <b>WARDS:</b>   | <b>All</b>  |
| <b>COUNCIL PRIORITY/POLICY CONTEXT</b><br><p>This report and the recommendations contained within it support the following Croydon Renewal Plan priorities:</p> <ul style="list-style-type: none"> <li>• We will live within our means, balance the books and provide value for money for our residents.</li> <li>• We will focus on providing the best quality core service we can afford. First and foremost, providing social care services that keep our most vulnerable residents safe and healthy. And to keep our streets clean and safe.</li> <li>• To ensure we get full benefit from every pound we spend, other services in these areas will only be provided where they can be shown to have a direct benefit in keeping people safe and reducing demand.</li> </ul>  |   |
| <b>FINANCIAL IMPACT</b><br><br><p>YourCare (Croydon) Limited is a private retail company wholly owned by Croydon Council and set up in May 2017. YourCare started trading in April 2018 with the objective of becoming the retailer of choice for daily living aids in Croydon. The creation of the company was agreed by a leader's delegation to the Executive Director (People) in consultation with the Cabinet member for Finance and treasury and the Cabinet Member for Families, Health and Social Care on the 25<sup>th</sup> of January 2017</p> <p>Over the last two years a number of external factors have impacted the development of YourCare and its viability. In light of the Council's journey to becoming an efficient, effective and financially sustainable council, coupled with the impact of the Covid-19 pandemic on the retail sector, it has become critical to review the position of YourCare.</p> <p>At the end of June 2021, YourCare is expected to have a gross debt of £291k and</p> |   |

cumulated losses of £238k.

The Council is holding a provision of £94k which will be netted off against the debt. This will result in a write off debt of £197k (made up of a loan, including interest, and outstanding fees for services to the company) and the Council will be required to cover this through an annual average Minimum Revenue Provision of c£4k over a 40 year period.

This will be covered within the Council's corporate Minimum Revenue Provision (MRP) budget from 2021/22 onwards.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

## **1. RECOMMENDATIONS**

The Cabinet (acting, where relevant, on behalf of the Council exercising its functions as sole shareholder of YourCare (Croydon) Ltd), is recommended to

- 1.1 Note the Shareholder review reports of YourCare (Croydon) Limited included in the background documents.
- 1.2 Agree to closing down the activities of YourCare (Croydon) Limited. The company will cease trading and all assets to be settled in accordance with the liquidation process.
- 1.3 Agree to the appointment of an authorised insolvency practitioner as liquidator to take charge of liquidating the company.
- 1.4 To note as a result of the closing down of YourCare (Croydon) Ltd, the Council, as the company's only creditor, will write off the accumulated trade debts of £189k and the loan of £81k including interest (total £11k) to the extent that these debts are not recovered as part of the liquidation process (as further explained in paragraph 6 of this report).
- 1.5 Delegate authority to the Interim Executive Director of Resources, in consultation with the Interim Director of Finance, Investment and Risk, and Interim Director of Law & Governance, to do all things necessary for the purpose of giving effect to the above recommendations, including acting as shareholder to complete relevant shareholder resolutions and give direction to the company.

## **2. EXECUTIVE SUMMARY**

- 2.1 The Council has set up a Working Group for Review of Council's Companies, which considers the immediate financial position of each entity and future governance. The working group was consulted on the options and recommendation to close down YourCare (Croydon) Ltd.

YourCare (Croydon) Limited provides a retail offer for equipment and daily living aids to members of the public. With the ongoing adverse impact of the pandemic and deteriorating market conditions, the financial position is worsening. It has been identified that the Council will be exposed to these adverse conditions and thus resulting in increased cost pressures in the future. The Working Group for Council's Companies has advised that in order to reduce the Council's exposure it is best to close down YourCare (Croydon) Limited.

- 2.2 YourCare (Croydon) Limited started trading in April 2018 with the ambitious target of being the retailer of choice for daily living equipment in Croydon.
- 2.3 YourCare (Croydon) Limited was set up to build on the Community Equipment Service (CES) excellent local reputation and develop an online presence, offering products directly to Croydon residents as well as residents of other local authorities.
- 2.4 Whilst at the time of its creation there was a clear rationale and opportunity for the development of a retail model, complementing CES business operations, the current adverse market conditions have made it unsustainable for YourCare to continue trading.
- 2.5 The initial business plan presented to members in November 2017, assumed breakeven in the third year of operation (2019/20) with accumulated loss of £217k.
- 2.6 Even though key progress has been made in developing YourCare into a successful business, a number of external factors have prevented YourCare from achieving the expected return. Among those factors we can identify:
  - The two year delay in moving to a fit for purpose retail/shop facility. Having a fit for purpose facility was a key requisite for delivering the YourCare business strategy.
  - The delayed move coincided with the Covid-19 crisis and 3 successive lockdowns preventing YourCare from benefitting of its new facilities
  - The ongoing Covid-19 crisis and its short, medium and long term impact on the retail sector.
  - The UK falling into recession due to the COVID-19 crisis with GDP slumping by as much as 20% in the quarter to June 2020 after falling by 2.2% in the first quarter of 2020.
  - Supply chain challenges (Brexit, Steel and foam shortages) have severely impacted sales volume
  - As a shareholder, Croydon Council is facing significant financial challenges and is taking steps to rationalise its spend and investment.
- 2.7 An option appraisal was undertaken by the board of directors last year to assess the viability of YourCare and implement necessary adjustment. Since then the position has worsened and it is has therefore become necessary to undertake another review.
- 2.8 This report sets out the options available for YourCare and the rationale for the recommendations made.

### **3. DETAIL**

#### **3.1 Background**

- 3.1.1 All local authorities and health partners commission or provide an equipment service, linked to adult social care. This has two functions:
- The purchasing of equipment and
  - The delivery and installation of equipment.

This forms a core part of the health and social care offer.

- 3.1.2 The equipment services play an important role in supporting local authorities and health partners in the delivery of key agendas including managing increasing demand, integration, prevention, hospital discharge and admission avoidance.

For five years from 2011 to 2016 the equipment service was delivered through Croydon Care Solutions, the Council's Local Authority Trading Company (LATC).

- 3.1.3 A governance review of Croydon Care Solutions took place in the summer of 2015. This review identified that the company was loss making and whilst elements of the service model had potential, the structure and delivery model needed considering.
- 3.1.4 In June 2016, the Council took the strategic decision to insource the equipment service and wind down the LATC. The insourcing of the equipment service was completed in December 2016 into the Commissioning and Procurement division in the Resources Department.
- 3.1.5 The insourced structure was integrated into the Commissioning and procurement division under the name Community Equipment Service (CES). CES was to be a key provider in helping to deliver social care and health transformation programs for both Croydon and other local authorities.
- 3.1.6 The Council has statutory duty under the care act to provide daily living aids equipment for resident with assessed needs. Therefore a separate private company (YourCare) had to be created to provide a vehicle to trade with members of the public and meet the demand for living aids.
- 3.1.7 YourCare was to complement the CES offer with a retail component under the personalisation agenda. This was to uniquely position CES to offer products and services that meet needs across the whole spectrum of social care, from low level simple aids to complex equipment.
- 3.1.8 As part of the insourcing process, a new five year business plan was created to achieve a number of key business objectives. The main objectives of the insourcing were:
- To turnaround the service into a profitable business, bringing social and financial benefit to Croydon.
  - To invest into the service in order to ensure long term sustainability and growth.

- To establish and grow the retail offer initially in Croydon and in turn with our partner authorities.
- To position CES as a key strategic partner in the health and social care market.

## **3.2 The retail model**

### **3.2.1 Policy context**

3.2.1.1 The Retail Model is part of the Government's Personalisation agenda. The Retail Model relates to moving simple equipment into the retail market place so that the service users have greater choice, control and independence over their equipment provision. They can choose the product that best suits their lifestyle. If their choice costs more than the item on prescription, they can opt to pay the difference to the retailer. Consequently, where a service user is assessed as eligible for simple aids for daily living equipment provision, they can take their prescription to a local accredited retailer who will exchange it for the items of equipment required. The model improves accessibility to these products for all users i.e. both state and self-funded. The model, by opening up the market place for community equipment, empowers individuals to self-help thereby supporting the prevention and personalisation agenda.

3.2.1.2 Community Equipment providers are now required as part of tenders to support the Retail Model by offering facilities for displaying and demonstrating equipment to service user, web portals and payment system.

### **3.2.2 Demographic and economic context**

3.2.2.1 The COMODAL market analysis estimated the overall retail value of the market (in 2011) for self-funded products only to be £404 million pounds. With public sector service provision diminishing due to reducing budgets and stringent application of the Fair Access to Care Services criteria (FACS), there is no doubt that the consumer market will grow to meet the levels of future demand.

3.2.2.2 The case for a consumer market for assisted living technology and services is getting stronger. Since the late 1980s, consecutive governments in the UK have supported the preference for people with health and social care needs to retain their independence and remain in their own homes for as long as possible. This preference is also supported by the need for people to embrace self-management and control of their own healthcare both in terms of those with long term conditions and the wider well-being agenda.

Older people are major users of health and social care services. As a consumer group, this market is set to grow significantly as the age of the population increases. This presents an enormous opportunity for those companies willing to address the needs of people as they get older.

3.2.2.3 The 2011 population estimates from the Office for National Statistics showed that:

- Over 30 per cent of the UK population was above the age of 50 and they held 80 per cent of the wealth in the country

- There was more people In the UK above the age of 60 than under 18
- By 2083 one in three people would be over 60
- Households headed by someone aged 65+ contributed about £121 billion of spending power every year. For the 50 plus group as a whole, it was Over £300 billion a year
- The spending power of the over 65s was £76 billion, and was set to grow to £127 Billion by 2030; a growth of 68%

### **3.2.3 Scope of services**

3.2.3.1 The evidence of a market, both local and national, supported the rationale that the Community Equipment Service should position itself in the market place as a trusted provider of all age equipment products and services.

The business strategy therefore was to build a retail service through an appropriate delivery model consistent with the provisions and requirements of the council under the Care Act.

The commercial objective of the retail company was:

- To successfully trade for commercial purposes,
- Becoming the retailer of choice with private consumers of community equipment. The scope of services to be provided was based upon assessments of the retail market place and gaps in provision. These services included the following:
  - Simple aids to daily living, such as walking frames, perching stools
  - Complex aids to daily living, such as beds
  - Telecare stand-alone products, such as sensors and monitors
  - Mobility equipment, such as mobility scooters
  - Minor adaptations to properties, such as wheelchair ramps.
  - Private assessments on product requirements.

To ensure that all activities carried out by the company were outside the scope of the Care Act, the retail business would sell to the following customer base:

- Customers who are outside the borough and who wish to purchase privately from the retail service
- Customers who have been assessed by the Council as having no eligible needs, but who still wish to purchase equipment.

3.2.3.2 Key investment and development required in order for this business model to be successful included the following:

- A fit for purpose retail outlet, including clinical assessment space and independent living centre.
- Telephony system to support incoming sales calls.
- Website (s) including online shopping and assessment capability.
- Sales and Customer Relationship management system.
- Marketing and sales strategy resource.
- Retail equipment subject matter experts and trusted assessors.
- Mail order shipping resources.

### **3.2.4 Company Structure and financing**

3.2.4.1 YourCare was set up as a separate limited company wholly owned by Croydon Council with the original directors Appointed on the 8<sup>th</sup> of June 2017:

- Director of Communities Strategy and Commissioning
- Director of Adults Social Care
- Assistant Director of Finance
- Head of Strategy, Communities and Commissioning Adults
- Head of Strategy, Communities and Commissioning Children's

3.2.4.2 The current directors are :

- Paul Kouassi, Head of the Community Equipment Service Appointed on 18<sup>th</sup> March 2019
- Mirella Peters ,Head of Finance, Appointed on 18<sup>th</sup> March 2019
- Annette McPartland, Director of Operations, Appointed on 2nd April 2019
- Rachel Soni, Interim Director of Commissioning and Procurement, Appointed on 15th November 2020

3.2.4.3 The company operates independently from the Council with office support functions (payroll support, company secretarial support, legal services and retail staffing) being "bought" from the Council through the provision of a contract for services. The Council provides these services at market rates so that the company is not receiving state aid from the Council.

3.2.4.4 A loan facility of £250,000 from Croydon Council on commercial terms was agreed to support the initial launch activity and cash flow needs. To this date £80k of this facility has been drawn down, and £10k has been repaid.

### **3.3 Progress to date**

3.3.1 YourCare's three core priorities were as follows:

- Provide a viable alternative provision to self-funders for simple aids to support the preventative agenda and to establish YourCare as the "go to" provider for all
- Establish YourCare across all existing and new CES partnerships as a benchmark model for self-funding clients.
- Establish third Party Partnerships (Care Homes, Suppliers etc.)

A key requisite for delivering these priorities was to have a fit for purpose premises from which to operate and trade. The agreed business plan assumed that YourCare was to move within 12 months of its launch to the new purpose built premises in order to deliver a breakeven position in year 3 of operation.

Table1: YourCare 2017 Business plan

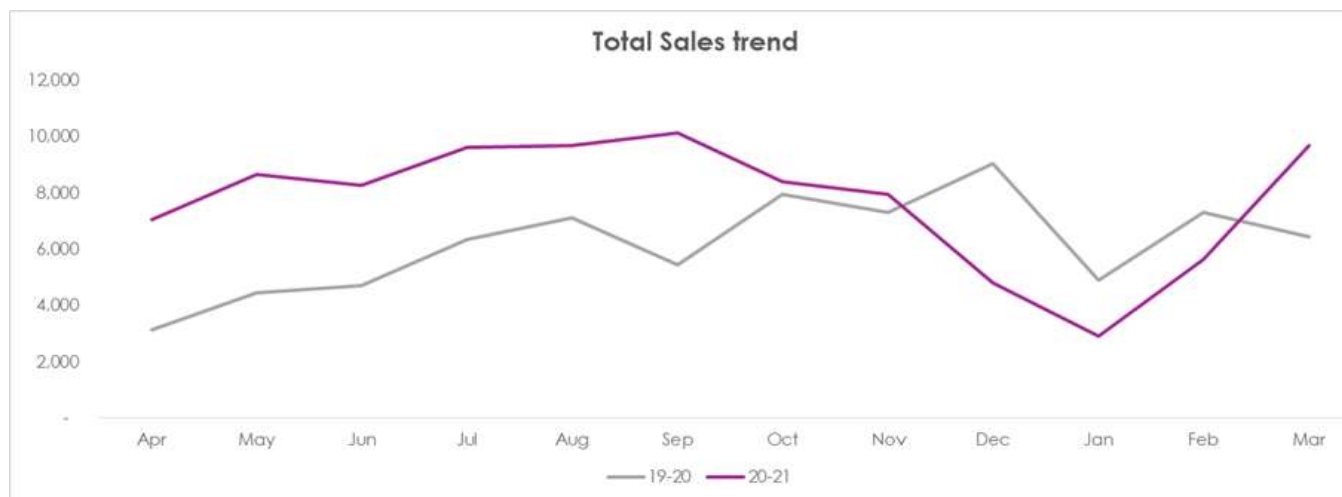
|                         | 2017/18   | 2018/19   | 2019/20   | 2020/21   | 2021/22     |
|-------------------------|-----------|-----------|-----------|-----------|-------------|
|                         | Year1     | Year2     | Year3     | Year4     | Year5       |
|                         | £'s       | £'s       | £'s       | £'s       | £'s         |
| Sales Income            | 160,000   | 406,666   | 728,665   | 1,234,999 | 1,969,999   |
| Cost of sales           | (224,311) | (370,492) | (614,090) | (987,178) | (1,513,366) |
| Gross margin            | (64,311)  | 36,174    | 114,575   | 247,821   | 456,633     |
| Direct cost             | (22,955)  | (76,865)  | (45,265)  | (49,385)  | (55,409)    |
| Overheads               | (38,775)  | (54,230)  | (65,557)  | (70,535)  | (85,881)    |
| Net profit/(loss)       | (126,040) | (94,920)  | 3,753     | 127,901   | 315,343     |
| Cumulated profit/(loss) | (126,040) | (220,960) | (217,207) | (89,306)  | 226,037     |

3.3.2 The move to a new purpose built facility was delayed until March 2020 in the midst of the Coronavirus pandemic. This delay compounded with the Covid-19 global crisis and its devastating impact on the retail market has caused us to reconsider the expected growth for YourCare and its business model.

3 consecutives lockdown have forced us to focus on an online only model and capitalize on the growth of this channel while reducing cost.

Unfortunately a number of global factors (Brexit, shortage of foam and steel) have caused significant disruption in the supply chain resulting in YourCare being unable to fulfill orders and online sales.

Table 2: YourCare sales trend (19/20 vs 20/21)



Despite a very challenging environment marked by a global pandemic, global supply chain disruption and economic recession, sales for YourCare have grown with full year revenue expected to be 25% ahead of last year (shop - 50%, online +140%).



Table 3: YourCare online marketing return and user volume trend

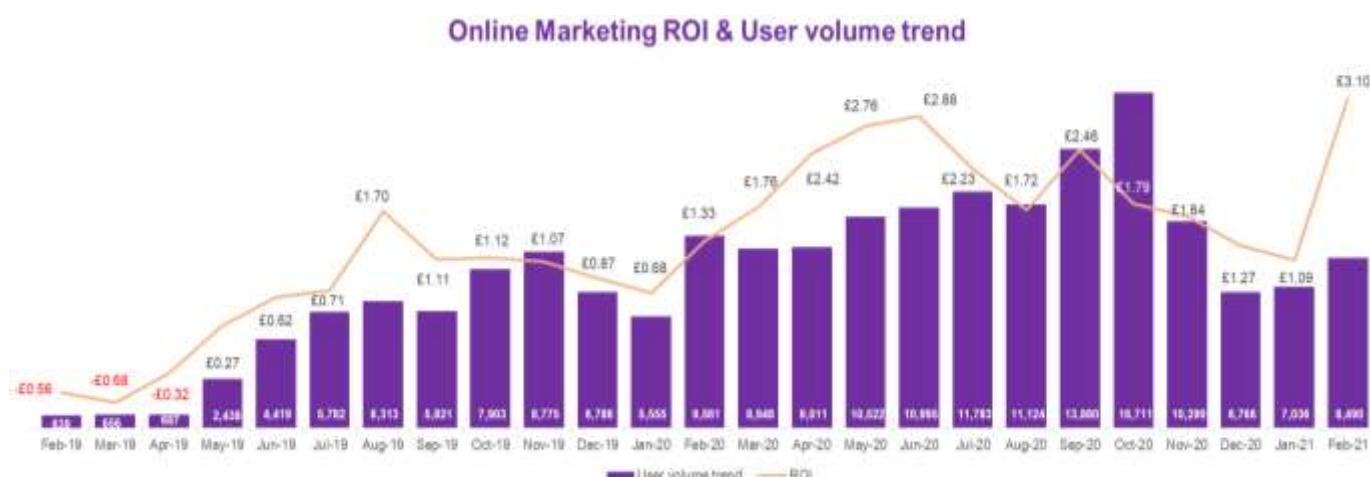


Table 4: YourCare P&L (18/19-20/21)

|                              | 2018/19          | 2019/20          | 2020/21          |
|------------------------------|------------------|------------------|------------------|
|                              | Actual           | Actual           | Actual           |
| Shop                         | 52,837           | 44,910           | 22,330           |
| Online                       | 9,342            | 29,386           | 70,554           |
| <b>Income</b>                | <b>62,179</b>    | <b>74,296</b>    | <b>92,883</b>    |
| % YoY Growth                 | -                | 19%              | 25%              |
| <b>Cost of Sale</b>          | <b>39,574</b>    | <b>53,621</b>    | <b>73,658</b>    |
| % of Income                  | 64%              | 72%              | 79%              |
| <b>Gross Margin</b>          | <b>22,605</b>    | <b>20,675</b>    | <b>19,226</b>    |
| Gross margin %               | 36%              | 28%              | 21%              |
| <b>Direct Cost</b>           | <b>82,232</b>    | <b>108,710</b>   | <b>109,531</b>   |
| <b>Net Profit/(Loss)</b>     | <b>(59,627)</b>  | <b>(88,035)</b>  | <b>(90,305)</b>  |
| <b>Cumulative Profit/(L)</b> | <b>(59,627)</b>  | <b>(147,662)</b> | <b>(237,967)</b> |
| Trade Debt (LBC)             | (28,332)         | (97,668)         | (189,020)        |
| loan (LBC)                   | (83,400)         | (86,945)         | (80,640)         |
| <b>Total Debt</b>            | <b>(111,732)</b> | <b>(184,612)</b> | <b>(269,660)</b> |

The Full Year position at the end of 20/21 is a cumulative loss of £238k, with debt of £270k.

### 3.4 Options appraisal and recommendation

3.4.1 YourCare set out with an ambitious target of being the retailer of choice for daily living equipment. Now in its third year of operation, a lot of progress has been made, but the landscape has also vastly changed with:

- Croydon Council facing significant financial challenges
- The UK falling into recession due to the COVID-19 crisis
- The ongoing Covid-19 crisis and its short, medium and long term impact on the Retail sector.

At a time where we need to rationalise our resources, we believe that there is a need to review our business model and its viability. The board of directors has previously conducted a review of the business model with the recommendation of the online only model. However since this recommendation, the trading conditions have worsened and sales growth have been negatively impacted.

Based on the assessment of the economic environment and the progress made so far the options under consideration are:

- Option 1 : Keep the current business model (Online only)
- Option 2 : Close down the business

### 3.4.2 Option 1: Keep the current business model (Online only)

Table 5: YourCare P&L online only option

|                              | 2018/19          | 2019/20          | 2020/21          | 21/22            | 22/23            | 23/24            | 24/25            |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                              | Actual           | Actual           | Actual           | Budget           | Budget           | Budget           | Budget           |
| Shop                         | 52,837           | 44,910           | 22,330           | -                | -                | -                | -                |
| Online                       | 9,342            | 29,386           | 70,554           | 149,880          | 217,325          | 304,255          | 425,958          |
| <b>Income</b>                | <b>62,179</b>    | <b>74,296</b>    | <b>92,883</b>    | <b>149,880</b>   | <b>217,325</b>   | <b>304,255</b>   | <b>425,958</b>   |
| % YoY Growth                 | -                | 19%              | 25%              | 61%              | 45%              | 40%              | 40%              |
| <b>Cost of Sale</b>          | <b>39,574</b>    | <b>53,621</b>    | <b>73,658</b>    | <b>118,405</b>   | <b>162,994</b>   | <b>212,979</b>   | <b>298,170</b>   |
| % of Income                  | 64%              | 72%              | 79%              | 79%              | 75%              | 70%              | 70%              |
| <b>Gross Margin</b>          | <b>22,605</b>    | <b>20,675</b>    | <b>19,226</b>    | <b>31,475</b>    | <b>54,331</b>    | <b>91,277</b>    | <b>127,787</b>   |
| Gross margin %               | 36%              | 28%              | 21%              | 21%              | 25%              | 30%              | 30%              |
| <b>Direct Cost</b>           | <b>82,232</b>    | <b>108,710</b>   | <b>109,531</b>   | <b>115,368</b>   | <b>114,246</b>   | <b>119,775</b>   | <b>125,702</b>   |
| <b>Net Profit/(Loss)</b>     | <b>(59,627)</b>  | <b>(88,035)</b>  | <b>(90,305)</b>  | <b>(83,893)</b>  | <b>(59,915)</b>  | <b>(28,498)</b>  | <b>2,085</b>     |
| <b>Cumulative Profit/(L)</b> | <b>(59,627)</b>  | <b>(147,662)</b> | <b>(237,967)</b> | <b>(321,860)</b> | <b>(381,774)</b> | <b>(410,273)</b> | <b>(408,188)</b> |
| Trade Debt (LBC)             | (28,332)         | (97,668)         | (189,020)        | (270,826)        | (348,205)        | (419,501)        | (480,693)        |
| loan (LBC)                   | (83,400)         | (86,945)         | (80,640)         | (57,937)         | 0                | 0                | 0                |
| <b>Total Debt</b>            | <b>(111,732)</b> | <b>(184,612)</b> | <b>(269,660)</b> | <b>(328,763)</b> | <b>(348,205)</b> | <b>(419,501)</b> | <b>(480,693)</b> |

#### Strengths

- Capitalize on growing channel and new customer behaviour
- Reduced running cost, debts and losses
- Maintain “retail model” as part of the CES offer

#### Weaknesses

- Single sales channel
- Brand awareness
- Trajectory of 4 years to break even with cumulated losses of £408k and debt of £481k
- Additional online marketing will be necessary to drive improved online income
- Existing website is not as dynamic as key competitors, and will require further investments to be a viable contender.

#### Opportunities

- Grow online presence

- Prescribers pathway with existing partners
- Complete offering allowing CES to capture new business
- Repayment of the Council investment

#### Threats

- Current economic crisis impacting purchasing power of target customers
- Covid-19 pandemic long term impact on the retail sector
- More established competitors
- Shareholder financial position

### 3.4.3 Option 2: Close down the business

Table 6: YourCare P&L Close down option

|                              | 2018/19          | 2019/20          | 2020/21          | 21/22            |
|------------------------------|------------------|------------------|------------------|------------------|
|                              | Actual           | Actual           | Actual           | Budget           |
| Shop                         | 52,837           | 44,910           | 22,330           | -                |
| Online                       | 9,342            | 29,386           | 70,554           | 74,940           |
| <b>Income</b>                | <b>62,179</b>    | <b>74,296</b>    | <b>92,883</b>    | <b>74,940</b>    |
| % YoY Growth                 | -                | 19%              | 25%              | -19%             |
| <b>Cost of Sale</b>          | 39,574           | 53,621           | 73,658           | 59,202           |
| % of Income                  | 64%              | 72%              | 79%              | 79%              |
| <b>Gross Margin</b>          | <b>22,605</b>    | <b>20,675</b>    | <b>19,226</b>    | <b>15,737</b>    |
| Gross margin %               | 36%              | 28%              | 21%              | 21%              |
| <b>Direct Cost</b>           | <b>82,232</b>    | <b>108,710</b>   | <b>109,531</b>   | <b>57,684</b>    |
| <b>Net Profit/(Loss)</b>     | <b>(59,627)</b>  | <b>(88,035)</b>  | <b>(90,305)</b>  | <b>(41,946)</b>  |
| <b>Cumulative Profit/(L)</b> | <b>(59,627)</b>  | <b>(147,662)</b> | <b>(237,967)</b> | <b>(279,913)</b> |
| Trade Debt (LBC)             | (28,332)         | (97,668)         | (189,020)        | (229,923)        |
| loan (LBC)                   | (83,400)         | (86,945)         | (80,640)         | (77,127)         |
| <b>Total Debt</b>            | <b>(111,732)</b> | <b>(184,612)</b> | <b>(269,660)</b> | <b>(307,050)</b> |

#### Strengths

- Elimination of any further financial risk for the Council

#### Weaknesses

- Inability to take advantage of any change in the market conditions
- Prevent any return on Council investment
- Hinders CES growth with lack of "retail model"

#### Opportunities

- Management time to be solely focused on CES growth opportunities

#### Threats

- Potential of having to start all over again in a few years

#### **4. REASONS FOR RECOMMENDATIONS/DECISIONS**

- 4.1 The extremely challenging economic landscape coupled with the uncertainty facing the UK retail industry and the financial context of the Council means that while YourCare has shown potential, the Council can no longer afford to have a retail business still in its infancy and 4 years removed from breaking even.
- 4.2 Recent months have seen the collapse of high street giants like the Arcadia group (Topshop, Burton, Dorothy Perkins) or even the 242-year-old retailer Debenhams. While at the same time, online retailer like Boohoo and Asos were able to capitalize and buy part of these high street retailers.
- 4.3 It is clear that change of consumer behaviour will fuel online retail growth. The Challenge for YourCare is how quickly this growth can translate into profit. The current trajectory of 4 years with risk and exposure continuing to grow to up to £481k is not sustainable.

#### **5. HUMAN RESOURCES IMPACT**

- 5.1 The company does not have any employees. Members of staff from CES have their time “bought” through the provision of a contract for services.
- 5.2 The closure of YourCare will potentially affect 5 members of staff. The plan is to redeploy most staff with potential cost for redundancy of around £5k. The impact on the workforce will be set out through specific proposals and the Council’s HR policies on consultation and managing organisational change will be followed.
- 5.3 We will consult with recognised trade unions in accordance with the collective bargaining arrangements on the proposals and cumulative impact across the workforce.

Approved by: Sue Moorman, Director of Human Resources

#### **6. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 6.1. In the current market conditions YourCare is no longer able to break-even in the time period agreed in 2017. The delay in moving to a suitable retail premises combined with the effects of Covid-19 on the retail sector has had a significant detrimental effect to the profitability plans. The outlook is that it will take until 2024/25 for YourCare to become profitable, as an online only entity. Which is not a viable option given the Council’s current financial situation.
- 6.2. The exposure to the Council is likely to be reduced if action is taken sooner rather than later as this reduces the ongoing costs the Council is incurring from providing chargeable staff time and expecting an income recharge to cover the costs from YourCare Ltd. Table 7 below provides a summary of the costs the Council will incur as a result of closing down the Company. These are projected to be costs up until the end of June 2021 and the total cost to the Council will be £0.192m which will be covered through corporate contingency.

- 6.3. Through historic financial management, CES has held a provision of £0.094m for bad debts. This will be used to offset part of the costs to the Council. For the period from March to June 2021, CES is expected to provide a total of £0.020m of back office service. This debtor will be written off and will be netted off against the £0.094m of provision held against this debtor.
- 6.4. The Council had also lent £0.080m to YourCare (Croydon) Ltd when it was first set up and of this £0.010m has been paid back. There is an accrued interest amount of £0.0115m and the loan balance of £0.070m that will need to be written off and be charged to Corporate Budget.
- 6.5. The termination of the YourCare (Croydon) Ltd service will result in additional costs required to support the wind down of the company namely legal or insolvency practitioner costs and the likelihood of some staff redundancy. These are projected to be c£15k and it is anticipated that these could be funded from the sale of the outstanding inventory within the Company. As a result, this will not require the Council to fund these costs.
- 6.6. The Council has a contract of service in place with YourCare (Croydon) Ltd to provide back office services to the company. It is expected that the Council will need to provide support until end of June 21 to ensure all activity required to bring the service to a close are carried out.

Table 7: Debt impact

|            |   | As At 31 March 2021 | As At 30 June 2021 |
|------------|---|---------------------|--------------------|
|            |   | £                   | £                  |
| Trade Debt | Staff cost & Support services                     | 189,020             | 209,149            |
| Less:      | Provision for bad debt                            | (93,668)            | (93,668)           |
|            | <b>Total trade Debt</b>                           | <b>95,353</b>       | <b>115,481</b>     |
| LBC Debt   | Loan  | 80,000              | 80,000             |
| Less:      | Repayment   | (10,000)            | (10,000)           |
|            | Interest  | 10,640              | 11,496             |
|            | <b>Total Loan due</b>                             | <b>80,640</b>       | <b>81,496</b>      |
|            | <b>TOTAL COUNCIL EXPOSURE FROM DEBTS</b>          | <b>175,992</b>      | <b>196,977</b>     |
|            | Insolvency and legal fees                         |                     | 10,000             |
|            | Potential redundancy cost                         |                     | 5,000              |
|            | Disposal of stock                                 |                     | (20,000)           |
|            | <b>TOTAL COUNCIL EXPOSURE (incl.Wind-up cost)</b> | <b>175,992</b>      | <b>191,977</b>     |

- 6.7. The closure of YourCare means that CES will no longer have a retail offer. This is likely to put CES at a disadvantage when bidding for new business in the future. This will need to be taken into consideration as part of CES growth objectives.

Approved by: Nish Popat, Head of Finance on behalf of Chris Buss, Interim

## **7. RESIDENTS IMPACT**

- 7.1. The daily living aids market is a competitive market with a large number of participants who can provide alternative services, both online and locally for Croydon residents. As part of any close down plan, the equality impact assessment will address any specific equalities impact, such as people with disabilities and older adults requiring equipment and contact will be made with residents requiring the service and a list of suitable alternative suppliers provided. Where there are concerns of vulnerability, the appropriate contact with services can be made. Those requiring equipment as part of an assessed need will continue to be provided with equipment through the Community Equipment Service commissioned by the Council and the NHS

## **8. LEGAL CONSIDERATIONS**

- 8.1 Once the Council has set up a company using its general power of competence pursuant to Section 1 of the Localism Act 2011, the company is then governed by its articles of association. The Council may exercise its rights as sole shareholder of YourCare (Croydon) Ltd to pass a resolution to wind up the company given this is a shareholder reserved matter under the company's articles of association. This report also confirms that the Council is the sole creditor of the company.
- 8.2 There will be other related company resolutions to pass and processes to deal with in order to give effect to the recommendations set out in this report and therefore a delegation to the Interim Executive Director of Resources has been recommended.
- 8.3 In making decisions under this report, Members will need to be mindful of the Council's financial position, its fiduciary duties and the requirement to have regard to all relevant factors and to disregard irrelevant ones. The Council must act in accordance with the principles of Wednesbury reasonableness, meaning decisions that a rational person might make, having regard to all relevant considerations.

Approved by: Doutimi Aseh, Interim Director of Law & Governance and Interim Deputy Monitoring Officer

## **9. EQUALITY IMPACT**

- 9.1 Any issues identified through the equality analysis will be given full consideration and agreed mitigating actions will be delivered through the standard mechanisms.

Approved by: Yvonne Okiyo, Equalities Manager

## **10. ENVIRONMENTAL IMPACT**

10.1 There are no environmental issues arising from this report

## **11. DATA PROTECTION IMPLICATIONS**

11.1. The company holds personal data, which must only be processed for Specific purposes. If the purpose for the processing expires, the data must be deleted. In light of the recommendation of this report, all customers will be contacted and informed that their data will no longer be held by the company. The personal data will then be erased using suitable technical and organizational measures to ensure security, as per the obligations of the company as a data controller.

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### **CONTACT OFFICER:**

|                      |                                     |
|----------------------|-------------------------------------|
| <b>Name:</b>         | Paul Kouassi                        |
| <b>Post title:</b>   | Head of Community Equipment Service |
| <b>Telephone no:</b> | 88078                               |

**BACKGROUND DOCUMENTS:** Leader delegation - 0417LR  
Leader delegation – DD390  
Members presentation for the retail company  
Office for National Statistics quarterly bulletin  
Shareholder update November 2020  
Shareholder update April 2021