

## Southend Care Business Plan 2019/20

### 1. PURPOSE OF THE REPORT

The purpose of this report is to advise the shareholder of the company's business plan objectives for 2019/20. These objectives build upon the company's successful trading in 2018/19 and its evolving maturity since its inception in 2017. The report also includes a financial forecast to 2024/25 which forms the basis of our business planning over the next five years.

### 2. INTRODUCTION

2019/20 sees Southend Care Limited (SCL) moving out of its 'start up' phase, developing a level of trading maturity that supports business growth. A significant contribution to this maturity has been building an excellent track record and strong reputation, whilst establishing the company's infrastructure and governance arrangements that support future trading. Appendix 1 summaries trading performance for 2018/19.

SCL's value proposition to the Southend Borough Council (SBC) grows stronger, providing solutions to the growing complexity of needs of vulnerable people in Southend. Our proposition is enhanced by the special relationship we enjoy with SBC and the ability to be directly awarded additional contracts. A recent example of this being the award of contract in May 2019 to deliver supported living services at West Street.

SCL also holds a unique position in the market place by delivering a very different set of services to that of typical care providers in Southend and which are strategically relevant to the requirements of the health and social care system. This position has encouraged the company to seek out additional income streams, in particular privately paying customers. Whilst in its early stages we have built up a strong customer base generating over £200k per year. Our market position and standing will be further enhanced by the transformation of our existing residential complex care and assessment services through the new flagship facility to be built at Burr Hill Chase.

Through Southend 2050 great opportunity exists to shape the care market and for SCL to be a reference point for others in terms of innovation. Tangible offers are already being worked on with SBC which directly link to 2050, for example supported employment services for young people, connecting with outcome of Opportunity & Prosperity.

Our business plan objectives set out below support this direction of travel, ensuring SCL becomes both the provider and employer of choice.

### 3. BUSINESS PLAN OBJECTIVES 2019/20

Our 2019 Annual Business Plan supplements and builds upon the company's 2018 -2021 Business Plan which has previously been noted by the Shareholder Board. In essence there are four areas of business activity this year which are set out below.

#### **Objective 1: Business Development**

- Developing a strong role in supporting key local agendas e.g. Southend 2050 and SBC Corporate Housing Strategy.
- Building sustainable growth through SBC direct awards and the development of alternative income streams including self-paying customers.
- Ensuring full focus on establishing our flagship new care facility ('centre of excellence') providing specialist care.

- Developing strategic partnerships adding value to SBC and the wider health and social care system, for example South Essex Homes strategic partnership for accommodation and care.

### **Objective 2: Finance**

- Continuing to build a positive P&L reserve on our balance sheet.
- Planning to deliver an operational profit of £173K (19/20) and continued profitability thereafter.
- Driving through year on year efficiencies, for example continued year on year T&Cs conversion rates and reduction in expenditure on agency staff.
- Repaying our SBC loan facility by year end (19/20) whilst maintaining a strong cash flow position.
- Targeting of additional non SBC revenue as a % of overall turnover but <20% e.g. private payer income.

### **Objective 3: Customers**

- Achieving industry / regulatory quality ratings e.g. CQC minimum ratings of GOOD for all services
- Continuously improving the quality of services, ensuring we meet nationally recognised benchmarks of care.
- Ensuring all our services have a positive and measurable impact on people's lives.
- Being at the forefront of advances in care related technology, including both the organisation and management of care as well as direct care delivery.

### **Objective 4: People**

- Evolving our commerciality and business thinking e.g. delivery of commercial contracts.
- Continuing to develop a solution focused, 'can do' culture that embraces innovation and challenges existing ways of thinking and doing things.
- Developing a multi – skilled workforce with the ability to respond to people's needs now and in the future.
- Being the employer of choice within the recruitment market place, paying in the upper quartile

## **4. SCL FIVE YEAR FINANCIAL FORECAST**

Our financial business plan for the next five years demonstrates a proportionate and responsible net profit and margin, with an average planned net profit per year of £154K and average margin of 2%. A summary of the forecast is set out in Appendix 2.

The company is able to offer real savings back to the council. Planned cumulative savings by the end of year 5 will total £300K being the difference between the commercial rent for the new care facility to SBC and the block contract value.

In addition we are taking a positive approach to supporting the council with its social care budget pressures. For example over the five years SCL will plan to only seek from SBC an average uplift per year of 0.89% (which also considers the new commercial rent charge for the new priory build, once developed). This therefore demonstrates the ability of the company to manage its cost base and become progressively more self-sustaining. This position is based on a realistic assumption that current contracts continue.

Growth in terms of additional direct awards is a key strategy being followed by SCL and SBC, however the extent and nature of these awards in terms of value is unknown at this stage. Therefore the plan states only those current contracts with SBC and not the business development potential. This is likely to be an iterative aspect of the financial plan as this type of business can be both planned and reactive, as in the case of West Street.

The plan responds to the additional investment needed for key parts of the business that will enable growth and continued quality of service provision, in particular strengthening our recruitment, training and staff bank functions

Central overheads are kept in line with a target 7% of total cost base across the five years, which ensures a proportionate central function is maintained. The plan builds in commitment for the continuation of service agreements with the council for HR, Finance and ICT services.

The plan ensures SCL continues to be in the upper quartile in terms of frontline workforce pay, where possible tracking against the Real Living Wage.

**END OF REPORT**

**Jon Manzoni**

**Managing Director**

## **APPENDIX 1 – TRADING PERFORMANCE 2018/19**

The second year of trading built on the successes in 2017/18 and demonstrated actual performance exceeding what was planned for.

### **Efficiencies**

- Exceeded SBC terms and conditions conversion rate by £82K (a total of £189K achieved).
- Agency spend run rate reduced by 47% to an average of £24k per month.

### **Service Management and Development**

- Customer satisfaction at 96%
- Re-modelling and transformation of services to meet changing needs e.g. Delaware Rehab Beds.
- Direct award by SBC of Reablement Contract for circa 250 – 300 hours per week (up to £200K p.a. income).
- Alternative income streams developed through sale of private bed spaces within residential care and sessions within day services.

### **Workforce development and morale**

- Staff satisfaction circa 88% (based on 18/19 Survey of workforce).
- A low average 1% staff turnover per month for Southend Care appointed staff
- Sickness rates reduced to 3% rolling average.
- Investors in People Award Achieved.
- IPR (Appraisal) system created and rolled out.

### **Relationship with SBC**

- 3 year Business Plan presented and noted by Shareholder Board.
- Continued performance against block contract requirements, maintaining the confidence and trust in SCL to deliver.
- Continued development of an excellent relationship with SBC Directors and senior management teams.
- Positive ongoing quarterly formal contract monitoring meetings with SBC focusing on both operational delivery and strategy.

### **Overall bottom line financial result**

- Profitability achieved compared to a planned net loss of £138K.
- 35% of SBC loan capital repaid with 100% targeted to be repaid by end of 2019/20 (which will mean £565K in total re-paid, two years ahead of plan).

## APPENDIX 2 – SCL FIVE YEAR FORECAST

Trade Year	1	2	3	4	5
Financial Year	2020-21 Forecast*	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
	£'000	£'000	£'000	£'000	£'000
Block Contract Income	(7,931)	(8,141)	(8,128)	(8,115)	(8,084)
Other income (incl Private Sales)	(215)	(215)	(215)	(215)	(215)
<b>Total Turnover</b>	<b>(8,146)</b>	<b>(8,356)</b>	<b>(8,343)</b>	<b>(8,330)</b>	<b>(8,299)</b>
Direct operating costs - employees	6,568	6,514	6,462	6,434	6,423
Other direct operating costs	612	591	599	607	614
SBC commercial rent charge Priory New build	298	595	595	595	595
Overheads	497	507	517	528	538
Financing Costs	12	-	-	-	-
<b>Total Costs</b>	<b>7,986</b>	<b>8,208</b>	<b>8,173</b>	<b>8,164</b>	<b>8,171</b>
<b>Net (Profit) / Loss</b>	<b>(160)</b>	<b>(148)</b>	<b>(169)</b>	<b>(166)</b>	<b>(128)</b>
% (Profit) / Turnover	2.0%	1.8%	2.0%	2.0%	1.6%
Planned savings returned to SBC :					
Each Year separately	(98)	(98)	(35)	(35)	(35)
& Cumulative total per annum	<b>(98)</b>	<b>(195)</b>	<b>(230)</b>	<b>(265)</b>	<b>(300)</b>