

# YourCare (Croydon) Shareholder update

03/10/2020

## Purpose

- Update the shareholder on 19/20 performance and Q2 20/21
- Update the shareholder on action taken this year to manage the risks presented by the pandemic
- Update the shareholder on the options appraisal the board has undertaken on the future of YourCare
- Shareholder to review the recommendation and notify the board of directors of their view in light of the financial position of the Council

# Context

- **Establishment:** YourCare is a company wholly owned by Croydon Council set up in May 2017. It started trading in April 2018. The creation of the company was agreed by Cabinet decision on the 26 January 2017 (see attachment below).
- **Rationale:** The commercial objective of YourCare is to be a retail company, providing independent, choice and control to self-funding customers for daily living equipment. The Council's rationale for setting up YourCare was to offer a trusted and fast-tracked alternative to the public, and contribute to a number of important healthcare and social priorities, among others:
  - ✓ Proactively supporting the demand pressures for Croydon Council in the assessment and allocation of social care resources
  - ✓ Reduces Council waiting lists, particularly those people who have non-complex needs
  - ✓ Supports the preventative agenda by working with non – complex clients at an earlier stage
- **Financing:** The Council agreed initial financing by a way of loan on commercial terms of up to £250k of which £80k has been drawn down
- **Back office support:** The Council also agreed to provide back office support and services to YourCare through an appropriate contract



Signed Cllr  
delegation



Signed leader's  
delegation



Member  
resentation - Retail



Cabinet report

# Board

<b>Directors</b>	Sarah Ireland	(Appointed 08 June 2017, Resigned 22 March 2018)
	Lisa Taylor	(Appointed 08 June 2017, Resigned 02 April 2019)
	Rachel Soni	(Appointed 08 June 2017, Resigned 15 April 2019)
	Pratima Solanki	(Appointed 30 April 2018, Resigned 15 April 2019)
	Sarah Warman	(Appointed 08 June 2017)
	Paul Kouassi	(Appointed 18 March 2019)
	Mirella Peters	(Appointed 18 March 2019)
	Annette McPartland	(Appointed 02 April 2019)

**Company number** 10809317

**Registered office** Croydon Living Independently Centre (CLIC)  
3 imperial way, CR0 4RR

## Priorities

YourCare's three core priorities are set out below. Progress against these priorities and a description of what success looks like is set out on the next two slides.

1. 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
2. Establish YourCare across all existing and new CES partnerships as a benchmark model for self-funding clients.
3. Establish third Party Partnerships (Care Homes, Suppliers etc.)

A key part of the growth strategy was the development of a strategic commercial relationship with other local authorities through the website. The strategic relationship would involve having online portals linked to the main YourCare website that could accommodate the needs of self-funding customers within a particular local authority area.

## Challenges

- YourCare was to move to a modern and more conducive independent living centre within 12 to 18 months of his launch date. The site at Boulogne Road being considered no longer fit for purpose, in particular, the physical dimensions of the site did not allow the expansion for the retail business. The move was delayed by 12 months
- The Covid-19 crisis has had a significant impact on the retail sector, YourCare included

# Journey to date

PRIORITY ONE	What have we done? and doing?
<p>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</p>	<p>Produced a products catalogue/leaflet allowing customer to browse our product range</p> <p>Information/Awareness/Sign posting meetings with relevant teams LBC teams/departments and third party organizations</p> <p>Set up as a supplier on AskSARA linking user and equipment supplier via a self-assessment exercise</p> <p>Attended local events throughout such as Active Ageing Event to promote YCL</p> <p>Visit of Day Centres and Care Homes with marketing materials and demo equipment</p> <p>Ongoing review of products and service to respond to market trends and needs</p> <p>Review of pricing to ensure product and service are competitive</p> <p>Continued liaison with CUH about the promotion of YCL within CUH and the wider South West London Partnership (Kingston, St Helier (Modern), St Georges (Tooting) and CUH (Croydon)</p> <p>Ongoing review of website for more feature and functionality</p> <p>Online campaign (search ads and shopping ads)</p> <p>Scoping out social media advertising</p>
<p>What does success look like?</p> <p>Becoming profitable with consistent year on year return growth to the council.</p> <p>Becoming the provider of choice for Croydon residents.</p>	

# Journey to date

## PRIORITY TWO

Establish YourCare across all existing and new CES partnerships as a benchmark model for self-funding clients.

### What does success look like?

YourCare to become the recommended retailer for all CES partners

## PRIORITY THREE

Establish third Party Partnerships (Care Homes, Suppliers etc.).

### What does success look like?

To establish an effective working relationship with a network of care homes and be their supplier of choice

### What have we done? and doing?

Meeting with LA partners to promote YCL service and discussions around the possibility of connecting YCL to their service. All 11 partners have been made aware of the YCL offer

Prospective partners including Royal Borough of Kingston and Worcestershire County Council have also been made aware of YCL

Move to purpose built facility in March '20

Work undertaken before the pandemic for 7 days opening. This had to be scaled back.

### What have we done? and doing?

Created a referral discount for Croydon Care Homes and offered preferential cost saving incentives on specific product lines.

Leverage CES procurement expertise team and our own suppliers to provide better supplier prices and overall services to improve customer experience (e.g. more guaranteed delivery time etc.).

Re-engage with organisations such as CNCA and Age UK. Offer discount rates for the customers that visit their service

## YourCare initial business plan

- The business plan agreed by cabinet assumed cumulated losses of **£217k** in year 3 of operation with break even in this year of nearly £4k

	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

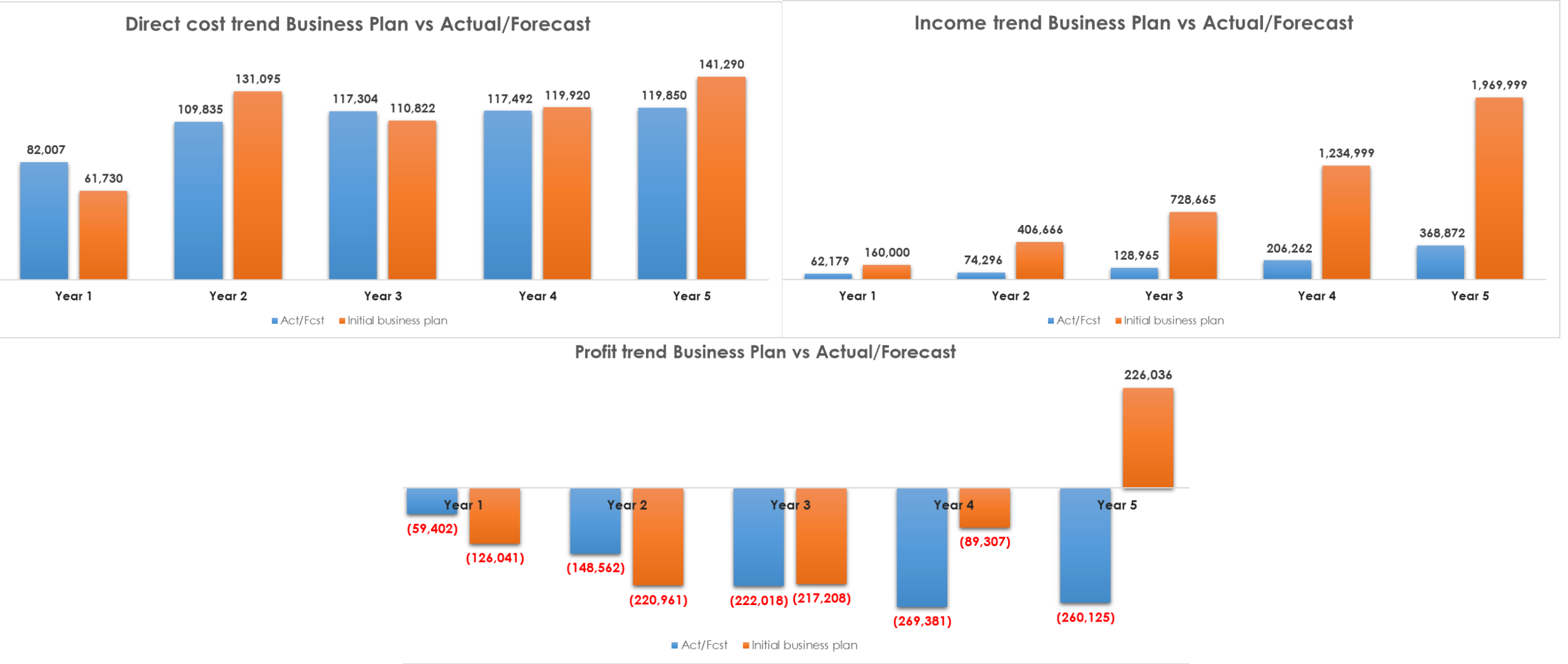
- The business plan assumed an ambitious 65% compound aggregate growth rate over the first 5 years
- Key assumptions for this ambitious growth were:
  - ❖ The move to the purpose built facility in the second year of operation
  - ❖ Buy in from partner local authorities with progressive roll out of online retail portals with other local authorities

# YourCare actual position 18/19 - 19/20

	2018/19 Actual	2019/20 Actual	2020/21 Forecast	21/22 Budget	22/23 Budget	23/24 Budget	24/25 Budget
Shop	52,837	44,910	22,299	-	-	-	-
Online	9,342	29,386	106,666	206,262	368,872	497,977	572,674
<b>Income</b>	<b>62,179</b>	<b>74,296</b>	<b>128,965</b>	<b>206,262</b>	<b>368,872</b>	<b>497,977</b>	<b>572,674</b>
% YoY Growth		19%	74%	60%	79%	35%	15%
<b>Cost of Sale</b>	39,574	53,621	85,117	136,133	239,767	298,786	343,604
% of Income	64%	72%	66%	66%	65%	60%	60%
<b>Gross Margin</b>	<b>22,605</b>	<b>20,675</b>	<b>43,848</b>	<b>70,129</b>	<b>129,105</b>	<b>199,191</b>	<b>229,070</b>
Gross margin %	36%	28%	34%	34%	35%	40%	40%
<b>Direct Cost</b>	<b>82,007</b>	<b>109,835</b>	<b>117,304</b>	<b>117,492</b>	<b>119,850</b>	<b>124,290</b>	<b>129,759</b>
<b>Net Profit/(Loss)</b>	<b>(59,402)</b>	<b>(89,160)</b>	<b>(73,456)</b>	<b>(47,363)</b>	<b>9,256</b>	<b>74,901</b>	<b>99,311</b>
<b>Cumulative Profit/(Loss)</b>	<b>(59,402)</b>	<b>(148,562)</b>	<b>(222,018)</b>	<b>(269,381)</b>	<b>(260,125)</b>	<b>(185,224)</b>	<b>(85,913)</b>

- YourCare turnover has grown by **19%** between 18/19 to 19/20 from £62k to £74k. This increase is mainly due to the 215% increase in online sales, while shop sales have reduced in the same period by 15% mainly due to the COVID-19 crisis. The 215% increase resulted from increased investment in Marketing and website development (£26k).
- Online marketing was launched in Feb 2019, with online user volume growing by **3000%** between Feb '19 to Mar '20
- The key challenges faced have been:
  - The lack of a proper retail facility
  - Slow progress in buy-in from partners ( CUH and LA's)
  - Strong competition from more established retailers

# Analysis of Business Plan vs. Actual/Forecast



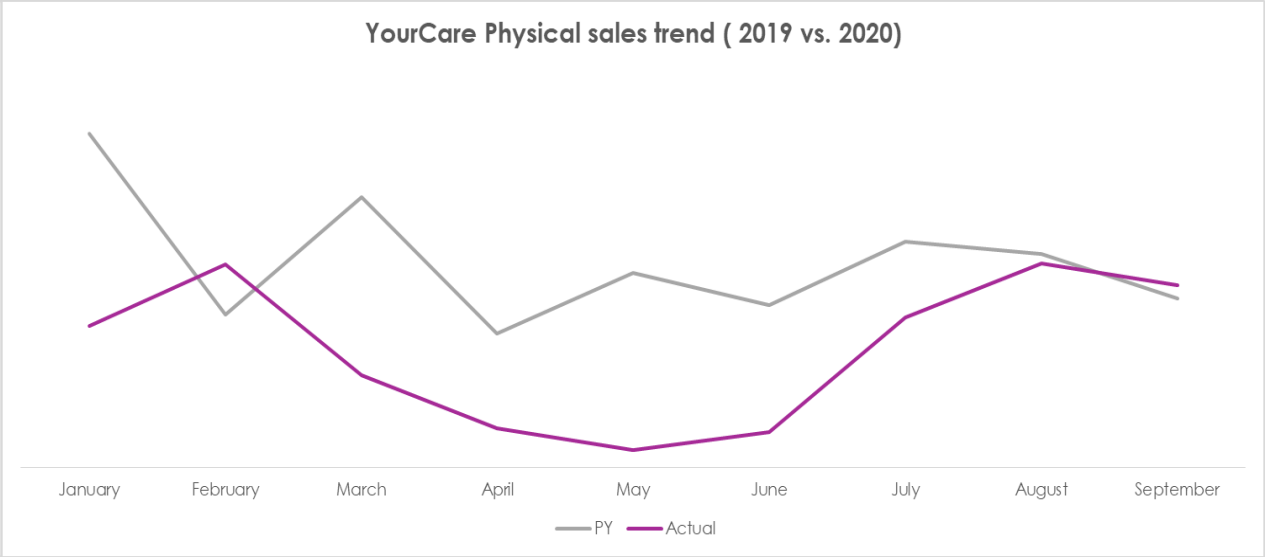
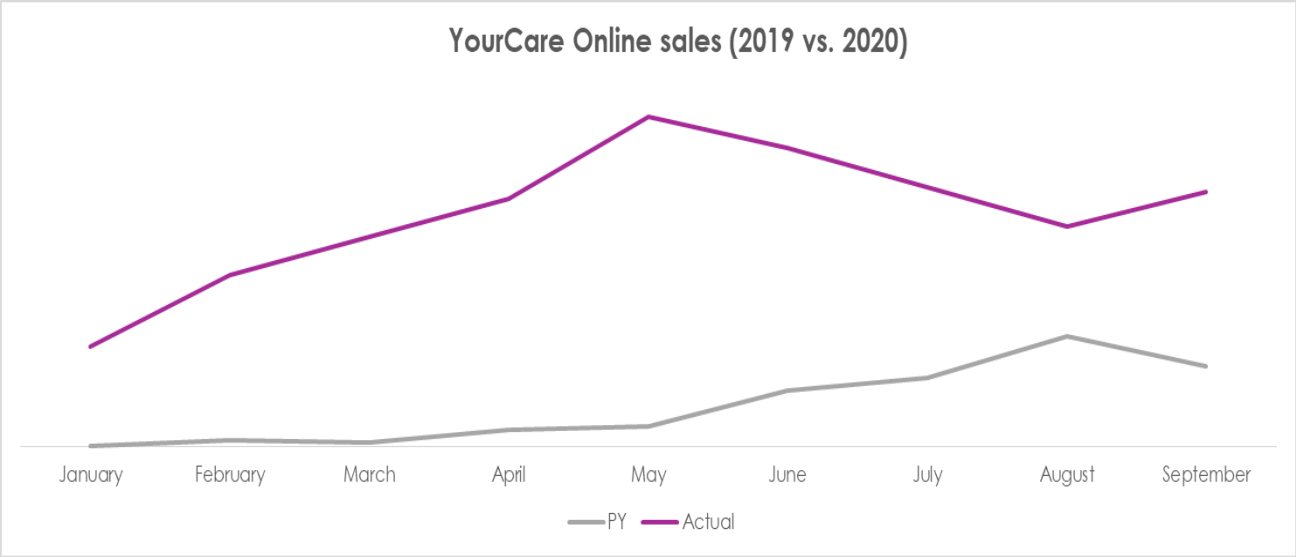
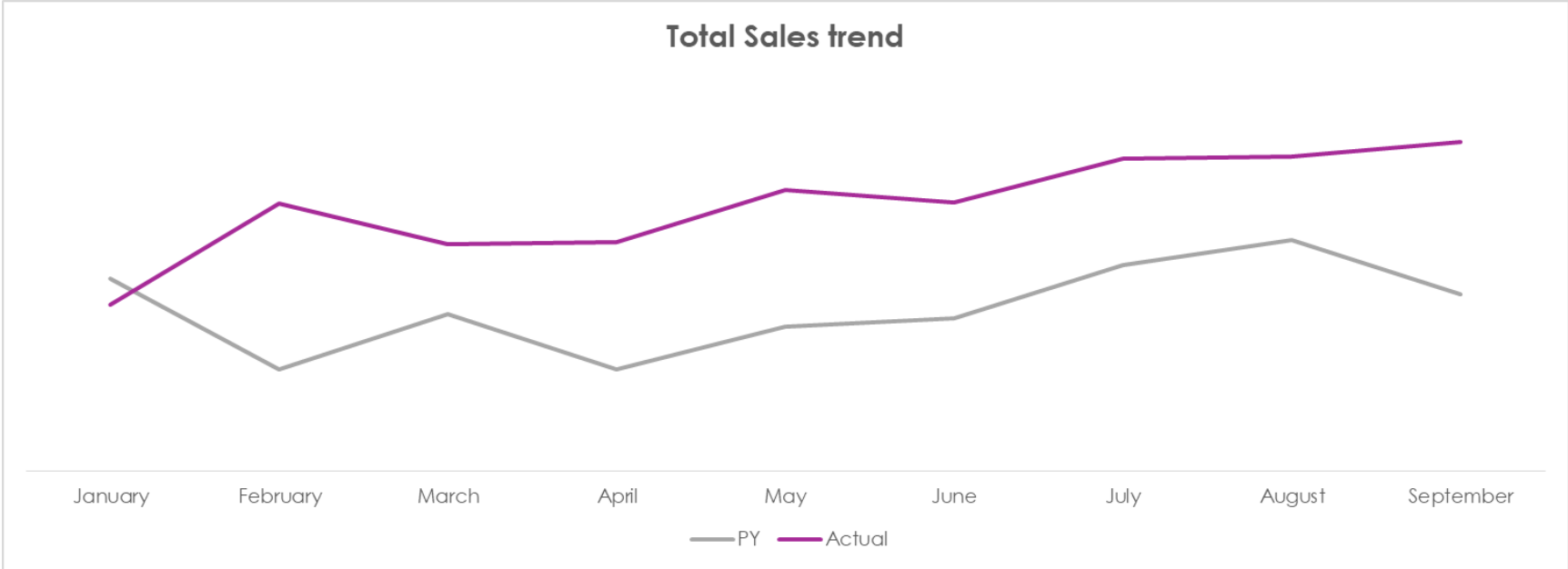
- YourCare Year 3 bottom line position is in line with the initial business plan projection in spite of a much more challenging environment than initially anticipated.
- Expected Income growth in Year 2 has failed to materialize due to the delay in the move to the new facility

## YourCare actual position 20/21 (YTD Sep-20)

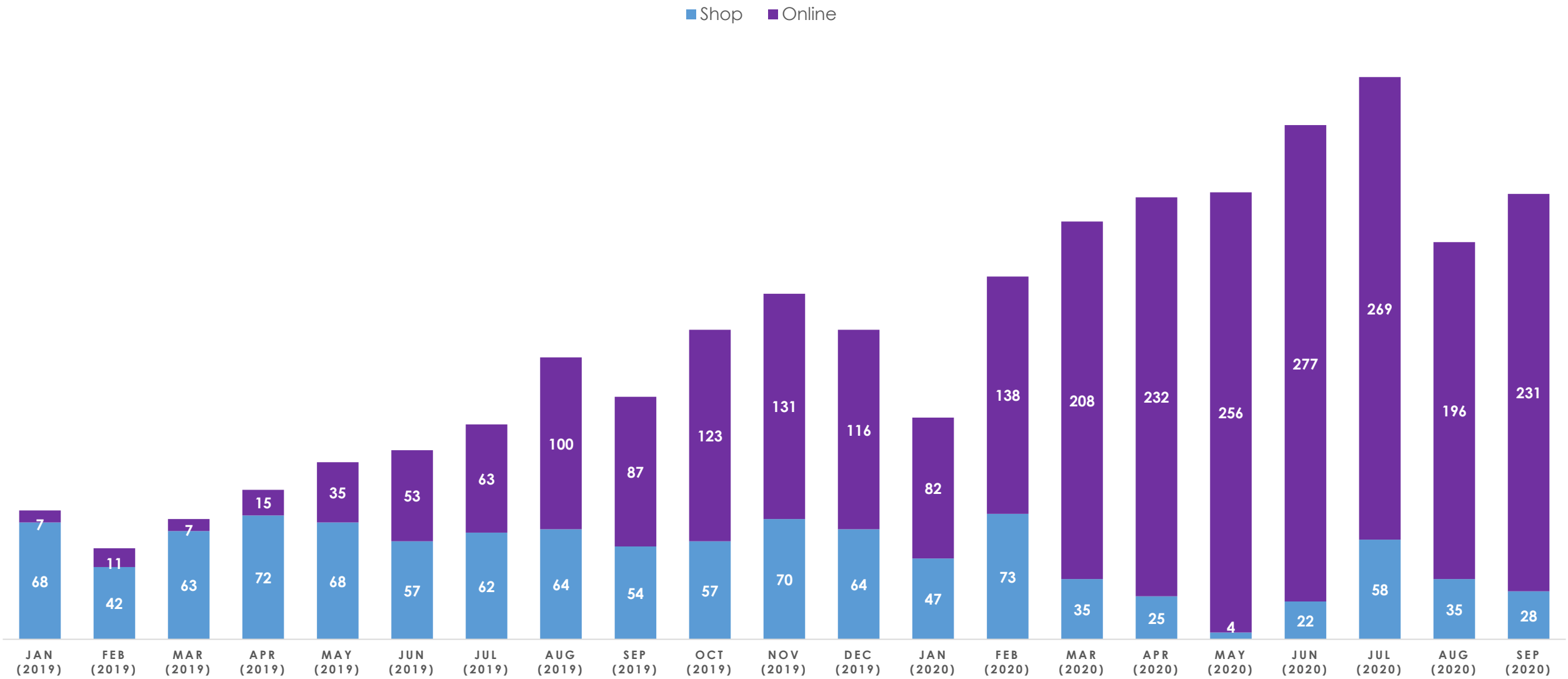
	YTD Act vs Fcst				YTD Act vs PY			Full Year Forecast
	Actual	Forecast	Variance	Variance	Prior Year	Variance	Variance	FY Forecast
Shop	12,715	11,860	<b>855</b>	7%	22,455	<b>(9,740)</b>	-43%	<b>22,299</b>
Online	40,722	42,536	<b>(1,814)</b>	-4%	14,693	<b>26,029</b>	177%	<b>106,666</b>
<b>Income</b>	<b>53,437</b>	<b>54,396</b>	<b>(959)</b>	-2%	<b>37,148</b>	<b>16,289</b>	44%	<b>128,965</b>
<b>Cost of Sale</b>	39,905	36,657	<b>(3,248)</b>	-8%	26,811	<b>(13,094)</b>	-49%	<b>85,117</b>
<b>Gross Margin</b>	<b>13,532</b>	<b>17,740</b>	<b>(4,207)</b>	-31%	<b>10,337</b>	<b>3,195</b>	31%	<b>43,848</b>
Gross margin %	25%	33%			28%			34%
<b>Direct Cost</b>	<b>52,783</b>	<b>52,783</b>	<b>0</b>	0%	54,917	<b>2,135</b>	4%	<b>117,304</b>
<b>Net Profit/(Loss)</b>	<b>(39,251)</b>	<b>(35,043)</b>	<b>(4,207)</b>	11%	<b>(44,580)</b>	<b>5,329</b>	12%	<b>(73,456)</b>

- YourCare turnover is expected to grow by **74%** between 19/20 to 20/21
- The move to the new purpose built facility happened in March'20 in the midst of the Covid-19 crisis
- YoY sales revenue is up +44% despite the impact of the pandemic on UK retail sales
- Instore sales are down -43% YoY with online sales being up +177% YoY. The current pandemic is clearly impacting consumer behaviour with more transactions being carried out online
- FY Forecast net loss is expected to be £73.5k an improvement of 18% on last year in spite of the current crisis

# YourCare sales trend ( 19 vs. 20)



# Volume of Sales Orders by Month & Channel



## YourCare actual position 20/21 (YTD Sep-20)

- In light of the difficult context the board had agreed the following :
  - Staff to be redeployed in other areas of CES hence reducing cost within YourCare
  - Capitalise on the online growth by working closely with the marketing agency
- In spite of all the actions taken by the board, some significant risks remain in light of
  - The UK falling into recession due to the COVID-19 crisis with GDP slumping by 24%
  - The ongoing Covid-19 crisis and its short, medium and long term impact on the retail sector
- The current pandemic make accurate financial modelling difficult, however the board has conducted an option appraisal of different business models based on information currently available:
  - **Option 1** : Keep the current business model unchanged
  - **Option 2**: Wind down the business at the end of this financial year
  - **Option 3**: Move to online only, given that the channel is growing

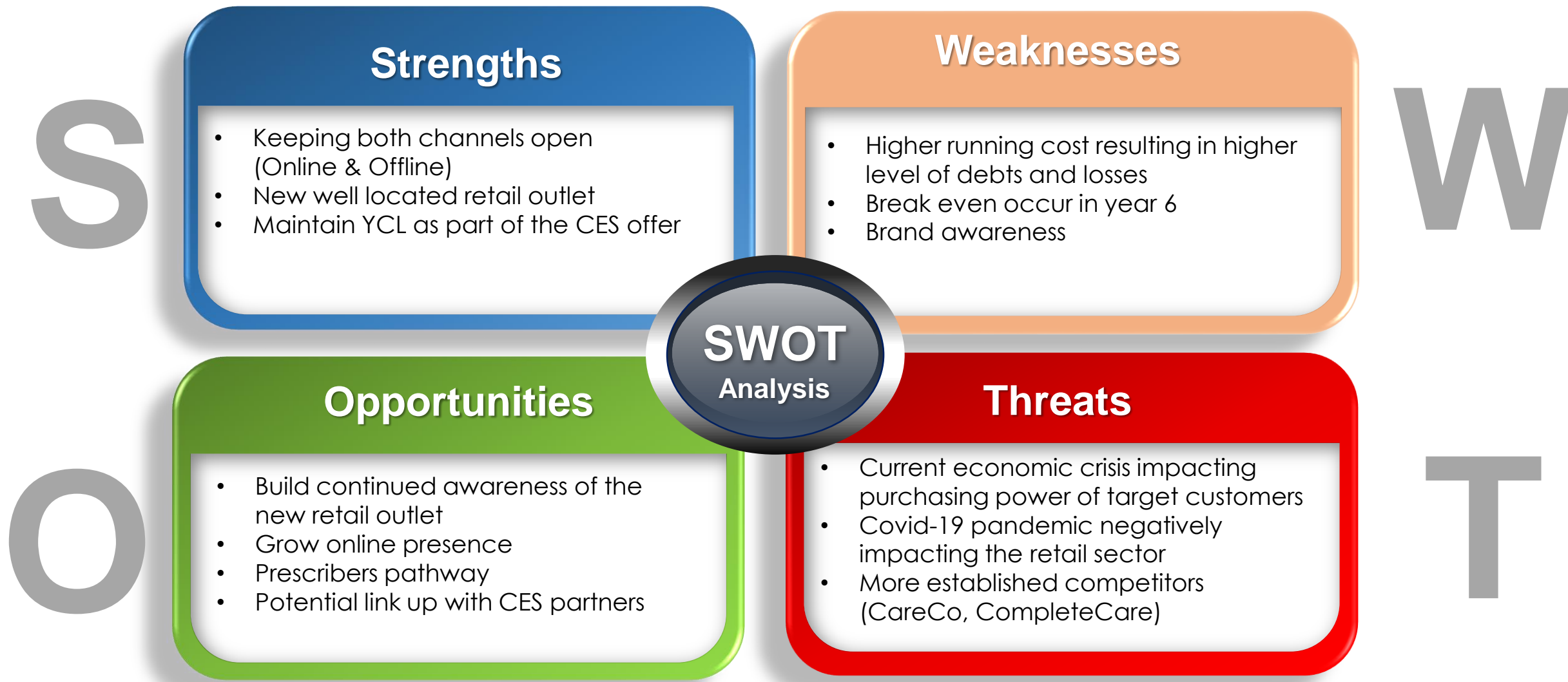
# Option 1 : Keep current business model (no change)

Option 1 provides an estimated breakeven position of £25k in **year 6** (23/24) of operation with cumulated loss of **£334k** and debt of **£591k**. This option assumes:

- Offline revenue remains at 20/21 level before growing from 22/23
- Online revenue expected to grow by 70% in 21/22
- 2.5 FTE at grade 6 from April 2021
- Rent payment of £28,380 from April 2021
- CES recharge of £10k ( IT, service charge) from April 2021
- Debt repayment change with LBC loan repaid first

	2018/19	2019/20	2020/21	21/22	22/23	23/24	24/25
	Actual	Actual	Forecast	Budget	Budget	Budget	Budget
Shop	52,837	44,910	22,299	22,299	26,759	32,111	38,533
Online	9,342	29,386	106,666	206,262	368,872	497,977	572,674
<b>Income</b>	<b>62,179</b>	<b>74,296</b>	<b>128,965</b>	<b>228,561</b>	<b>395,631</b>	<b>530,088</b>	<b>611,207</b>
% YoY Growth	-	19%	74%	60%	79%	35%	15%
<b>Cost of Sale</b>	<b>39,574</b>	<b>53,621</b>	<b>85,117</b>	<b>150,851</b>	<b>257,160</b>	<b>318,053</b>	<b>366,724</b>
% of Income	64%	72%	66%	66%	65%	60%	60%
<b>Gross Margin</b>	<b>22,605</b>	<b>20,675</b>	<b>43,848</b>	<b>77,711</b>	<b>138,471</b>	<b>212,035</b>	<b>244,483</b>
Gross margin %	36%	28%	34%	34%	35%	40%	40%
<b>Direct Cost</b>	<b>82,232</b>	<b>108,710</b>	<b>115,128</b>	<b>176,830</b>	<b>180,420</b>	<b>186,739</b>	<b>193,471</b>
	0	0	0	0	0	0	0
<b>Net Profit/(Loss)</b>	<b>(59,627)</b>	<b>(88,035)</b>	<b>(71,280)</b>	<b>(99,119)</b>	<b>(41,949)</b>	<b>25,297</b>	<b>51,012</b>
<b>Cumulative Profit/(Loss)</b>	<b>(59,627)</b>	<b>(147,662)</b>	<b>(218,942)</b>	<b>(318,061)</b>	<b>(360,009)</b>	<b>(334,713)</b>	<b>(283,701)</b>
CES Debt	<b>(28,332)</b>	<b>(97,668)</b>	<b>(197,850)</b>	<b>(362,066)</b>	<b>(532,890)</b>	<b>(591,592)</b>	<b>(629,671)</b>
LBC loan	<b>(83,400)</b>	<b>(86,945)</b>	<b>(90,640)</b>	<b>(53,985)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Debt</b>	<b>(111,732)</b>	<b>(184,612)</b>	<b>(288,490)</b>	<b>(416,051)</b>	<b>(532,890)</b>	<b>(591,592)</b>	<b>(629,671)</b>

Option 1 : Keep current business model



## Option 2 : Wind down

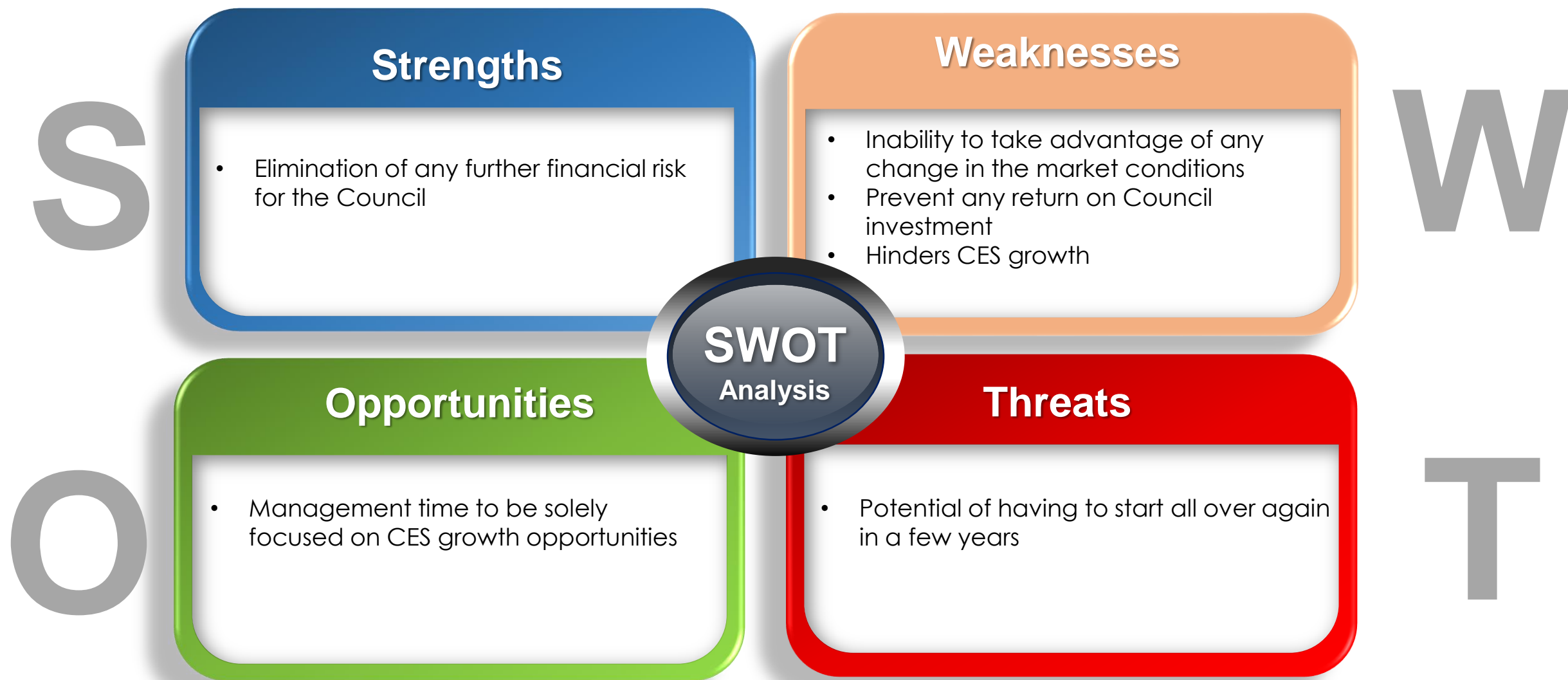
Option 2 assume a wind down of YourCare with final position of :

- ✓ Cumulated loss of £222k
- ✓ Total debt of £247k

The debt is expected to be absorbed by CES.

	Actual	Actual	Forecast
Shop	52,837	44,910	22,299
Online	9,342	29,386	106,666
<b>Income</b>	<b>62,179</b>	<b>74,296</b>	<b>128,965</b>
% YoY Growth	-	19%	74%
<b>Cost of Sale</b>	39,574	53,621	85,117
% of Income	64%	72%	66%
<b>Gross Margin</b>	<b>22,605</b>	<b>20,675</b>	<b>43,848</b>
Gross margin %	36%	28%	34%
<b>Direct Cost</b>	<b>82,232</b>	<b>108,710</b>	<b>115,128</b>
<b>Net Profit/(Loss)</b>	<b>(59,627)</b>	<b>(88,035)</b>	<b>(71,280)</b>
<b>Cumulative Profit/(Loss)</b>	<b>(59,627)</b>	<b>(147,662)</b>	<b>(218,942)</b>
CES Debt	(28,332)	(97,668)	(197,850)
LBC loan	(83,400)	(86,945)	(90,640)
<b>Total Debt</b>	<b>(111,732)</b>	<b>(184,612)</b>	<b>(288,490)</b>

## Option 2 : Wind down



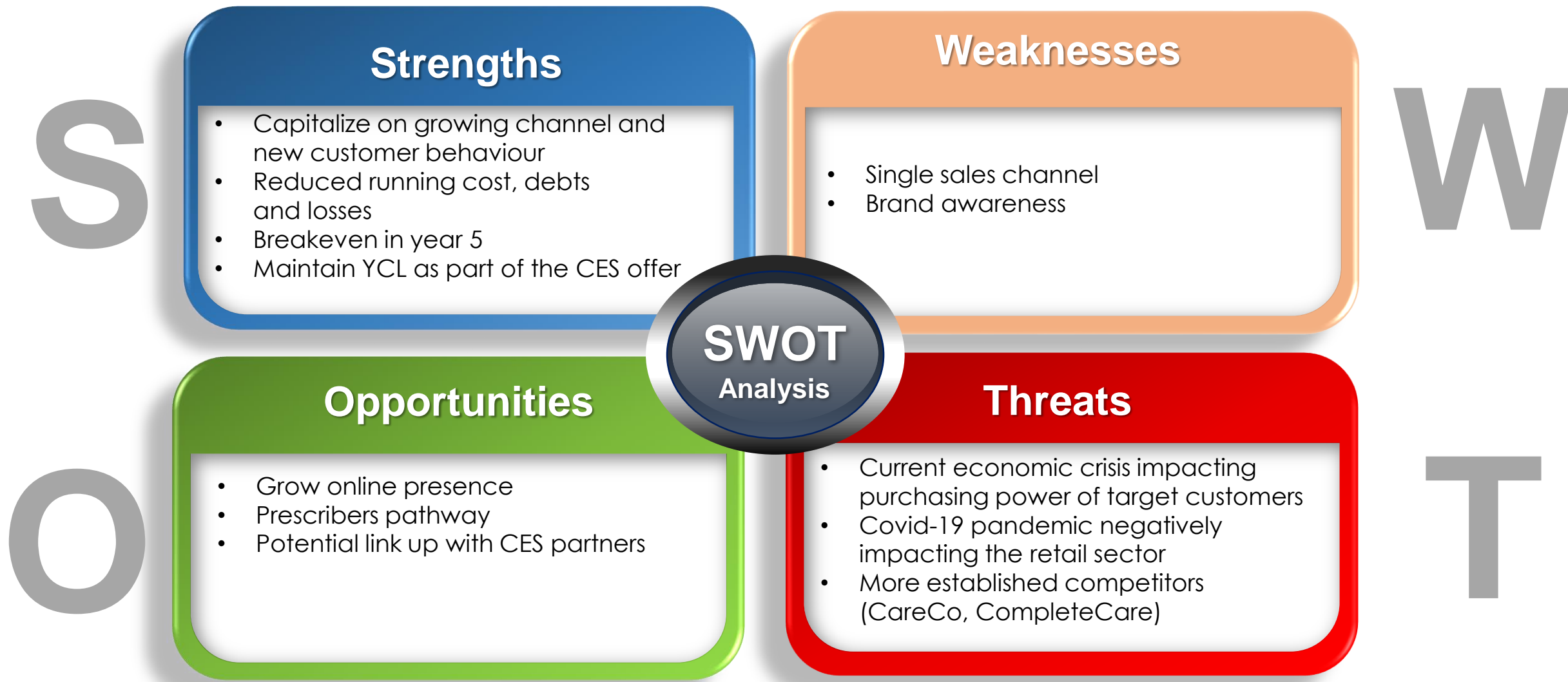
## Option 3 : Online only

Option 3 provide a breakeven position (£14k) in **year 5** (22/23) of operation with cumulated loss of **£245k** and debt of **£387k**.  
This option assumes:

- No offline revenue after 20/21
- Revenue to grow by 60% in 21/22, then 79% in 22/23
- 1.5 FTE at grade 6 from April 2021
- Rent payment of £5k from April 2021
- CES recharge of £10k ( IT, service charge) from April 2021
- Debt repayment change with LBC loan repaid first

	2018/19 Actual	2019/20 Actual	2020/21 Forecast	21/22 Budget	22/23 Budget	23/24 Budget	24/25 Budget
Shop	52,837	44,910	22,299	-	-	-	-
Online	9,342	29,386	106,666	206,262	368,872	497,977	572,674
<b>Income</b>	<b>62,179</b>	<b>74,296</b>	<b>128,965</b>	<b>206,262</b>	<b>368,872</b>	<b>497,977</b>	<b>572,674</b>
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% of Income	64%	72%	66%	66%	65%	60%	60%
<b>Gross Margin</b>	<b>22,605</b>	<b>20,675</b>	<b>43,848</b>	<b>70,129</b>	<b>129,105</b>	<b>199,191</b>	<b>229,070</b>
Gross margin %	36%	28%	34%	34%	35%	40%	40%
<b>Direct Cost</b>	<b>82,232</b>	<b>108,710</b>	<b>115,128</b>	<b>111,430</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>(71,280)</b>	<b>(41,301)</b>	<b>14,859</b>	<b>79,416</b>	<b>103,367</b>
<b>Cumulative Profit/(Loss)</b>	<b>(59,627)</b>	<b>(147,662)</b>	<b>(218,942)</b>	<b>(260,243)</b>	<b>(245,383)</b>	<b>(165,967)</b>	<b>(62,600)</b>
CES Debt	(28,332)	(97,668)	(197,850)	(296,986)	(387,875)	(364,722)	(322,136)
LBC loan	(83,400)	(86,945)	(90,640)	(57,937)		0	0
<b>Total Debt</b>	<b>(111,732)</b>	<b>(184,612)</b>	<b>(288,490)</b>	<b>(354,923)</b>	<b>(387,875)</b>	<b>(364,722)</b>	<b>(322,136)</b>

Option 3 : Online only business model



## Summary & Recommendation

- The board have reviewed the options and a summary of the options are set out below:
- **Option 1**, will generate further losses. With the UK retail sector very uncertain, there is no guarantee that continuing the existing business model will be confined to the financial outlook in October 2020, and a move to Option 2 or Option 3 may be necessary at some point in the future.
- **Option 2** does not allow any future benefit from the move to CLIC or changing market conditions. This option will also hinder growth for CES since having a retail model is a key specification for full managed service contracts.
- **Option 3** appears to be the more viable option, given it will:
  - Allow break even a year earlier in 22/23
  - Offer the opportunity to progressively repay the Council investment
  - Maintain overall cost and debt at a low level
  - Maintain YourCare as part of the CES offer
- YourCare is on track as per the initial business plan with limited exposure to the Council. In light of the current financial situation of the Council, the board's recommendation is to consult with the shareholder before making a decision

# Governance and report to Shareholder

- The board of directors will provide trading update twice a year to the shareholder at the following intervals
  - Mid-year : October
  - Year end : April
- The board would like to get a view from the shareholder on YourCare's future given the current financial position of the Council