Empowering young people and communities to create the highest quality youth services which improve the lives of young people in Lambeth

YOUNG LAMBETH COOPERATIVE

BUSINESS PLAN 2013-18 V2

(Note: at time of writing, a number of financial and business planning issues remain under discussion. The business plan therefore includes financial assumptions and proposals which will be amended as agreement is reached).

1. EXECUTIVE SUMMARY

INTRODUCTION AND OVERVIEW

1.1 The YLC is the first of its kind and is the most exciting and innovative development in the UK youth and commissioning sector. The London borough of Lambeth in partnership with the YLC has the potential to revolutionise the way it delivers public services by placing power and responsibility for youth services in the hands of the young people and the community. As the YLC has developed, the enormous potential for this new model of working has become apparent.

1.2 The Young Lambeth cooperative (YLC) is pleased to be submitting this business case to the London borough of Lambeth as the first model of young people's and community ownership and commissioning of youth services in the country. This business plan outlines an alternative way to commission youth services using both commissioning budgets and the resources currently spent on the existing commissioning function in a more efficient and inclusive way.

1.3 The YLC has formed as a result of a conversation the council initiated with the community and which has taken place over the last two years about how play and youth services should be managed in the borough. Through this, the community gave a very strong message that they wanted greater control and ownership of these services.

1.4 The business plan provides a proposal for a new way of working in the borough, which embodies the Cooperative Council principles and ambitions. At the centre of the proposal and vision, is the central role that young people and the local community will play in designing, delivering and making decisions about their local services and the wide-ranging benefits this will bring.

1.5 This business plan has been prepared with input and support from young people, community representatives, local providers and wider partners. To date 1700 people have registered their support for the YLC and in excess of 300 people have been actively involved in its development. Over 1,000 volunteer hours have been contributed in the last three months alone.

1.6 In the summary the YLC business case:

- Outlines a new community led commissioning model which empowers users to shape and have ownership of the services they receive which will lead to better and more cost effective services
- Presents a more efficient and cost effective model of commissioning which will deliver better value for money
- Presents a more agile and flexible business enterprise which will be more responsive to community need and deliver higher-quality services
- Outlines the YLC's services and income generation opportunities to support the development of a sustainable enterprise
- Presents a model which places youth services in a better position to secure external funding and outlines the additional investment the YLC aims to secure for services for young people
- Presents a commissioning model which is able to grow and take on additional responsibilities in the coming years, which will further the Councils' ambitions of putting resources into community control
- Presents the YLC model as a potential template for innovative service delivery across the council
- Outlines how the YLC will realise the benefits of being a community owned organisation

THE COMPANY

1.7 The YLC has been set up as a commercial venture with cooperative values. It was registered as a community benefit society in May 2013 and will be starting its operation in January 2014. It is owned by its members whose views will be represented through a Steering Group and it will be governed by a Board. A Managing Director and strong staff team combining the right business and commercial skills will be appointed to manage the business of the YLC.

OUR PRODUCTS AND SERVICES

A membership organisation

1.8 The YLC first and foremost is a membership organisation with the aim of developing greater involvement of users and the wider community in the delivery of services for children and young people in Lambeth. This model of young people's involvement and ownership will be the first of its kind anywhere and will provide a connection between the community and public services and a mechanism for joint working on a greater scale and depth than has ever been done before.

1.9 The membership of the YLC is open to anyone aged 11 years or over who either lives, studies, works or has an interest in Lambeth.

1.10 Developing a large and representative membership is central to the YLC's success and is the basis for the business and growth opportunities outlined in the plan. The YLC aims to grow its membership to in excess of 20,000 members in its fifth year, which would make it the largest membership organisation in Lambeth.

A commissioner

1.11 The YLC will be a platform for community commissioning of services for children and families. A new and innovative approach has been developed which will put young people and the community at the centre of decision-making about their local services. This will be very different to the current commissioning model and will focus on a new cooperative way which will increase responsiveness, drive up quality and reduce costs.

1.12 The YLC will initially take on responsibility from Lambeth Council for commissioning play and youth services up the value of £3m per annum. However, this is targeted as an area of growth in the next five years.

1.13 The YLC has been set up with the capability to grow and become a key strategic partner for community commissioning in the borough. This includes taking on a larger role in the commissioning of early intervention services in the borough, including teenage pregnancy, substance misuse, sexual health, youth crime and family services. There is currently £4.4 million spent on these services either through council managed or commissioned services. In addition, the YLC will be aiming to commission services for young people and families on behalf of other agencies including health, housing and the police.

1.14 The YLC will charge a management fee for the commissioning of additional services which will generate income to support the running costs of the organisation. This reflects the overhead any organisation would incur when commissioning services. The management fee has been developed based on the standard industry practice and has set a cost around the industry median, which given the level of added value the YLC will bring is very competitive.

Securing investment for young people in Lambeth

1.15 The YLC as a membership organisation will apply on behalf of Lambeth's young people and communities for funding for youth services in the borough. As a community owned organisation the YLC has the potential to bring in investment from a wide range of sources not typically available to local authorities. These include external grants, sponsorship, donations and direct fund raising activities. This way of working offers a reduction in transaction costs in getting money to a range of organisations in Lambeth and will create a platform for providers to work collaboratively to secure new funds for young people in Lambeth.

1.16 The YLC will commission services with the additional investment and will charge a management fee to support the running costs of the organisation. The YLC aims to commission an additional £3.8 million worth of services for young people over the 5-year period, a significant proportion of which would not otherwise have been brought into the borough. This will result in an overall increase in the commissioning budget for youth services over the next five years, which will buck the national trend and place Lambeth in a unique and very positive position. This growth in the borough will bring employment opportunities and investment into local businesses across Lambeth.

Public engagement, consultation and research service:

1.17 Through its membership base, the YLC will offer a public engagement, consultation and research service, which will help organisations interact with young people and the community and involve them in their business and plans. Many public and private organisations typically find it difficult to engage and involve young people, and through its membership the YLC can provide a means of doing this effectively and on a large scale. Where relevant and consistent with the values of the YLC, this service will generate consultancy income to support the running costs of the organisation.

1.18 As the council has to deliver a significant savings programme over the coming years, the involvement of young people and the community to develop new solutions and ways of working will be essential. The YLC will be able to be a mechanism to support this particularly ensuring the voices of young people are heard. Discussions have already started about how the YLC could support the Cooperative Parks and Libraries Programmes.

CORPORATE STRATEGY

1.19 To summarise the YLC's high level strategic objectives are to:

- Establish the YLC and have a successful business start-up including implementing the governance arrangements for the organisation
- Take on the initial commissioning responsibilities from the council in line with the funding requirements and in turn commission a safe, high-quality play and youth service in the borough
- Establish, grow and maintain a large and representative membership
- Expand commissioning responsibilities, putting increased level of resource in community control
- Secure significant levels of additional funding for services for young people in Lambeth
- Reduce dependency on council funding and achieve a broad funding base
- Develop a means of measuring social value and demonstrate the added value contributed to the borough

FINANCIAL PROJECTIONS – (PRUDENT SCENARIO)

1.20 The output from the financial plan is shown over page in a simplified profit and loss table.

1.21 The transition budget (September 13 – March 14) has been deliberately designed to exactly reflect forecasted costs. This means the YLC is planned to enter 2014/15 with a zero starting balance sheet position.

1.22 The 5-year financial plan has been constructed using the best possible available information and following comprehensive testing of the reasonableness of all the assumptions in the financial model. The financial plan is intended to represent a realistic prudent forecast that is neither excessively optimistic nor pessimistic.

1.23 The financial plan has been devised based around a £460k year 1 contract value, reducing by 5% in year 2 (£437k), 10% in year 3 (£393k), a further 5% in year 4 (£374k) and then a final 7% in year 5 (£347k).

1.24 Delivering on the financial plan means that by 2016/17, the YLC will not only be returning reasonably healthy surpluses so that it can grow its working capital, but it will also have delivered substantial cashable savings for the Council.

1.25 By the end of the 5-year plan, the YLC is forecast to deliver a surplus of £20.8k. This represents 3.1% of total forecast costs for the year and 3.0% of total forecast income. The YLC is also forecast to have a cash reserve of £74k built up by year 5 which is line with 5-10% baseline for new start-ups.

1.26 The YLC is also forecast to be in a relatively strong position with revenue streams outside of the core council contract contributing 46% of all YLC income (excluding commissioning budgets). This is reducing the dependency on the council core grant.

1.27 Although the YLC will still be dependent on some form of continuation of the core contract with the Council at the end of the 5 year period, achieving this diversified income target will go a long way towards achieving the Yolk's strategic objective of being financial sustainable.

PROFIT & LOSS SUMMARY

	Transition	2014/15	2015/16	2016/17	2017/18	2018/19	
YLC Income from core Council contract:							
Council contract (cashable amount)	128,843	460,000	437,000	393,300	373,635	347,481	
Support services purchased from Council	0	10,000	10,000	10,000	10,000	10,000	
Premises & facilities purchased from Council	0	20,000	20,000	20,000	20,000	20,000	
Other YLC income:							
Apprenticeship income	0	16,000	6,000	6,000	6,000	6,000	
Additional commissioning responsibilities from Lambeth	0	0	37,500	75,000	75,000	93,750	
Commissioning for other public bodies, sponsors or funders	0	0	50,000	100,000	100,000	125,000	
Public engagement, consultations & involvement services	0	15,000	20,000	25,000	30,000	40,000	
Donations & direct fundraising	0	20,000	30,000	40,000	50,000	50,000	
Grant income	70,000						0
Total YLC income:	198,843	541,000	610,500	669,300	664,635	692,231	
Commissioning income:							
Core council contract	0	2,664,443	3,120,628	3,002,006	3,002,006	3,002,006	
Additional commissioning responsibilities	0	0	500,000	1,000,000	1,000,000	1,250,000	
	0	2,664,443	3,620,628	4,002,006	4,002,006	4,252,006	
Total income	198,843	3,205,443	4,231,128	4,671,306	4,666,641	4,944,237	
YLC supplies & services purchased from the Council							
Support services purchased from Council	0	-10,000	-10,000	-10,000	-10,000	-10,000	
Premises & facilities purchased from Council	0	-20,000	-20,000	-20,000	-20,000	-20,000	
YLC Costs (non-Council)							
Staffing	-67,003	-393,497	-444,845	-477,808	-485,638	-498,945	
Supplies & services	-131,840	-114,817	-121,712	-134,099	-137,802	-146,945	
Total YLC costs	-198,843	-538,314	-596,557	-641,908	-653,440	-675,890	
Commissioning expenditure:							
Core council contract	0	-2,664,443	-3,120,628	-3,002,006	-3,002,006	-3,002,006	
Additional commissioning responsibilities	0	0	-500,000	-1,000,000	-1,000,000	-1,250,000	
	0	-2,664,443	3,620,628	-4,002,006	4,002,006	-4,252,006	
Total costs	-198,843	-3,202,757	-4,217,184	-4,643,914	-4,655,446	-4,927,897	
Interest, depreciation & amortisation							
Interest	0	4,000	4,100	4,203	4,308	4,415	
Depreciation	0	0	0	0	0	0	
Net profit	0	6,686	18,043	31,595	15,503	20,755	
Corporation tax @ 20%	-0	-1,337	-3,609	-6,319	-3,101	-4,151	
Surplus	0	5,349	14,435	25,276	12,402	16,604	
Cumulative surplus	0	5,349	19,784	45,059	57,461	74,066	

VALUE FOR MONEY

1.28 The YLC will be a new cheaper, more productive and efficient way to commission services. The YLC will not only deliver 24% cashable savings over the 5 year period but by year 5 is forecast to be 23% cheaper than the current commissioning model. The YLC is therefore able to offer the Council improved value for money for commissioning play and youth services compared to the current commissioning model.

1.29 In addition, the YLC will be bringing in substantial new investment for youth services into the borough at a time of reducing budgets and delivering significant social benefit.

1.30 The key considerations when carrying out the value-for-money analysis of the YLC financial plan is that:

- The YLC is a new way of commissioning services in the borough using the existing council resources spent on this function in a more efficient way (i.e. it is not new money);
- Neither the YLC running costs nor the value of the council contract are directly comparable with the current model for commissioning, as the YLC has wider functions and roles.

1.31 The analysis carried out to support this business plan does however provide an assessment of the relative or proportionate costs to the council of the YLC contract compared with the current commissioning model.

1.32 The tapering financial envelope means by the final year of the business plan the YLC will have not only delivered substantial 'absolute' savings in the region of 24% of the 2014/15 financial envelope, but after adjusting for inflation (assumed to be 2.5% per annum), this represents real-term efficiencies in the region of 32%.

1.33 These savings are in addition to the YLC sourcing the additional budget needed to pay for many of the costs associated with being an independent organisation, including costs inherent in being a membership organisation.

1.34 As the YLC will be an independent organisation (rather than an in-house team) and will have wider functions than purely commissioning services, a small amount of investment is required at the outset in addition to the costs of the current commissioning model. Without this initial limited pump priming, the venture is not really viable as the YLC would not have the opportunity to develop the alternative income generating activities that are crucial to the sustainability of the business.

1.35 By the second year of the business plan the costs of the YLC to the Council are the same as the forecasted costs of the existing commissioning model. However, crucially, after that the costs of the YLC model to the Council drop substantially compared to the forecast costs of the current model. By year 5 the YLC is forecast to be 23% cheaper than the current model. This reduced level should be sustainable moving beyond this business plan.

1.36 The savings discussed above will be delivered by the YLC taking on substantial new commissioning responsibilities. The business plan is based on the YLC commissioning an additional £3.8m worth of services during the 5-year period, of which £1.4m is targeted to be new investment into the borough. This will not only help extend the model of community commissioning, but will also hopefully mean significantly higher investment in youth services than would otherwise be possible at a time of reducing financial envelopes.

1.37 As well as being a cheaper model which delivers significant savings for the council, the YLC provides the council with an opportunity to be a partner in developing the most unique and innovative model of commissioning and development in the youth sector. This richer community led commissioning model will improve the quality of services and delivery of outcomes, and through its membership, the YLC will provide a platform for community involvement on a scale that has never been done before. It is therefore a model of working which will deliver more for less over the course of the business plan.

FUNDING AGREEMENT WITH LAMBETH COUNCIL

1.38 The business plan depends upon specific contractual arrangements being agreed between YLC and the council. As a minimum the agreement terms must:

- Be of sufficient length to allow effective planning to take place (i.e. no less than 3+2 years)
- Provide assurance that the YLC will be the preferred commissioning vehicle for youth and play services, subject to the YLC demonstrating its value for money
- Provide sufficient guaranteed income for the YLC to be able to deliver its business plan
- Provide sufficient working capital through an upfront payment schedule for a proportion of the contract value
- Provide appropriate accommodation and premises related facilities sufficient for the YLC to adequately carry out its business
- Provide expertise through support services in agreed areas where the YLC does not have a cashable budget
- Manage extraordinary or high impact risks that would immediately threaten the viability of the business if they materialised

1.39 The agreement will need to reflect the fact that for the medium term the Council will share many of the key business risks with the YLC. There will be a gradual but certain transfer of risk throughout the life of the agreement.

1.40 Initially the Council will therefore have a very significant role to play in contingency and risk management, however over time the council's responsibility should diminish. The medium term strategic objective for both the council and the YLC is that the council holds no more risk or liability than it does for other key strategic partners.

CONTENTS PAGE

2. THE MISSION, VISION, VALUES & MEASURES

2.1 The YLC as model for community commissioning and ownership of services is the most exciting development in the youth sector and will be the first of its kind anywhere.

2.2 The YLC has been set up to be a platform to liberate the energy and commitment of young people and the communities of Lambeth to have a say and stake in their local services and to revolutionise the way services are commissioned.

THE MISSION

To empower and support young people and communities to make decisions about local services and activities which improve their life chance and local area.

THE VISION

To establish and grow a vibrant, co-operative organisation for the benefit of young people and the communities of Lambeth

To have a large membership representative of Lambeth

To be young people and community led, who are at the centre of everything we do. This includes safeguarding young people and promoting their wellbeing

To be acclaimed as a high quality community commissioner of services, which are relevant and tailored to the needs of local people and communities

To run an efficient and sustainable enterprise, which maximises resources for community benefit and which reduces the dependency on council funding over the business plan period. This includes managing expenditure in a clear and transparent manner

To play a strong role in the development of services for young people in Lambeth and used as a means for agencies to connect with young people and the wider community in Lambeth

To be a champion and advocate for cooperative working and young peoples involvement

To be innovative in all that we do and transform the delivery of youth services in Lambeth

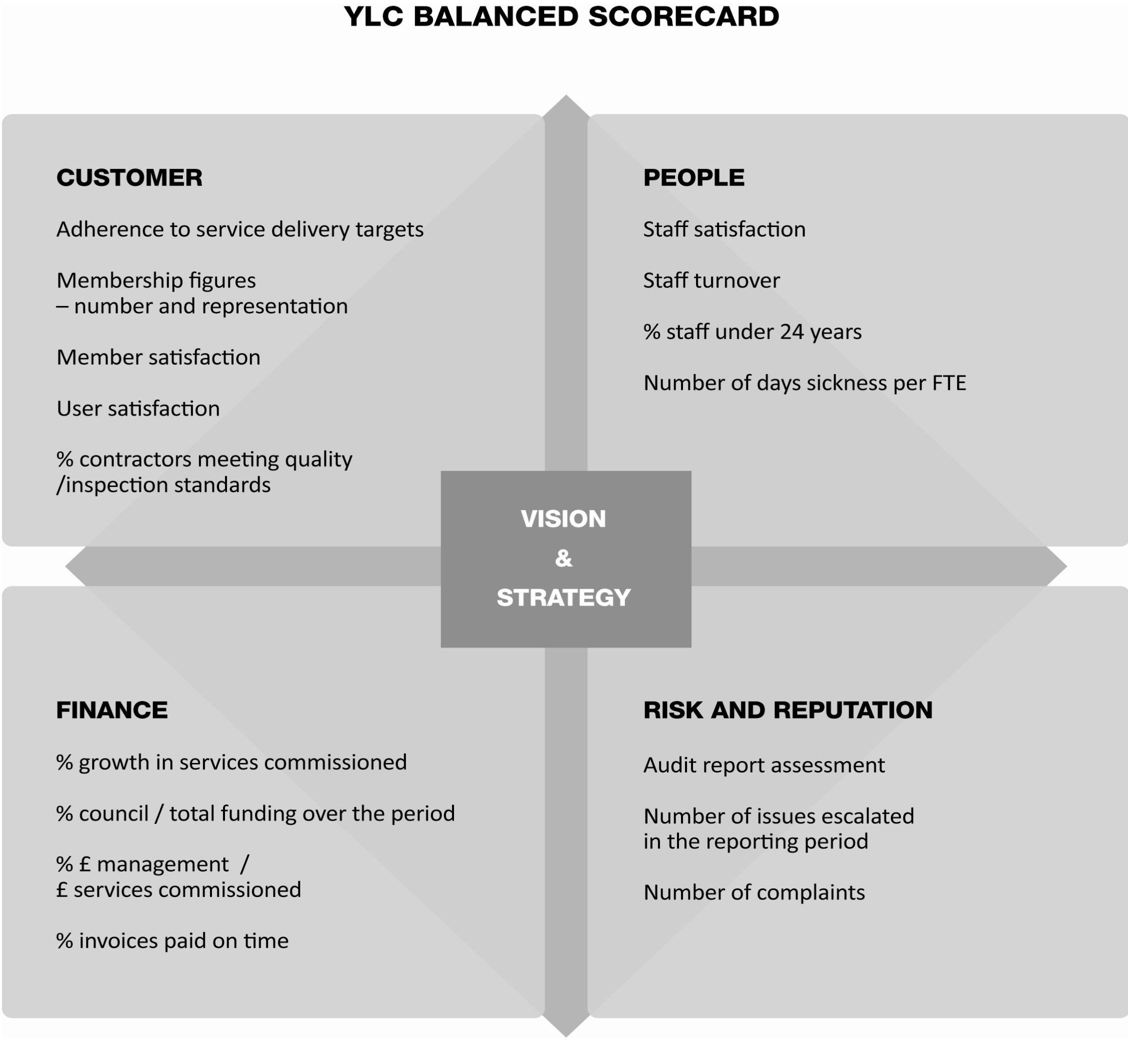
THE VALUES

The YLC will driven by its values which are based on the Cooperative Values and include commitments to putting young people at the centre of all things it does and to respect all ages and backgrounds. The values are listed below:

Fairness	**Opportunity**	**Togetherness**	**Influence**
Unity	**Inclusivity**	**Responsibility**	**Honesty**
Choice	**Democracy**	**Accessibility**	**Transparency**

THE MEASURES

The YLC will be using the balanced scorecard to align the business activities to the strategy and vision of the organisation and to monitor it's performance against it's strategic goals. This performance management framework combines financial and non-financial measures to give a balanced view of the performance of the YLC. A copy of the draft balanced scorecard is included overpage. The measures will continue to be developed.



MEASURING SOCIAL VALUE

2.3 A key driver for the development of the YLC has been the added value and social return this new model of working will deliver. The YLC recognises that in order to grow its operations it will need to evidence its social impact through the use of financial and non-financial data.

2.4 The YLC will develop an approach to evidence its strong social impact. This will include building in a framework for measuring social value in the commissioning approach. The SROI (social return on investment) methodology is likely to be the mechanism used, however further exploration of this is required.

2.5 Within the transition period, social value measures will be developed and in turn will be added to the YLC's balanced scorecard.

3. BACKGROUND

FINANCIAL CONTEXT

3.1 The London borough of Lambeth has a proud history of investing in young people both through services directly managed by the council and increasingly over the last five years in commissioning the very strong and diverse third sector to deliver play and youth services.

3.2 Local authorities across the country are having to deal with unprecedented reductions in public funding. In Lambeth, this will equate to a 45% reduction by 2015. Coupled with the impact of the welfare reform, there is increasing need to ensure that money is spent effectively to provide services that local people most need. This is creating increasing pressure on non-statutory services, including youth provision and stimulating a need to develop new service delivery models.

LAMBETH – A COOPERATIVE BOROUGH

3.3 During such challenging times, innovative ways of delivering public services need to be imagined. The YLC is excited to be in a borough which is committed to a fundamental shift in public sector delivery and is being brave and creative in its approach. Lambeth Council is on a journey to becoming a Cooperative Council and providing citizens with more direct control and influence over the matters that make a difference in their lives and communities.

3.4 As part of the Cooperative Council programme, the council initiated a discussion two years ago about how play and youth services could be managed in the borough. This focused on developing new service models for the council managed Youth Centres, Adventure Playgrounds (APGs) and Stay and Play One O'Clock Clubs (OOCCs). Through this, the community gave a very strong message that they wanted far greater control and ownership of these services, beyond the council managed provision included in the initial scope of the programme.

THE COMMUNITY SAYS 'YES'

3.5 The council, including officers and members in turn invited young people and the community to come forward to engage in the process of developing a model which provided greater community involvement and ownership of these services. Over the last 15 months, young people and the community, with support from the council, have led all aspects of the establishment of the YLC including developing its rules and legal structure, its brand and the production of this business plan. There has been a very strong support for the YLC to date, with over 1700 people (650 young people) registering their interest and over 300 people who have been actively involved.

3.6 The development of the YLC and the progress to date is the culmination of the council's willingness to work differently, of the enabling support they have provided over the last 2 years, the engagement from young people and the community and ultimately their desire to have greater ownership and control of services for young people and families.

3.7 Through the development of the YLC, an array of opportunities for young people and the community have been put in place. These include events and activities to lead on the different work areas, with young people achieving 22 accredited awards in this period. Three interns have also been appointed to support with the development of the YLC.

AN INNOVATIVE AND SUSTAINABLE FUTURE FOR YOUTH SERVICES IN LAMBETH

3.8 The YLC has therefore developed an innovative community led model for managing, commissioning and planning play and youth services in the borough. This has involved establishing a separate legal entity to the council (a community benefit society), with the intention that the responsibility and funding for play and youth services would transfer from the council to the YLC.

3.9 Through the YLC's development, the council working with the community have reflected on how they can continue to support young people through the provision of high quality youth services during such difficult financial times. At a time of large-scale closures of these services across the country, the YLC offers a youth-led and sustainable model for youth services in Lambeth.

THE BENEFITS TO THE MODEL

3.10 This cutting edge and innovative way of working is expected to deliver greater value for money and will support the delivery of the Cooperative Council ambitions. The YLC will have additional fundraising capabilities and will bring in new funding for youth services in the borough, which will not only sustain but grow the provision of services at this difficult financial time. In addition, this model will facilitate a join-up of public money with community resources and assets and will place increased resource in community control.

3.11 There is clear evidence[1] of the benefits including economic and organisational performance which have been achieved from similar, innovative community-based organisations. In recent years there have been very different kinds of new public sector delivery models developed and research undertaken has evidenced improvements in service quality, greater productivity, improved staff retention and engagement. These organisations were also able to diversify away from their original contracts and create new income streams. This evidence base strengthens the proposal for the YLC and supports the benefits the model will deliver.

A KEY STRATEGIC PARTNER FOR LAMBETH

3.12 The YLC will be working to develop a very strong and meaningful partnership with Lambeth Council, Health, Police, Schools and Housing. The YLC will be a mechanism for both engaging with young people and the community as well as being a key partner to support in setting the strategic direction and development of growth opportunities for young people. It is also well positioned as a third sector delivery partner for these statutory bodies.

3.13 The YLC will work with Lambeth Council to support the delivery of its priorities and ambitions. This includes the community outcomes; more jobs and sustainable growth, communities feeling safer and more resilient and cleaner, greener streets, which it is well placed to deliver.

3.14 The YLC will have regular dialogue and engagement with Lambeth Council not only about the performance of the YLC through the annual review, but also in the joint working that it hopes that will be developed.

3.15 The council both through a lead officer and lead member will be represented on the Steering Group. This will ensure council input into the YLC as well as offer a means for the YLC membership to feed into the democratic processes in the borough.

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[1] Best of all worlds report, Accenture.

4. THE CORE BUSINESS AND SERVICES

MEMBERSHIP ORGANISATION

4.1 The YLC first and foremost will be a membership organisation aimed at empowering and enabling young people and the community to make decisions about local services. This will be the first of its kind anywhere in the UK and will provide a connection between the community and public services and a mechanism for community engagement on a greater scale and depth than has ever been done before.

4.2 Members of the YLC will be central to the running of the organisation and will be represented throughout the YLC's governance structure. Membership is open to anyone aged 11 years or over who either lives, studies, works or has an interest in Lambeth.

4.3 The YLC will be front facing organisation and a key function of the staff team will be membership development and engagement, which will focus on recruiting, developing and managing its membership. The YLC will undertake outreach and organise engagements events and activities in order to develop a strong presence across the borough.

4.4 A large, inclusive and diverse membership reflective of the Lambeth population including the involvement of young people is core to the YLC's work. The YLC has set clear membership targets, which will be key drivers and success measures of the organisation. The YLC will not only be focused on recruiting a large membership base but will also aim to get an increasingly active membership and engage young people and communities at a local level.

4.5 The membership targets are outlined below:

Year	No. Members	No. Young Members	% 11-19 population	No. Adult Members	% adult population	% total population
1	5,680	2,080	8%	3,600	1.50%	2.18%
2	9,200	4,160	16%	5,040	2.10%	3.53%
3	13,440	6,240	24%	7,200	3.00%	5.17%
4	17,440	8,320	32%	9,120	3.80%	6.70%
5	21,200	10,400	40%	10,800	4.50%	8.15%

4.6 The YLC's aim is that by year three, 24% of the 11-19 population and 3% of the adult population will be members; building to 40% of young people and 4.5% of the wider community by year five. This would equate to a membership of over 21,000.

4.7 The key benefits to being a member are outlined below:

- To have the opportunity to shape services in the borough and have influence over how budgets are spent
- To have the opportunity to be on the steering group and to contribute to the decision-making structure of the organisation
- To have opportunities for training and development, and to gain work experience and accreditations
- To be automatically kept updated on the developments of youth services in the borough
- To access the membership scheme which will be developed in the first year of the YLCs operation

4.8 Research demonstrates that in cooperative membership structures the participatory democratic model leads to a higher level of engagement, which leads to higher levels of productivity, higher customer satisfaction and less disorder associated with services. This suggests the model will offer significant benefits for the borough.

4.9 The interest in the YLC to date suggests there is a very strong appetite in the community to have greater control and influence over local youth services. This forms a strong basis for the formal launch of the YLC membership.

4.10 A Membership Development Strategy is in development which provides an overview of how this important function of the organisation will be undertaken.

4.11 Developing the membership of the YLC is critical to the organisation's credibility and success. Crucially, it is also the basis for the services and growth opportunities for income generation outlined in this business plan.

LINKS WITH THE YOUTH COUNCIL

4.12 The YLC will continue to develop a strong working relationship with the Youth Council who will be represented on the Steering Group. The good practice of young people's involvement in the Youth Council will continue to be source of learning for the YLC.

4.13 The YLC will be a good opportunity for the Youth Mayor and Youth Cabinet to engage with a large number of young people. This will support them in their roles and align the YLC will the boroughs democratic processes.

COMMUNITY COMMISSIONER

About our approach

4.14 The YLC has been established as a platform for community commissioning of services for children and families. This model of working will put young people and the community at the centre of making decisions about their local services and area. As a membership organisation, the YLC approach is based on the involvement of its large and representative membership and on its locality links and presence across the borough.

4.15 The YLC has developed its commissioning approach in line with the Council's cooperative commissioning ambitions. The commissioning model proposes a partnership between the Council, YLC and the community, and is truly a unique approach to outcome-based community commissioning. The YLC approach is at the top end of the community involvement outlined in the cooperative council ambitions and will be the furthest test of community control and ownership developed in Lambeth.

4.16 The YLC commissioning approach is included in Appendix 5. The following principles are embedded in the YLC's approach:

- Co-production is at the core – the YLC will bring together young people, community, local providers, elected members and professionals at each stage of the process. Young people and the local communities will co-decide what outcomes are to be achieved, how resources will be allocated, which activities will be provided and how services will be reviewed and monitored.
- Locality working – the YLC will focus on developing a joined-up and coordinated service offer across a locality. This will be based on local discussion and collaboration between all parties to agree priorities, outcomes and services, and in doing so utilising and adding to the existing resources and assets in the area.
- Outcomes-based approach – the YLC will adopt an outcomes based model working in line with community-determined outcomes and council priorities.

- Improved use of resources – the YLC will focus on providers and service users making better use of each others assets, resources and contributions to achieve better outcomes, the elimination of duplication and waste and improved efficiency.
- Robust contract management – the YLC has developed a robust contract management framework, which has a particular focus on quality assuring services and managing risk.
- Collaborative approach – the YLC will develop a collaborative as opposed to competitive process, and encourage joined up and partnership working, without sacrificing the need to maintain value for money.
- Flexible, quicker and responsive process – the YLC will develop different procurement models to fit the commissioning needs to ensure a quicker and more responsive process. This will be the key driver to encourage local people to get involved.
- Youth led and youth focussed – the YLC will develop an approach which puts the safeguarding and well-being of young people at the centre of services.

The benefits of the new approach

4.17 The YLC has been founded on the basis that increasing involvement and collaboration between service users and communities will generate more intelligent and responsive services, which in turn will lead to better outcomes for young people. There is clear evidence of the benefits which have been achieved from similar, innovative community-based organisations, including greater productivity, improved staff retention and engagement.

4.18 The benefits of this approach are detailed below:

i. Better value for money, which the YLC will deliver through:

- Increased partnership and collaboration between service providers, including sharing resources
- Removal of service duplication and creating a joined up offer
- Reduction in overheads through reducing the number of contracts
- A flexible commissioning model which will enable the YLC to commission services more quickly
- Fundraising and new revenue generation

ii. Better outcomes for young people, which the YLC will deliver through:

- Enabling young people to design services themselves, resulting in services that better meet the needs of young people
- Creating a better connection between services and development of pathways for young people
- Promotion and encouraging information sharing and multi-agency working
- Promoting and sharing best practice in order to drive service improvement
- Flexible staff team and processes in place which will enable a commissioning model to be developed which adapts to the changing needs

iii. Greater public value, which the YLC will achieve through:

- Attracting additional investment for young people in the borough
- Developing joint commissioning arrangements with other potential funders – e.g. health, housing and the police
- Building on and mobilising existing resources and assets in the community and applying the YLC's resource as an additional part of the offer

YLC commissioning scope

4.19 The YLC will take over from the council the responsibility for commissioning play and youth services in the borough. The scope is broken down as follows:

1. <u>Transfer of Early Adopter Children and Young People's Services</u>

4.20 The council has engaged in a new process to commission "early adopter" services from local voluntary and community organisations. This includes the council managed Youth Centres, Adventure Playgrounds and Stay and Play One o'Clock clubs.

4.21 The programme has two phases:

- Phase 1 – the council has entered into three-year funding agreements with 17 providers for the delivery of these services. The majority of these started in April 2013.
- Phase 2 – the council is currently working on a programme to develop new arrangements / providers for the remaining 10 sites with the agreements due to be signed by December 2013.

4.22 These agreements will novate to the YLC who will take over as the commissioner the councils rights under the agreement. The leases will however remain with the council and the YLC will not be involved with the management of the assets related to these sites.

4.23 The combined value of the programme equates to approximately £6 million over the three-year funding term.

4.24 The YLC are proposing that phase 1 contracts will novate in April 2014 and phase 2 in September 2014, provided the transition period for phase 2 providers has been satisfactorily completed.

2. <u>Transfer of 5-19 Targeted Services</u>

4.25 The YLC will take over from the council the responsibility for commissioning targeted services for 5-19 years, which forms part of the early intervention offer in the borough. This will transfer to the YLC in December 2014, with the commissioning process starting from spring 2014. The value of these services is approximately £1 million per year.

4.26 The council currently commissions 70 providers whose contracts have been extended until November 2013. The council will re-commission these services for a year from December 13-14 and the YLC will take over responsibility beyond that. The council will be adopting some of the principles of the YLC approach in readiness for the YLC's new model of working.

4.27 The YLC approach to this commissioning round will focus on a locality model outlined above with the aim of creating a more joined up youth offer which is responsive to young people's needs. The partnership / lead contractor model which is likely to be adopted will also reduce overheads and management costs, by reducing the number of contracts. This model will be a more effective and efficient commissioning model, which will deliver better quality and value.

3. Holiday Activity Programme and Summer University

4.28 The YLC will take over from the council the responsibility for commissioning the Holiday Activity (HA) and Summer University (SU) programmes. These have a combined value of approximately £140k and will transfer in April 2014.

4.29 In 2013, the council commissioned 55 providers through this grant programme and also for the last two years has commissioned additional activity on a small number of estates. The information on these commissioned services feeds into the publication providing information for children and families about summer activities which the council produces each year. There will need to be close working and dialogue in place to ensure this is managed effectively.

4.30 As with the 5-19 targeted commissioning, the YLC will adopt a locality approach and would look to reduce the number of agreements, encouraging a more joined-up and collaborative approach.

Current commissioning model

4.31 The commissioning of the services outlined above is currently managed by the council, undertaken by service managers and commissioning staff. This function will transfer to the YLC and the council will no longer undertake this role and have the associated costs of doing this. The council will instead fund the YLC to commission these services in a new and unique way.

Increasing the commissioning scope

4.32 The YLC is aware of the strategic direction of the Council and the context in which it will be working. It is positioning itself as a key strategic partner and mechanism for community commissioning in the borough, initially focused on play and youth services, but growing to a broader range of services in the future. The model which has been developed is applicable to a wide range of services and the structure is capable of growth. The YLC aims to take on additional commissioning responsibilities from the council and other partners over the coming five years. This is outlined later in this business plan.

4.33 The YLC will charge a management fee for the commissioning of additional services which will generate income for the YLC to support the running costs of the organisation. This will be at a reduced level for the council.

THE FUNDING RELATIONSHIP WITH LAMBETH COUNCIL

4.34 YLC will be grant aided by the London borough of Lambeth for a three-year period. The agreement will include three years' guaranteed funding with a presumption to renew for a further two years based on performance.

Funding route

4.35 The agreement with the London borough of Lambeth will be awarded to the YLC as grant aid and will not be progressing down a contract route. A risk analysis of the various procurement options was undertaken and the grant aid route was chosen as the preferred option as it most clearly reflected the overall intention that the YLC should be the means of the community deciding for itself the services to be provided.

SECURING INVESTMENT FOR YOUNG PEOPLE IN LAMBETH

4.36 The YLC as a membership organisation will apply on behalf of Lambeth's young people and communities for funding for youth services in the borough. This will be a significant focus of activity and income source for the organisation including applying for external grants, sponsorship, donations and direct fundraising activities. Further information on this included in section 6 of this plan.

4.37 The YLC will be platform for a new and efficient way of organisations and providers in the borough working collaboratively to win more resources for Lambeth's young people. The YLC will be a mechanism of reducing transaction costs, bringing in resources for the whole of the borough and is a ready made system to allocate funding to providers based on the needs and wants of local people.

4.38 The YLC through its business development function will proactively develop networks and partnerships with potential sponsors, will target grant funding opportunities and will use the membership base as a platform for fundraising including activities and events.

4.39 The YLC will commission services with the additional investment secured and will charge a management fee, which will generate income for the YLC and support the running costs of the organisation. The YLC aims to have secured an additional £1.4 million for services for young people over the 5-year period, which would not otherwise have been brought into the borough.

4.40 This additional investment will generate growth in the borough including creating employment opportunities, bringing investment into local businesses and importantly will lead to an increase in youth services in Lambeth.

4.41 The YLC will also focus on working with the council and other partners to support the training and development and creation of employment opportunities for young people. The YLC is aware that unemployment is the biggest concern for young people and will be working with others to try and respond to this.

PUBLIC ENGAGEMENT, CONSULTATION AND RESEARCH SERVICE

4.42 Through its membership base, the YLC will offer a public engagement, consultation and research service, which will help organisations and agencies interact with young people and the community and involve them in their business and plans.

4.43 Organisations typically find it difficult to engage and involve young people, and through its membership the YLC can provide a means of doing this effectively and on a large scale. This will also include offering a research service in keeping with the values of the organisation. Where relevant and consistent with the values of the YLC, this service will generate consultancy income to support the running costs of the organisation.

4.44 As the council has to deliver a significant savings programme over the coming years, the involvement of young people and the community to develop new solutions and ways of working will be essential. The YLC will be able to be a mechanism to support this particularly ensuring the voices of young people are heard.

4.45 Discussions have started about how the YLC could support the Cooperative Parks and Libraries Programmes. The YLC will be positioning itself to play an increasing active role as a strategic partner to support and involve the community.

5. THE MARKET WE ARE ENTERING

5.1 A thorough market analysis has been undertaken to develop an understanding of the business opportunities for the YLC and potential for income generation over the next five years. This has and will continue to include the input of third sector providers in the borough who have an in-depth understanding and experience of working in the market.

STRATEGIC DRIVERS

Lambeth a young borough with high levels of need and vulnerability

5.2 Lambeth is a young borough and has the 8th largest total of young people in London. The population is set to increase by 37% over the next 20 years, which includes a sizeable growth in the 10-19 population (16% 10-14 years / 17% 15-19 years).

5.3 Lambeth also has high levels of need and vulnerability and health inequalities. It is ranked the 29th most deprived borough nationally and 9th most deprived in London. One in three young people are living in poverty (compared to 1/5 nationally). In addition, the rates of youth unemployment, teenage pregnancy, violence and childhood obesity in Lambeth are all above the national and London averages.

5.4 These trends indicate the need and important role of youth services in the borough and indicate that demand from young people and the role of youth services as part of the early intervention offer is likely to increase at a time when youth services are under severe financial strain.

Lambeth – a move to preventative focus

5.5 There is considerable local, national and international evidence that when early intervention is implemented properly, it works to improve outcomes and save money. Local authorities are therefore increasingly targeting support on early intervention services, which can show strong potential to save money in the longer term.

5.6 In Lambeth, the Council and Clinical Commissioning Group are currently developing an Integrated Early Intervention and Prevention for Children and Families Commissioning strategy 2013-2016. This focuses on four outcomes:

- Improve family stability
- Reduce risk taking behaviours in adolescents
- Improve educational aspiration and attainment
- Reduce health inequalities

5.7 Through the development of the strategy for the first time all the current provision and resources for early intervention and preventative services have been mapped across Lambeth. There are no new resources for the strategy, but it is aimed at encouraging senior leaders to recognise the longer-term benefits that can be achieved through early intervention against a background of significant savings. This identified that just under £35 million in 2012/13 was spent on early intervention services, and it also identified other funding sources, which could be directed to early intervention work in the future.

5.8 The commissioning budget of 5-19 services which the YLC will take responsibility for in 2014 forms part of this offer of services. The YLC will however be positioning itself to take on a larger role in the commissioning of early intervention services in the borough. Through the model, the YLC will be able to co-produce either with a locality or certain target groups about the holistic needs of the community and ensure an integrated commissioning model which puts services in place which are responsive to those needs.

5.9 In addition, as a young person led organisation the YLC will be well placed to lead on preventative work and public health messaging about risky behaviours. This could include the commissioning of teenage pregnancy, substance misuse, sexual health, youth crime and family services. Approximately £4.4 million is currently spent on these services, which include a mix of directly delivered and commissioned services.

Local authorities move to become commissioners and not deliverers of services

5.10 Local authorities are increasingly moving to a model whereby more and more services are commissioned and fewer are delivered directly. This is certainly so in Lambeth, as it has launched its journey to become a cooperative commissioning council. We are placing ourselves in a position to take advantage of this market trend, and demonstrate that the YLC is a successful model for community commissioning of a range of different services for young people and communities, which can grow over time.

5.11 The YLC commissioning approach is a community outcomes based approach, which has been developed in line with the council's new direction. The YLC will be the one of the first models of genuine community-led commissioning not only in the borough but nationally.

Wider commissioning opportunities leading from government reforms

5.12 Since 2010, government funds for work with schools that previously came via local authority have instead been provided directly to schools. This is to allow schools freedom to purchase their preferred supplier from the market. Within Lambeth, schools are working increasingly through cluster arrangements to jointly work and purchase services. The YLC will develop a relationship with schools in the borough, working through the well-developed governance arrangements in place. Schools could choose to commission services for their pupils or wider community via the YLC, such as out-of-hours provision or bespoke services for specific groups of young people. This could include the use of the Pupil Premium funding.

5.13 Health reforms are placing commissioning responsibility in the hands of GP commissioning consortia (CCGs). There is concern in the health sector that all too frequently young people do not receive the support they need, in part due to their reluctance to attend clinical settings. By delivering health services in youth settings, this problem can be tackled. The YLC has already had discussions with Lambeth Healthwatch about how the YLC can link into this new structure to provide a 'youth voice'. This will in turn advise commissioners on services to be provided. The YLC will progress discussions with the CCG about using the YLC to commission / develop partnership arrangements to put health services in wider youth settings.

5.14 Public health moved into local authorities this year. The YLC will be progressing discussions with the Health and Well Being Board about their role in helping people to stay healthy, and protecting them from threats to their health. This can include supporting young people particularly making healthier choices, regardless of their circumstances, and to minimise the risk and impact of illness.

New forms of funding

5.15 In order for the YLC to expand its remit and reduce its dependency on the council core grant agreement, it will have to obtain funding from other sources. As this is central to the business model, the YLC will position itself to take advantage of new and alternative sources of finance. This includes considering social models of funding which are emerging.

5.16 The potential for social investment to fill the gap created by the reduction in funding from statutory sources has been much discussed. The Government has pushed the agenda forward through the creation of a social bank – Big Society Capital. In addition, other social investment funds are becoming active in the mutual's market. The supply side is looking increasingly healthy but the demand side is evidently less so. There has thus far been a lack of viable business propositions with convincing plans to create a return – either in the form of a financial return or social impact (or both) which has led to a lack of funding to date in the social enterprise market. YLC's social investment credentials and business plan places it in a strong position to tap into this source of funds.

5.17 This is not an area the YLC will initially focus on but is something that will be explored in the second year. This potential source of funding has not been factored into the financial model that supports this business plan, but it will be something that will be pursued to support the YLC's growth in the commissioning of more services for young people in Lambeth.

COMPETITIVE ANALYSIS

5.18 The YLC has undertaken a market analysis and is confident that there are no current third and private sector competitors to the YLC. The YLC as a community-owned commissioner of youth services is the first of its kind in the country, and has developed as an alternative to the current model where the council directly commissions these services.

5.19 The YLC is a new and unique model of working, which uses its core function of being a membership organisation to develop a new community commissioning approach. Through this, the YLC will involve and enable young people and communities to come together locally to make joint decisions on need, priorities and services and give the community ownership of their services. This cannot be replicated in the current commissioning model and is unique to the governance of the YLC as a community owned organisation.

5.20 Staying with or moving back to the current council or outsourcing the commissioning function to another organisation are the alternative options and competitors to the YLC. However, these approaches will not provide the community involvement and ownership outlined above. It is however vital that the YLC is able to demonstrate that the new model is a better way of commissioning youth services, and indeed a greater range of services as the YLC develops in the coming years. This includes leading on community commissioning on behalf of other public sector agencies including schools, police, housing and health.

5.21 The YLC has assessed the market and been clear that its establishment is based on adding value and not competition in the borough. For this reason, given there is a large and diverse number of third sector youth providers in the borough, the YLC will not undertake any direct delivery unless there is a gap in the market or requirement. Through the dialogue and development process of the YLC, it is apparent that the providers in the borough have an appetite toward collaboration and partnership working with the YLC and see the added value that the YLC will bring.

5.22 The YLC is aware of the current financial climate and the market conditions which make it a challenging time for charities, social enterprises and wider voluntary sector organisations. The uniqueness of the YLC however makes it well placed to compete in the market and to tackle head on and overcome the challenges.

5.23 Our competitive analysis has given us greater confidence that the YLC is unique and there is not a direct competitor for this new model of working, and hence is well positioned to have a significant and lasting role in the borough.

6. GENERATING OUR INCOME– DEVELOPING A MODEL FOR NOW AND THE FUTURE

6.1 The YLC is aiming to become a sustainable enterprise, ensuring the model of young people and communities' decision-making and ownership of services increases.

6.2 The YLC aims to grow the enterprise in a managed way. Its focus, particularly in the first years of the agreement, will be on establishing the YLC as membership organisation and high quality community commissioner of youth services. As it develops, it will aim to grow its commissioning role and progress the other income opportunities.

6.3 The YLC will calibrate growth opportunities to avoid over-extending itself and ensure opportunities are carefully considered. It does however see much value in being the first of its kind and it intends to press this at every opportunity.

6.4 If YLC is to be successful, it will have to keep its members and existing customers satisfied to gain new/repeat business and simultaneously seek new sources of funding. This is so fundamental to the core of the YLC business case that it is the area of income generation that it has been focussed on more than any other.

6.5 The YLC has identified a number of opportunities to generate new business / income for the organisation. This information is detailed in the table over page.

6.6 Key to the YLC's approach is ensuring that it clearly defines its services as 'products' with competitive pricing and clear inputs, outputs and outcomes. This is vital to ensure a fully developed service model is put in place.

6.7 The YLC Managing Director and Business Development Manager will have a key role in driving the income generation strategy.

Table - YLC business / income generation opportunities

Area of focus	Rationale	Range
Taking on additional commissioning responsibilities from Lambeth Council	• The YLC has in-principle agreement to take over the commissioning responsibility of play, youth and holiday activity services. The YLC is well placed to commission wider services and discussions with the council as the YLC was being set up suggest there is an appetite for this. • Scoping has been undertaken on other services the YLC could commission, including – teenage pregnancy, substance misuse, sexual health, IAG and NEET programmes, youth crime and family services.	Income (contribution to overheads) in the value of: £30k year 2 progressing to £75k year 5 More detail is shown in the financial plan
Agreements for providing a public engagement, consultation and research service	• The YLC will offer a public engagement, consultation and research service in Lambeth, which will help organisations and agencies interact with their customers and involve them in their business and plans. The council and public sector agencies typically find it difficult to engage and involve young people, and over the course of the last year the YLC has had significant interest in undertaking such work. • If the YLC achieves its large and representative membership, it can provide the council, police and health with a service and means of consulting and involving young people and community members in all areas of their work. This could include shaping policy, strategy development, evaluating or changing services, having a message to communicate or to develop a master plan or local project. This is particularly relevant in Lambeth's ambitions of becoming a Cooperative Borough. • There is also the potential for trading a research service using the YLC membership to gain feedback on different issues. The youth membership of the organisation provides the YLC with a unique market opportunity to develop this service. The YLC will focus on developing the expertise within the organisation required to progress this.	Income (contribution to overheads) in the value of: £12k year 2 – £24k year 5 More detail is shown in the financial plan
Fundraising activities	• The YLC will organise and encourage the YLC membership to undertake direct fund raising activities to support the running costs of the YLC. This will include organising events and progressing sponsorship activities. The YLC staff team will all have a responsibility for supporting this growth area. • There has been a significant growth in the participation in fundraising activities in recent years and the YLC believes given its purpose about supporting young people, there would be significant interest in supporting the organisation.	Income (contribution to overheads) in the value of: £20k year 2 – £50k yr 5 More detail is shown in the financial plan
Consultancy service	• The YLC has done some initial thinking about trading a consultancy service using the knowledge of developing a public sector mutual. This would include a focus on developing new models of public sector delivery, cooperative working, community commissioning and embedding young people's involvement. • The high level of interest in the development of the YLC over the last year indicates there is a market for this service. The YLC will pursue opportunities as they arise, but as it is unlikely to be a significant income strand for the organisation it has not been included in the financial model.	Potential value of: £2k year 2 progressing to £5k by year 5. This has not been included in the financial model

Area of focus	Rational	Range
Commissioning agreements with other public bodies	• The YLC has had some initial discussions with the police and health about the potential of commissioning services on their behalf. Some promotional work with schools has also been undertaken. • The YLC will be pursuing discussions with community health, CCG, police, housing and schools with the aim of increasing its commissioning responsibilities.	Income (contribution to overheads) in the value of: £40k year 2 progressing to £100k by year 5 More detail is shown in the financial plan
Sourcing external funding and grants	• The YLC will progress discussions with funding agencies in relation to future grants and securing investment into Lambeth. This will be a significant focus of activity and income source for the YLC. • The YLC will work with young people and local communities to define and agree local outcomes and to shape service needs, and as a membership organisation will in turn apply on behalf of Lambeth's young people and communities for funding for youth services in the borough. The YLC as a unique community owned model, which puts resources in the hand of local people to shape and decide services will be an attractive proposition for funders. • Further scoping work on this is included in the financial section of the plan.	
Corporate sponsorship	• The YLC will be seeking to bring in additional investment for youth services in Lambeth, including corporate sponsorship. As CSR (Corporate Social Responsibility) departments in corporates do not ordinarily sponsor local authorities, the YLC as has the potential to secure investment that is not currently available. • As a young people and community owned organisation, the YLC provides as a means of sponsors giving direct to local projects / communities. The YLC believes this model will be an attractive venture for sponsors.	
Donations	• Similar to the above, private donors are not known to donate to local authorities in large quantities. • The potential for receiving Gift Aid is currently being explored.	

Area of focus	Rational	Range
Social finance investment through bonds, grants and loans	• The YLC will explore the potential of the different social funding models as a future funding vehicle for the YLC. The YLC is however aware that, whilst this is a growing market, it is not without complications. • Social impact bonds are expected to increase in the coming years. The estimated value of SiBs currently active in the market is £280m. This predicted to rise to £750m in 2015 and £1bn in 2016 [2]. • The YLC is aware of a youth provider having had some interest from potential funders in their business model and their desire to enter the mutual arena. There maybe potential for the YLC to progress this in the future, but this would not be a short-term aim.	To be evaluated in the first year of operation This has not been included in the financial model
Use of asset to generate income	• The YLC has requested from the council access to a space, which offers the YLC income potential through hall hire. A business plan to ensure the space would generate income would need to be completed, particularly considering the management and running costs of the space. • As a suitable asset has not been identified at this stage, this has not been scoped any further.	To be evaluated in the first year of operation This has not been included in the financial model
Brand association / strategic partnerships / joint ventures	• The YLC is creating a strong brand image around the principles of young people's involvement, social value, quality and innovation. It will build partnerships with organisations with similar values and pursue joint ventures on mutually beneficial terms. Given, there is a high level of interest in the mutual concept of public service delivery, there maybe potential for mutually beneficial collaborations.	To be evaluated in the first year of operation This has not been included in the financial model

[2] London Evening Standard 6 February 2013

YLC'S CAPABILITY FOR GROWTH

6.8 This section demonstrates the YLC's capability for growth against each of the market opportunities outlined earlier in the plan.

Increase commissioning responsibilities from Lambeth Council

6.9 The YLC has assessed its capabilities needed to increase its commissioning responsibilities and take on a greater range of services from the council. The YLC will focus on increasing its commissioning scope in areas where its unique selling point as a young people and community led model adds value, rather than commissioning services more generally.

6.10 Below is an assessment of the YLC's capabilities to grow in this area. The table includes a low, medium and high measure as to the YLC's ability in each of these areas.

Capability	Ranking
Young people and community involvement	H
Specialist service knowledge	M
Multi agency working	M
Delivering value for money	H
Safeguarding expertise	H
Understanding the needs of the client group	H
Co-production	H
Robust contract management / delivery of outcomes	H
Integrated service delivery / use of resources	M
Fast and responsive process	H

6.11 The YLC believes it has the key capabilities required to extend its commissioning scope in the coming years. As a community led organisation it will have an in depth understanding of the needs of young people and the services they require. Through its co-productive approach, it will engage with families and communities and hence holistically with young people which will be beneficial to the council in trying to develop an integrated offer of services for children and families.

6.12 In addition, the YLC will have the core skills and capabilities in place to be a high quality commissioner, including a quick and responsive approach, robust contract management and the ability to deliver outcomes and ensure value for money.

6.13 Over the first year, the YLC will focus on developing its specialist service knowledge of a wider range of services and multi agency working which will support the YLC growing in the future and build confidence that it is best placed to commission a wider range of services. The YLC will be able to bring in additional resource and skills in a fast and effective way as required which puts it in a very strong place to move forward.

6.14 The YLC does recognise that the unique selling point and basis for the growth of the YLC will be the young people and community involvement. This will continue to be the basis on which the YLC promotes and seeks new opportunities.

Commissioning on behalf of other agencies

6.15 The YLC will seek to commission services on behalf of other agencies over the coming years as outlined in the earlier in this section of the plan. Below is an assessment of the YLC's capabilities to grow in this area. The table includes a low, medium and high measure as to the YLC's ability in each of these areas.

Capability	Ranking
Track record of delivery	M
Community led approach	H
Identify local solutions to local need	H
Delivers social value	M
Deliver high quality outcomes	H
Flexible and responsive process	H
Robust contract management	H
Delivers VFM	H

6.16 The YLC believes it is uniquely placed and has the key capabilities required to commission on behalf of other agencies and to grow in this area over the coming years. The YLC will however focus on developing its knowledge and experience in a wider range of service in order to support its growth in the coming years.

External funding / grants for services for young people

6.17 The YLC aims to secure external funding and grants for youth services in the borough. It has a unique and distinctive offer in the marketplace;

- Social venture well positioned to secure funding from a range of funding sources
- Young people led model – unique offer for funders
- Commissioning model – connect funders with large number of young people and community members
- YLC has skills, experience and knowledge of applying and securing external funding

6.18 The YLC is well positioned to grow in this area, using its knowledge and experience combined with the unique nature of the YLC to attract inward investment to fund more services for young people and to support the organisational running costs.

Potentials funders for the YLC

6.19 Through the development of the business plan, the potential funding sources for securing resources for young people's services in the borough have been identified which are listed below. Dialogue has started with some of these funders and the YLC believe there is an appetite and interest in providing resources to the YLC community ownership model.

Table of potential funders

Public sector	External Grants	Business leverage - CSR opportunities / sponsorship	Fundraising activities and events
• DLG • CLG • Cabinet Office • Lambeth council • Lambeth CCG • Metropolitan Police • Housing	• Lottery Funding • London Community Foundation • Trust for London • Walcott Foundation • Esmee Fairburn Trust • City Bridge Trust • Nesta • Santander Social Development Enterprise Award	• Target Lambeth organisations • Cooperative organisations	• Legacy money • Donations

6.20 The YLC will be developing a fundraising strategy as part of its transition process and discussions with funders will progress once the core funding has been agreed and the staff team come on board. The potential for Social Enterprise funding will be explored during the first year of YLC operation.

6.21 The YLC will develop a pipeline methodology ensuring that there is appropriate targeting and sufficient activity to bring in the resources needed. This will include focusing on opportunities, which present the biggest scale and best fit with the YLC objectives. Developing links with the corporate sector will be a particular focus of this work.

6.22 The YLC has secured funding from the Cabinet Office Mutual Support Programme to support with the set up costs of the YLC. This will reduce the cost to the council of developing this new model which also demonstrates the YLC's ability to bring in investment and additional support to the borough.

GETTING YLC INVESTMENT READY

6.23 In order to maximise the potential for investment, the YLC is prioritising the establishment of 'investment readiness' for the organisation. This will mean ensuring it has the building blocks in place to attract investment in line with its development over the coming years.

6.24 From its research it has identified what potential investors would expect to see in an organisation prior to investment:

- A business structure that distinguishes between business strategy and service delivery
- Good financial controls and evidence of good financial management
- Strong evidence of high quality delivery
- A high calibre board of directors and a highly capable management team
- Well thought through proposals with an underpinning business plan that shows how financial and social returns will be made
- Well-mitigated risks
- A means of demonstrating social impact

6.25 The YLC recognises the importance of having a strong track record in place, and the need to deliver effectively in year 1 and in turn grow over time. This is reflected in its ambitions about growth and income generation, which shows an incremental increase over the five-years.

6.26 The need to develop an organisation that is attractive and ready for investment has been a key determinant in developing the YLC staff structure. The Managing Director, Finance & Deputy Director and Business Development Manager will be key to achieving this.

7. OVERVIEW OF THE ORGANISATION

7.1 The legal form of the YLC is a Community Benefit Society registered with the Financial Conduct Authority (FCA) under the Industrial and Provident Society legislation.

7.2 During the development process for the YLC, other possible legal forms were considered however Legal advice from Cobbetts LLP (now DWF LLP) was that a Community Benefit Society was the best option for the following key reasons:

- It is the accepted and historic form for cooperatives and other mutuals
- The commitment to community benefit is a pre-condition of registration and therefore fundamental to the operation of the society
- There is limited liability for people who join as members
- The society can enter into contracts in its own name
- There is provision for young people to be members with the same rights as other members, including limited liability

7.3 The YLC as a community benefit society has been structured in a way to make it an appropriate recipient of grant funding from the council because of the commitment to community benefit and the prohibition on distributions of surplus to members.

7.4 The YLC was registered with the FCA and was incorporated in May 2013. As part of the registration process, the YLC had to name its first three members, which were three of the four young people on the Shadow Steering Group. This illustrates the central role young people have had to date and will continue to have in the future.

Exempt charity

7.5 The YLC is currently considering the financial benefits of tax, VAT and gift aid of applying to the HMRC for exempt charity status. If deemed to be beneficial, the YLC will progress this during the transition phase.

GOVERNANCE & DEMOCRACY

Moving from a provider to a community led model – a model for genuine co-production

7.6 The YLC structure has been developed as means of putting the community including a strong focus on young people at the heart of the decision-making process. The YLC has been developed as community led model, which sets the highest standards for community engagement, involvement and ownership of youth services.

7.7 Young people and the community will have a role in governance – the YLC will be a membership organisation including young people (11-19 years and adult community members). Eight members will sit on the Shadow Steering Group and two members (young person and community representative) will sit on the Board with full voting rights.

7.8 The key features of the YLC structure are detailed below:

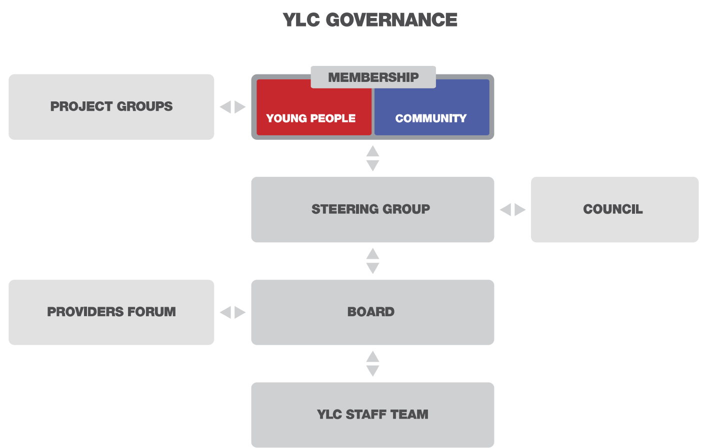
- The values of the YLC are based on cooperative values and include commitments to being young people-centred and to respect all ages and backgrounds.
- The members of the YLC will be:

  young members (11 - 19 and up to 25 for people with disabilities)

  community members (a wide definition including anyone with an interest in the Lambeth community provided they believe in the Purpose and Values)

  The constitution also makes provision for children from the age of 5 to be engaged with the YLC in appropriate ways and for their voice to be heard in the decision making process.
- There will be a Steering Group to act as a bridge between members and the Board. This will include elected representatives of young people and the wider community (YLC members), representation from the council – officer and council member, Youth Council, providers, from the community as chosen by the steering group and from schools.
- The Board of Directors will govern the organisation and will be responsible for its work and activity, including overseeing the business strategy. It will receive reports from the strategic management team and advise, guide and decide on the direction of the enterprise. The Board will comprise of up to ten directors – six of whom will be appointed through an open recruitment process, ensuring it has the necessary skills, knowledge and experience to fulfil its function. Two directors will be appointed by the Steering Group; one of them will be a young member and the other a community member. Two directors may also be co-opted onto the Board as required. The Managing Director will also sit as a board member. The recruitment process for the Board will start in late summer and the Board will be in place by November 2013.
- There will be a Commissioned Providers Group as a means of communication between the YLC and the organisations it commissions to provide services for young people in Lambeth. All YLC commissioned providers will be required to become a member of the group.
- There will be Project Groups with flexible arrangements to deal with issues affecting local communities or particular groups. The advisory groups for early adopter providers will be appointed under this mechanism, and project groups can also be used for undertaking community commissioning.

  A diagram of the YLC governance structure is included below:



YLC constitution

7.9 The constitution of the organisation is included in Appendix 1. Legal assistance by DWF Solicitors was provided to the young people and community members involved in setting up the YLC. The constitution was developed and co-produced over a four-month period which included significant input from Lambeth council. The constitution governs the working arrangements for the YLC.

INTERIM GOVERNANCE

7.10 The YLC is currently operating in shadow form. Following the approval of funding and the appointment of the Board, the governance structure outlined above will be implemented.

Shadow Steering Group

7.11 The interim governance for the YLC is being provided by the YLC Shadow Steering Group, which was set up in January 2013. This is a representative group acting on behalf of the YLC membership set up to manage the start up process of the YLC. This, in addition to YLC members, includes representation from the council, Youth Council, Children in Care council, VCS Forum, Lambeth Active Forum, Schools and Health.

7.12 The Shadow Steering Group (SSG) was established to oversee the establishment of the YLC and to manage the transitional arrangements. This is not the same as the Steering Group outlined above. When appointed in November, the decision making function of the YLC will transfer from the SSG to the Board. The SSG will continue to meet and fulfil the functions of the Steering Group as a transitional arrangement until this is elected in spring of next year. The YLC will need to have a sufficient lead in time to get a meaningful membership in place before going through the election process.

YLC wider involvement

7.13 In March 2012, the council asked people to come forward who wanted to be more actively involved in establishing the YLC.

7.14 In addition to the Shadow Steering Group, the following groups are in place to ensure the development process for the YLC has represented and involved the views of those that have registered their interest and that it also done in an open and inclusive way.

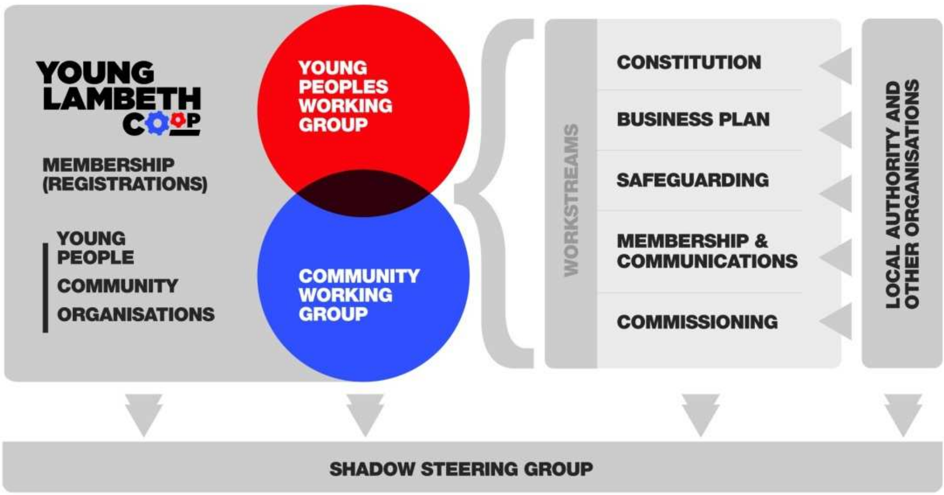
7.15 The Young Peoples Working Group (YPWG) has been meeting regularly since August 2012 and is playing a central role in supporting the development of the YLC. There are approximately 20 active members, which include representatives from the Youth Council, Children in Care Council and young people from across the borough.

7.16 The Community Working Group (CWG) is made up of a strong mix of individuals with different skills and experiences which they are bringing to the YLC. This group which has met regularly since October 2012 has approximately 35 active members who are actively involved in the programme.

7.17 Given the scale and diverse work involved in setting up the YLC, different work streams involving young people and community members have been established to work with the council to undertake and co-produce the work needed. Five work streams are in place – constitution, commissioning, safeguarding, membership development and business planning.

7.18 The groups outlined above have played an active role in establishing the YLC and the number of people involved and contributing their time to the programme continues to grow.

7.19 A diagram outlining the current YLC governance and engagement of the YLC membership is shown below.



8. STRUCTURE OF THE ENTERPRISE

8.1 This section of the plan provides an overview of the staffing structure and operation of the YLC.

PRINCIPLES OF THE ORGANISATION:

- The staffing structure has been developed based on best practice principles
- The YLC has developed a new staffing model based on the requirements of the organisation, it is a move away from the council staffing model and has been built on the assumption that TUPE does not apply. Dialogue will take place between the council and the YLC about this, and should TUPE apply there will be implications for the business plan including financial and operational risks which are outlined in Appendix 7
- The salaries of the posts are based on significant research and market testing with voluntary sector organisations of similar scale and size. This will deliver value for money as the pay scales are typically a third lower than local government rates
- The YLC has developed a lean structure which will require staff to work productively and flexibly
- The YLC will utilise a flexible staffing model wherever possible in order to minimise potential redundancy costs and to maximise flexibility for responding to changing circumstances

STRUCTURE AND FUNCTIONS

8.2 The YLC has designed its structure to ensure it can function as a social enterprise and deliver its business goals. This is a move away from a traditional local authority structure and the staff will be working very differently to the current roles.

8.3 The purpose of the staffing structure is to create:

- A clear focus on business, financial and strategic management
- A clear focus on membership and outreach including frontline staff to work with young people and the community
- A structure to deliver the new community commissioning model
- A dedicated resource for business development

8.4 The YLC has had advice from social investment funders as to what they expected to see in the structure of a well-organised social enterprise before considering investment. The challenge was to create a structure that met the above criteria and was both cost effective and community facing. The YLC feels it has successfully achieved this.

FUNCTIONS OF THE YLC

8.5 There are five functions of the YLC team which are outlined below:

1. Leadership and management of the YLC
2. Membership development and engagement
3. Community commissioning
4. Business development
5. Enabling services

Leadership and management

8.6 The Strategic Management Team (SMT) will comprise the Managing Director, Finance & Deputy Director, Business Development Manager and Membership and Engagement Manager. The role of the SMT is to drive the business ambitions of YLC and to be responsible for ensuring the business plan and financials are regularly reviewed and on track.

8.7 The Managing Director will report into the Board and will be responsible and accountable for the delivery of the YLC business plan. This will include providing the vision, direction and strategic leadership for the organisation. The role will also have an important front facing role in developing the reputation and growing the business of the YLC.

8.8 The Finance & Deputy Director will play a key role for the YLC in ensuring its financial viability and growth. This post will provide the strategic financial management for the organisation including forecasting and managing risks. This will also include overseeing the robust financial management and controls.

Membership development and community engagement

8.9 As a membership organisation, recruiting, retaining, communicating and involving a large and representative membership across Lambeth is the YLC's core activity and is central to the organisation's success. This team will be front facing and will be responsible for:

- Recruiting members to the YLC, including community outreach, managing links with schools and providers and attendance at events
- Managing communication with the YLC membership, including having an online presence and regularly updated social communication channels
- Implementing the YLC's marketing strategy
- Managing and developing the YLC's membership programme
- Managing front-facing parts of the commissioning cycle including locality events, collaboration events, community panels and peer inspection
- Managing the YLC community champions programme
- Capacity building and supporting young people and the community to be involved in the commissioning process

8.10 The staff team will include a specialist manager in this area, a lead for the website which will be a key communication channel for the YLC and a community engagement worker. In order to have a strong YLC presence across the borough, locality community engagement workers will be appointed on zero hours contracts to work across Lambeth. This resource will be used flexibly to support the YLC's activity as needed.

Community Commissioning

8.11 The YLC will be moving away from a generic commissioning function as is in place in the current model. The commissioning process will be managed in an integrated way across the staff team who will lead on different aspects of the process, for example the membership development and engagement team will provide support to the front facing aspects of the commissioning cycle.

8.12 The community commissioners will manage the new commissioning process, including the procurement of the services and will also lead on the contract management and quality assurance.

8.13 This function will come on board at the time the YLC takes over the management of the EAP programme and commissioning responsibility for the holiday activity and summer university programmes. In its structure and costings, the YLC has assumed these will start from March 2014.

8.14 This team includes a Senior Community Commissioner and 1.5 Community Commissioners. This will be scalable dependent on the commissioning budget and number of contracts.

Business Development

8.15 A Business Development Manager will focus on fundraising, policy and research, promoting innovation and seeking business and growth opportunities for the YLC. This function will be the engine room of the YLC's sustainability and growth.

Enabling Services

8.16 The YLC's enabling services have been scoped to provide the necessary support needed for the YLC to undertake its work. This includes staffing to provide the administrative and financial management of the organisation.

8.17 The provision of enabling services is outlined later in this section of the plan.

STAFF STRUCTURE

8.18 The new structure is presented in the following pages, this includes a chart for:

- Year 0, transition period January to March 2014
- April 2014 onwards

8.19 The year 0 chart outlines a transitional structure, which will be focused on ensuring that the YLC is properly established with all the working processes and systems in place. This includes a strong focus on development of organisational policies and systems, membership development and partnership working.

Principles of the team

- The team will work together in an integrated way to deliver the business of the YLC. The YLC staff will work flexibly and integrate on a locality and project level
- All roles will be based on a set of core competences and behaviours, which reflect the culture and values of the YLC, including commitment to young people and working in an engaging and collaborative way with the community
- All posts will be front facing with a clear focus and accountability to the YLC membership and community
- The YLC team will work in a modern and innovative including the effective use of technology, remote working and mobile office space

Developing a young person's centred organisation

8.20 With the economic challenges that individuals and communities are currently facing locally, the YLC recognises its responsibility to create real opportunities for young people, boosting employment and training opportunities. The staff team will include paid work opportunities for young people both through apprenticeships and internships.

8.21 The YLC will appoint two apprenticeships in year 1 and has already had dialogue with Lambeth Council's Regeneration Department about the available funding and support in place to progress them.

ENABLING SERVICES

Services provided in house by the YLC staff team

8.22 It is assumed that the following support functions will be provided by the YLC staff and therefore at no additional cost to the Council:

- Data returns to the council
- Management accountancy
- Financial reporting (not audit)
- Bidding for grants
- Invoicing & book-keeping
- Cash handling, banking & reconciliations
- Simple business analysis
- Performance management
- Governance administration
- Membership and commissioning administration (i.e. paperwork)

Support services provided by the council

8.23 It is assumed that the council will provide appropriate support services during the transition period at no cost to the YLC to enable the start-up programme to be successfully implemented according to the planned timetable.

8.24 During transition this includes the following advice & support:

- IT infrastructure & support
- Human resources advice
- Health & safety advice
- Safeguarding advice
- Accountancy support
- Marketing & communications support
- Procurement advice and support

8.25 From year 1 onwards it is assumed that the following support functions will be purchased from the council based on a "net zero" affect for the whole 5- year business plan. Although there is both an income and expenditure budget in the financial model for these services (both £10k), it is assumed that the contract value will automatically flex to reflect the notional value of any services provided.

Health & safety advice	Health and safety advice and training for YLC staff and Board (circa 2 days per year)
Procurement advice	Procurement advice and support as required (circa 5 days per year)
Safeguarding (year 1)	Support developing safeguarding measures within the contract management framework including audits and monitoring; undertake safeguarding audits prior to contract award for any commissioned providers; support with undertaking the quarterly safeguarding monitoring of commissioned providers; develop a training and support programme for staff so that this can be completed by the YLC staff team in the future.
Safeguarding (ongoing)	8 days training per year; support on issues and concerns as required; deliver a support programme for YLC staff re: monitoring of safeguarding practice of commissioned providers; sample safeguarding audits and monitoring visits of commissioned providers undertaken to quality assure and support the YLC staff team

8.26 These above services are not indexed in the financial model and therefore remain at £10k per annum for the entire 5-year plan.

Support services the YLC will source independently

8.27 The YLC will source its own payroll, HR, IT and legal support and communications as required. This will ensure that the services are bespoke to the needs of the organisation.

ACCOMODATION

Accommodation needs

8.28 The YLC has the following accommodation requirements:

- Office space for the staff team (11 FTE) – space which can be configured to support the ways of working outlined above
- Drop in point for young people and the community to access the YLC – high street presence in Brixton is the preferred location
- Use of meeting space for its events and meetings

8.29 To support the efficient running of the organisation, these three spaces would ideally be co-located in the same venue or in very close proximity to each other.

8.30 As a separate organisation to the council, ideally the YLC would not be located in a core council building. This may however be needed for a transitional period.

Assumptions included in the plan

8.31 It is assumed that the Council will provide the YLC with appropriate space to conduct its business. The financial model includes £20k per annum income for all premises related costs and is directly offset by £20k per annum expenditure. It is assumed that the £20k per annum will cover all room rentals (permanent & ad hoc), utilities, business rates and all other standard facilities management costs.

8.32 It is assumed that the premises and facilities provided by the Council will be sufficient for the YLC to conduct all its affairs to the required standard. It also means that if the YLC has to commercially rent premises from an external source, the YLC cashable contract value will need to increase to cover this cost

8.33 As the accommodation for the YLC has not yet been agreed, there is currently insufficient detail to include accurate figures within the financial model. However, it is assumed that any risk/reward around alternative use of premises will rest with the Council. This means that the financial model assumes that any costs charged by the Council for the use of premises will be exactly offset by the equivalent income being added to the YLC operating contract

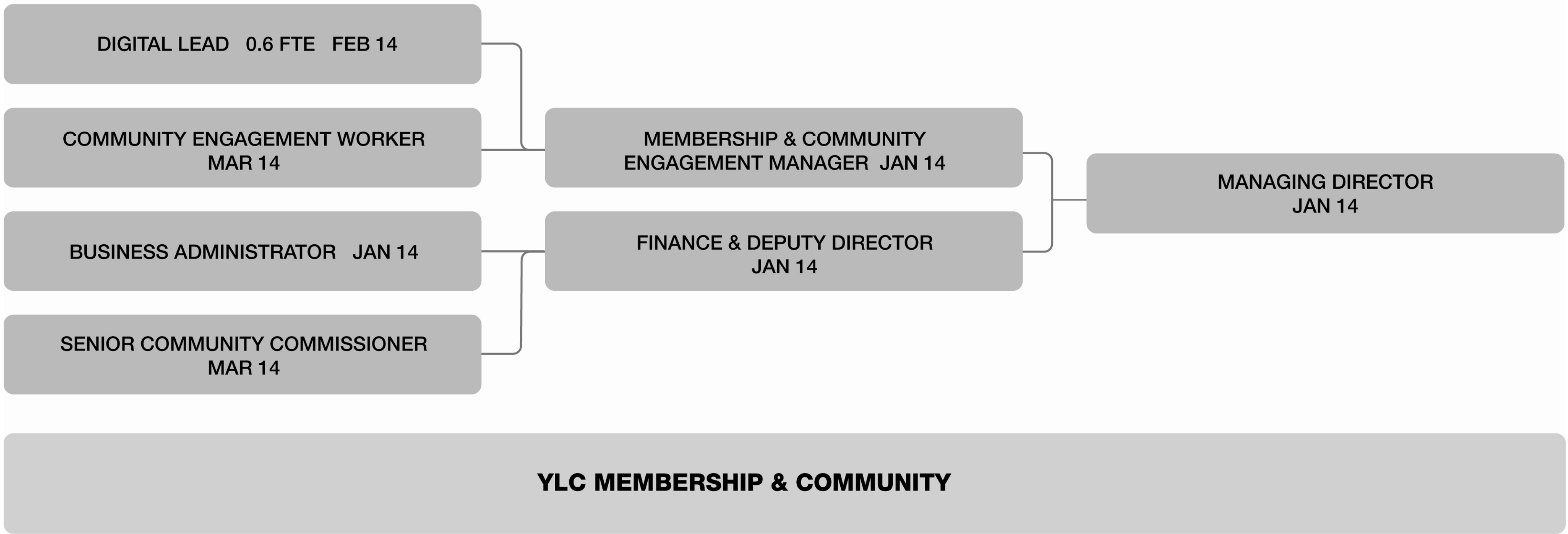
Options

8.34 There has been discussion with the Councils Libraries and Employment & Enterprise department about the potential of developing a joint drop in space for the YLC and the new Lambeth Working Brokerage in Brixton Library.

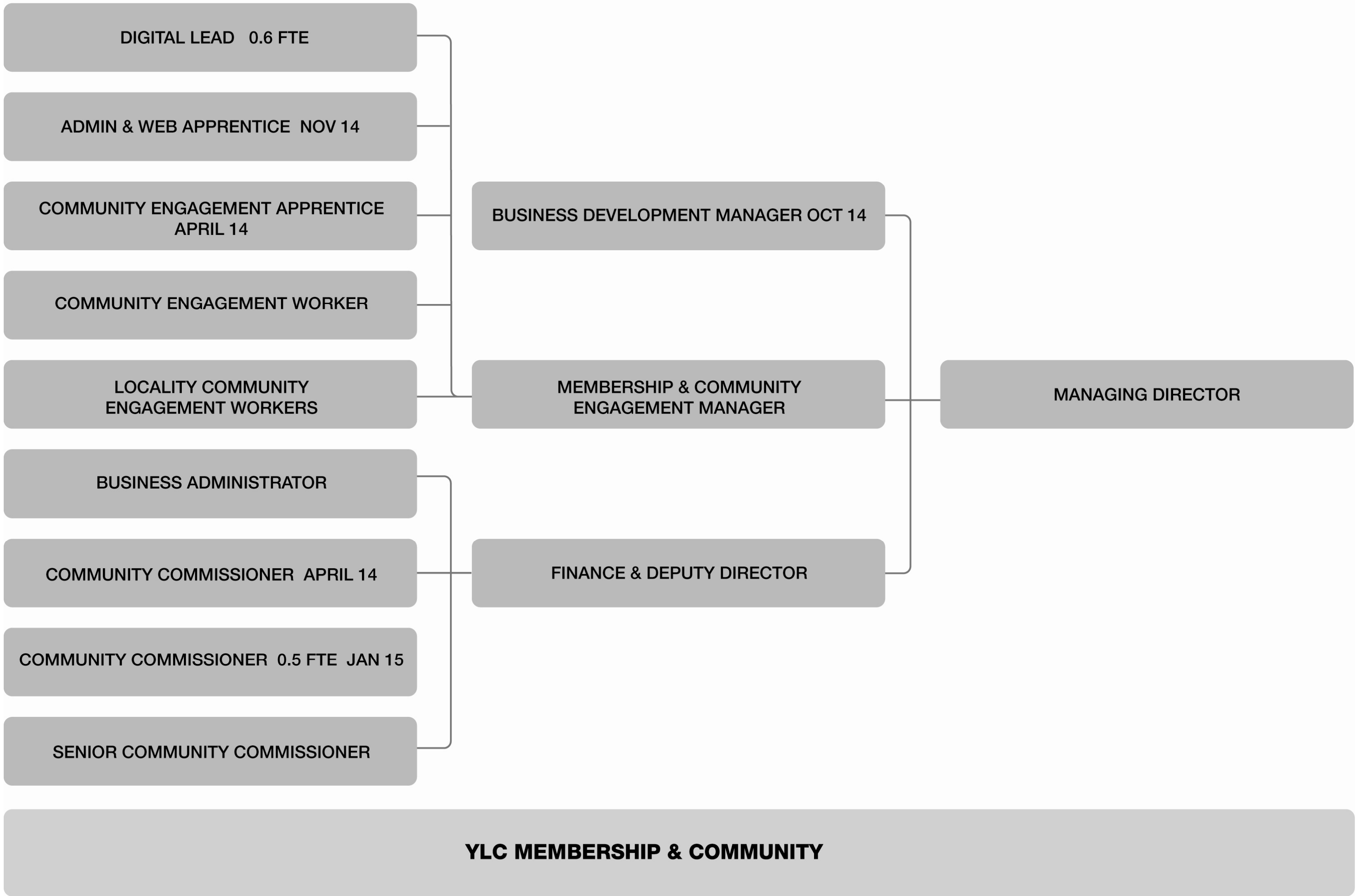
8.35 This is an exciting opportunity and would see the development of an integrated young people's and community hub offering a range of information and support. In addition, this would support the Library's Service aim of getting more young people using these important community resources. If progressed, this would provide the YLC with the high street drop in space needed. There has also been some discussion about the use of office space in the library.

8.36 There has been one property offered to the YLC however this does not meet the YLC requirements. Conversations will need to continue and accommodation will need to be agreed over the coming two months. This will need to be appropriately planned to ensure it does not lead to any delays.

DRAFT YLC STAFFING STRUCTURE - YEAR 0 / TRANSITION
(JAN 14 - MAR 14)



DRAFT YLC STAFFING STRUCTURE - YEAR 1 & THEREAFTER



9. IMPLEMENTATION

9.1 This section outlines the key milestone for the YLC over the next year. A high level implementation plan is included below and a more detailed transition plan is included in Appendix 6. This will continue to be developed as the dialogue with the council progresses.

Task	Timeline	Success Measures
Organisational set up		
Clarify if the YLC is deemed a public body, (with implications for procurement regulations) and agree the status on state aid.	September 2013	• Agreement reached between the council and YLC on public body status and state aid.
Clarify the VAT implications for the YLC.	September 2013	• Dialogue undertaken between the council and the YLC as the terms of the funding agreement is made to agree a position on VAT and have dialogue with HMRC as required. • Financial model amended as required.
Board of Directors appointed	November 2013	• Board members appointed • Induction completed
Business Plan finalised and terms of funding agreement agreed by the Board.	December 2013	• Business plan finalised • Signed funding agreement in place
Organisational policies, procedure and systems developed	December 2013	• Organisational policies and procedures approved by the Board • YLC financial accounting system in place
Bank accounts and insurance in place	December 2013	• Two bank accounts set up and insurances in place
Managing Director, other members of the management Team and core posts appointed and start work	January 2014	• Core team appointed • Induction completed • Effective handover undertaken from transitional staffing
First payment received from the council	January 2014	• Transition budget received in YLC account
Provision of supports services and accommodation in place	January 2014	• Agreement in place with the council for support services • Contracts in place for support services where needed

Task	Timeline	Success Measures
Develop social value measures using SROI which are included in the balanced scorecard	April 2014	• Social value measures developed • SROI framework included in the commissioning approach
Annual review of business plan	December 2014	• Annual review completed and published • YLC business plan refreshed
Business Development		
Networking & scoping of fundraising opportunities	Ongoing	• Scoping of funders undertaken and fundraising pipeline developed
Develop cost model for public engagement & research service	March 14	• Cost model developed
Fundraising strategy developed	November 14	• YLC fundraising strategy developed
Commissioning		
Establish schedule of commissioned contracts to be novated	March 2014	• Schedule of contracts agreed with the council
Development of YLC contract management framework	March 2014	• Framework developed and approved by the Board
YLC draft commissioning contracts developed	March 2014	• Draft YLC contract developed and approved by the Board
Community Commissioning Team in place	March 2014	• Team in place
Commissioning Framework developed and approved by Board	March 2014	• Commissioning Framework approved by the Board
Commissioning of Holiday Activity Programme (HAP) and Summer University Programmes	March – September 2014	• Commissioning undertaken • Agreements in place with providers • Contract management and quality assurance of services undertaken
Novation of Early Adopter (EAP) Phase 1 agreements	April 2014	• Contracts novated to the YLC • YLC commences contract management function of 17 services
Novation of Early Adopter (EAP) Phase 2 agreements	September 2014	• Contracts novated to the YLC • YLC commences contract management function of 10 services

Task	Timeline	Success Measures
Locality commissioning of 5-19 services commences	March – December 2014	• Locality commissioning undertaken • Agreements in place with providers
Membership		
YLC Membership launched - phase 1 outreach / summer events	July 2013	• YLC Membership launched • YLC outreach at summer events / holiday programme
YLC website launched	August 2013	• YLC website goes live • Online membership launched
Phase 2 Membership launch - Membership campaign linked to funding announcement	September 2013	• Borough wide campaign launched • Press and PR launch
Membership and Outreach Manager in post	January 2014	• Candidate in post • Implementation of Membership Strategy commences
Membership Development Strategy endorsed by the Board	February 2014	• Membership Development Strategy approved and implementation commences
Outreach work commences and recruitment of locality champions begins	February 2014	• Outreach posts appointed and work commences
Outreach and engagement plan developed	April 2014	• Locality plan developed

10. FINANCIAL PLAN

10.1 This section discusses the financial situation and financial plan for the YLC. The section covers:

- The financial context around which the YLC has developed and must implement its business plan
- The financial and business assumptions used to generate the 5-year financial plan for the YLC
- The 5-year financial plan for the YLC including a detailed profit & loss forecast
- Financial modelling of different potential performance scenarios for the YLC
- A discussion about financial sustainability for prudent (business plan), optimistic and pessimistic performance outlooks
- The high-level financial strategy that will be employed by the YLC
- A value-for money analysis looking at the YLC financial plan from the perspective of the Council

10.2 Although explaining the results from any financial analysis will involve some technical discussion, every effort has been made to ensure that this key part of the business plan is as accessible as possible. Hopefully readers with little or no financial background will be able to find this section both useful and interesting.

FINANCIAL CONTEXT

10.3 The YLC is a new organisation with a business plan that builds substantially on existing service delivery. This means that there is only minimal historical financial information that can be used as a starting point for building a robust financial model and an accompanying operating budget for the YLC.

10.4 The Council has provided information about the operating costs for the current commissioning function responsible for the contracts in the initial commissioning scope for the YLC. This information has been used to carry out a value-for-money analysis which forms a later part of this section.

10.5 However, as the YLC will be an organisation in its own right (rather than an in-house team) and will have wider functions than purely commissioning services, the planned YLC operating budget is not directly commensurable with the internal commissioning team within the council.

10.6 The bulk of the YLC financial plan has therefore had to be largely developed from scratch using the best possible cost estimates and income forecasts required to deliver this business plan.

10.7 The key financial context around which the YLC financial plan has been developed is a tapering financial envelope from the Council, both for the play and youth services commissioning budgets that will be managed by the YLC and the yet to be finalised operating budget.

10.8 The commissioning budgets which the YLC will take over responsibility are all based around three year commissioning cycles, although the start and end dates for many of the contracts are not aligned. Most of the commissioning contracts are tapered, reducing by 10% in year 2 and a further 10% in year 3. The YLC will therefore be implementing the new community led commissioning model at a time of significantly shrinking budgets.

10.9 Although there are currently no details available about play and youth service budgets beyond the three year commissioning cycle, the financial model has been developed on the assumption that budgets will continue at year 3 levels until the end of the 5 year business plan (i.e. no inflationary or structural growth and no further funding reductions).

10.10 The financial envelope from the Council to contribute towards the YLC operating costs has yet to be finalised. However, the financial plan has been devised based around a £460k year 1 contract value, reducing by 5% in year 2 (£437k), 10% in year 3 (£393k), a further 5% in year 4 (£374k) and then a final 7% in year 5 (£347k).

10.11 This means by the final year of the business plan the YLC will have not only delivered substantial 'absolute' savings in the region of 24% of the year 1 financial envelope [3], but after adjusting for inflation (assumed to be 2.5% per annum), this represents real-term efficiencies in the region of 32%.[4]

10.12 These substantial savings will be made possible by the growth in new income generating activities for the YLC. However, failure to deliver the level of growth forecast in the financial plan will mean that the YLC will need to re-evaluate its business plan to find the cost savings necessary to deliver a balanced budget. This eventuality is likely to require a significant scaling back in the strategic ambitions of the new organisation. This is discussed in more detail in the financial sustainability part of this section.

FINANCIAL ASSUMPTIONS & DEPENDENCIES

10.13 The YLC business plan is built around the delivery of a core commissioning function for council play and youth services, combined with a number of different revenue generating activities. Although these new activities are the key to developing the YLC into a strong and self-sustaining business, the additional uncertainty nevertheless makes financial planning relatively complex.

10.14 The YLC not only has a relatively large range for potential financial performance, but there are also a number of different permutations and realistic outcomes within this range. It is therefore important that stakeholders clearly understand the financial and business assumptions that have been used to generate the financial plan; as well as the risks and opportunities that could significantly impact on financial performance.

10.15 The most important dependency underpinning the business model (and therefore the financial plan) is the contract with the Council. It is essential that the terms of the contract provide the YLC with the stable platform needed to grow into a sustainable business.

[3] Please note that the compounding effect of a tapering financial envelope means that 5% + 10% + 5% + 7% applied in consecutive years leads to a total of 24.5% – i.e. 348k/460k = 75.5%.

[4] This can be calculated by multiplying the year 1 amount by 1.104 (or 1.025^4) to adjust for inflation and then comparing this amount by the planned contract value for year 5 – i.e. 348k/508k = 68.4%.

10.16 As a minimum the contract terms must:

- Be of sufficient length to allow effective planning to take place (i.e. no less than 3+2 years)
- Provide assurance that the YLC will be the preferred commissioning vehicle for youth and play services, subject to the YLC demonstrating its value for money
- Provide sufficient guaranteed income for the YLC to be able to deliver its business plan;
- Provide sufficient working capital through an upfront payment schedule for a proportion of the contract value
- Provide appropriate accommodation and premises related facilities sufficient for the YLC to adequately carry out its business
- Provide expertise through support services in agreed areas where the YLC does not have a cashable budget
- Manage extraordinary or high impact risks that would immediately threaten the viability of the business if they materialised.

10.17 If the contract terms do not adequately meets these criteria then it will be necessary to review the entire business model.

10.18 The table on the following page summarises the key financial and business assumptions used to develop the YLC financial model. This summary table is intended to give a flavour of the way in which the financial model is constructed and how certain risks and dependencies are taken into account.

10.19 A comprehensive list of all financial and business assumptions used to create the financial model can be found as an appendix to this business plan (Appendix 2). Every effort has been made to ensure that this is as accessible as possible for readers with little or no financial background.

Table: Key assumptions and dependencies used to generate the financial plan

Bank interest & charges	Any bank fees & charges will be exactly offset by interest from balances on capital or cash in the bank (i.e. banking will 'net zero'). There will be no interest incurring loans or other forms of credit.
Buildings & premises	The Council will provide premises and facilities sufficient for the YLC to conduct all its affairs to the required standard. Any costs charged by the Council for the use of premises (or if the YLC has to be make commercial arrangements) will be exactly offset by the equivalent income being added to the YLC operating contract (i.e. it is assumed to be a net-zero transaction in the financial model, irrespective of the actual arrangements).
Cashflow	The operating contract with the Council will be based around an upfront payment schedule so that YLC has sufficient working capital. Although the YLC will control the commissioning budget and have the funding available for cashflow management, the financial model assumes that all commissioning budget transactions inflow and outflow in the same month.
Council funding agreement	The contract with the Council will be worth £460k (cashable amount) for year 1, tapering by 5% in year 2 (£437k), a further 10% in year 3 (£393k), a further 5% in year 4 (£374k), and then a final 7% in year 5 (£347k).
Indexation / Inflation	Unless otherwise stated, all supplies & services costs/budgets are inflated by 2.5% per annum in the financial model. All staffing costs are inflated by 1.5% per annum in the financial model.
Prudent growth assumptions	The YLC will generate additional income by charging a management fee for additional commissioning for the Council (above the core contract) and for taking on commissioning responsibilities for other public bodies, sponsors or external funders. The YLC will generate income from public engagements, consultations & research; as well as from donations and direct fundraising (see financial modelling part of this section for details of all income projections).
Staffing	The YLC will pay 6% of gross salary towards employer pension contributions. The Council will cover the costs of a replacing the Managing Director or Finance & Deputy Director in the event of a sustained sickness or other absence (more than 3 months). It is assumed that the staffing model is sufficient to cover all other sickness and absence without incurring additional costs.
Surpluses	Any surpluses earned throughout the duration of the 5-year plan will not be spent as they will be required to meet future working capital requirements and to manage future potential risks.
Value Added Tax	It is assumed that no VAT will be charged by the YLC and that VAT will not materially impact on the commissioning model of the YLC (i.e. the YLC will not be able to reclaim VAT in the same way as the Council if charged by a potential provider). Expert advice is currently being sought on VAT status.

TRANSITION PLAN

10.20 At the time of writing the precise arrangements for the transition period are yet to be finalised. For the purposes of financial modelling a start-up operating budget has been created, which in many respects reflects a Council budget rather than a profit & loss model for a separate business entity.

10.21 Within the financial model the YLC transitional budget has been assumed to be 'net-zero'. This means that the YLC will not retain any underspend should it occur, whilst the funding will be found for any overspend just like other Council budgets (within the normal constraints set by the Council's financial regulations and procedures).

10.22 This means that the financial performance of the YLC only becomes materially relevant from year 1 of the business plan starting in April 2014.

10.23 There has also been no cashflow modelling for the transitional budget as it has been assumed that once the budget has been agreed, funding will be available as required through normal council purchasing mechanisms.

10.24 Despite this simplified treatment for the purposes of financial modelling, it is essential that appropriate decisions are made about how transactions are paid for and accounted for – i.e. which transactions are considered to be made by the YLC as a legal entity and which by the Council. These decisions will be made as part of drawing up a more detailed transition plan.

10.25 The table below details the transition / start-up budget that has been developed to set the organisation up so that the YLC can deliver this business plan.

Description	Budget
Staffing - leadership & support services	£40,535
Staffing - outreach & engagement	£19,058
Staffing – commissioning	£7,410
Marketing, coms, printing, stationary & website	£10,700
Events, engagements & co-production	£2,500
Equipment, telephony, IT & software	£20,000
Insurance	£2,500
Volunteer & staff expenses	£500
Governance costs (including AGM, meetings)	£500
Human resources	£500
Payroll administration	£300
Finance, banking, audit & accounting	£5,500
Legal & other professional services	£75,000
Staff training & inductions	£10,000
Contingency / sundries @3%	£3,840
Total transition budget	£198,843

10.26 The following factors should be taken into account when reviewing this budget:

- The YLC is currently in the process of bidding for substantial start-up funding from the Cabinet Office. This will be used to pay for legal and professional services that cannot be provided by existing Council staff. If successful this funding will directly offset the Council contribution towards this transition budget.
- Much of the specialist advice that will be paid for from the professional services budget will not only be specific to the YLC, but should be relevant to any similar ventures undertaken by the Council (or any other Council). Any advice and learning will be documented so that it can be shared for future use. This means that the same costs should not be required for similar ventures in the future.
- The budget assumes that the Council will offer support services at no cost where possible (without which the professional services budget would be higher). This includes support with developing the terms and conditions of employment, recruitment of the Board and into the leadership positions of the YLC in accordance with the transition timetable that is agreed.
- The transition budget assumes that the current interim team remains in place until January 2014 so that start-up work can continue and there can be a successful handover to the YLC senior management once employed.

10.27 The YLC has secured funding (£70k) from the Cabinet Office Mutual Support Programme to support with the set up costs of the YLC, which will reduce the council’s contribution to the transition budget.

FINANCIAL PLAN

10.28 A detailed profit & loss forecast for the YLC financial plan can be found on page 55. Readers may wish to review this forecast before continuing to read this section.

10.29 The financial plan has been constructed using the best possible available information and following comprehensive testing of the reasonableness of all the assumptions in the financial model. The financial plan is intended to represent a realistic and prudent forecast that is neither excessively optimistic nor pessimistic.

10.30 The financial plan is forecast for 5-years from the go-live date of April 2014. Although the financial model would remain valid if there was a delay in start-date, it would impact on the payment schedules for inward and outward commissioning budgets.

10.31 Any significant delay in the start-up of the YLC would mean it would be necessary to revisit several of the assumptions used to generate the financial plan.

10.32 In year 1, the YLC is forecast to generate a small surplus of £6.7k before tax. This represents 1.2% of total forecast YLC costs for the year (excluding commissioning budgets). This means that although the financial plan is based on prudent assumptions, there is nevertheless very little margin for error in delivering against the financial plan. The effective controlling of costs must therefore be given paramount significance in the first year of the business plan.

10.33 Although the margins for year 1 (and beyond) are extremely tight, the following contextual factors mean this should be manageable:

- There is a small contingency budget of £3.3k to pay for sundries and small unforeseen expenses;
- Any risks associated with buildings and premises are assumed to be covered by the Council;
- The YLC will have appropriate insurance to cover other potential liabilities;
- Staffing represent in the region of 75% of total costs. This is a relatively easy budget to control with the implications of decisions easily forecast.

10.34 Despite these factors, operating at a loss in the first year would be potentially catastrophic for the YLC as the business has no start-up capital to offset even a small loss. It is therefore imperative that appropriate contingency plans are drawn up as part of the agreement with the Council to manage such an eventuality. The YLC will ensure close dialogue with the Council should either its cashflow or financial position be such that there is a realistic potential of contingency arrangements being necessary (e.g. an overdraft or other credit arrangements).

10.35 As part of finalising the agreement a 'trigger point' will be agreed where if the YLC is forecasting a financial loss or cashflow difficulties it will enter into dialogue with the Council. In order to deal with such an eventuality it may be necessary for the Council to provide temporary working capital of up to 10% of operating costs on a loan basis to be drawn down as necessary. This would be contingent on the YLC providing adequate assurance of how the loan will be repaid and how any adverse financial or cashflow situation will be rectified.

10.36 In year 2, the YLC is forecast to generate a small surplus of £18.0k before tax, which represents 3.0% of total forecast costs for the year. This increased surplus is planned despite a substantial reduction in council funding of £23k (5%) compared to the year 1 contract value.

10.37 The biggest financial risks in the financial plan are inevitably in the first 2 years. Delivering a new business model from scratch with immediate pressure to bring in additional funding in order to successfully manage tapering council funding will be extremely challenging. This tight financial situation also means that there is limited scope for contingency in the event of worse than expected financial performance.

10.38 In year 3 Council funding is reduced by a further £43.7k (10%) from the year 2 contract value. However, planned financial performance still leads to a surplus before tax of £31.6k. This represents 4.9% of total forecast costs for the year.

10.39 In year 4 Council funding is reduced by a further £19.7k (5%) from the year 3 contract value. However, significant growth in additional revenue streams by this time is planned to lead to a surplus before tax of £15.5k. This represents 2.3% of total forecast costs for the year.

10.40 By year 5, delivering on the financial plan will see the YLC in a relatively strong position with revenue streams outside of the core council contract contributing 46% of all YLC income (excluding commissioning budgets).

10.41 Although the organisation would still be dependent on some form of continuation of the core Council contract, this successful diversification would place the YLC in a much stronger position to manage any possible significant changes in the Council's strategic plans for play and youth services in the borough.

10.42 In year 5, the financial plan forecasts a surplus of £20.8k, with represents 3.1% of total forecast costs for the year and 3.0% of total forecast income.

10.43 Although this represents a modest percentage return based on total income, as the key role of surpluses in a social organisation like the YLC is to manage risk, provide ongoing sustainability, and to deliver funds for investment in future services, it does not have to provide high rates of financial return.

10.44 That said, based on the prudent assumptions in the financial plan, the margins are sufficiently tight not to allow much flex in the event of unexpected events. With this in mind, it is imperative that the business retains all its surpluses during the five year plan so that it begins to build up a reasonable capital reserve.

10.45 If the YLC is able to retain all its surpluses, the organisation will have built up a cash reserve of £74k by the end of year 5. Although this is a relatively modest financial buffer, it will provide the YLC with a much greater choice of options if faced with difficult decisions.

10.46 So in summary, by year 5, the YLC is expected to be returning reasonable surpluses with sufficient margin and with an adequate cash reserve to comfortably manage unexpected events. Although there will still be some way to go before the YLC will have achieved its strategic objective of being truly financial sustainable, the underlying economics of the business should be moving firmly in the right direction which is as expected for a new business start up.

Profit & loss detailed model

	Year 1	Year 2	Year 3	Year 4	Year 5
YLC Income from core Council contract:					
Council contract (cashable amount)	460,000	437,000	393,300	373,635	347,481
Support services purchased from Council	10,000	10,000	10,000	10,000	10,000
Premises & facilities purchased from Council	20,000	20,000	20,000	20,000	20,000
	490,000	467,000	423,300	403,635	377,481
Other YLC income:					
Apprenticeship income	16,000	6,000	6,000	6,000	6,000
Additional commissioning responsibilities from Lambeth	0	37,500	75,000	75,000	93,750
Commissioning for other public bodies, sponsors or funders	0	50,000	100,000	100,000	125,000
Public engagement, consultations & involvement services	15,000	20,000	25,000	30,000	40,000
Donations & direct fundraising	20,000	30,000	40,000	50,000	50,000
	51,000	143,500	246,000	261,000	314,750
Total YLC income:	541,000	610,500	669,300	664,635	692,231
Commissioning income:					
Core council contract	2,664,443	3,120,628	3,002,006	3,002,006	3,002,006
Additional commissioning responsibilities	0	500,000	1,000,000	1,000,000	1,250,000
	2,664,443	3,620,628	4,002,006	4,002,006	4,252,006
Total income:	3,205,443	4,231,128	4,671,306	4,666,641	4,944,237
Supplies & services purchased from the Council					
Support services purchased from Council	-10,000	-10,000	-10,000	-10,000	-10,000
Premises & facilities purchased from Council	-20,000	-20,000	-20,000	-20,000	-20,000
Expenditure (non-Council)					
Staffing - outreach & engagement	-206,697	-206,807	-219,468	-223,422	-232,796
Staffing - commissioning	-144,839	-158,088	-177,192	-179,850	-182,547
Staffing - business development	-41,961	-79,950	-81,149	-82,366	-83,602
Marketing, communications, printing, stationery & website	-23,000	-37,750	-48,125	-49,766	-56,797
Events, engagements & co-production	-15,000	-15,375	-15,759	-16,153	-16,557
Equipment, telephony, IT & software	-5,000	-5,125	-5,253	-5,384	-5,519
Insurance	-10,000	-10,250	-10,506	-10,769	-11,038
Volunteer & staff expenses	-2,000	-2,050	-2,101	-2,154	-2,208
Governance costs (including AGM, meetings)	-2,000	-2,050	-2,101	-2,154	-2,208
Human resources	-2,000	-2,050	-2,101	-2,154	-2,208
Payroll administration	-1,000	-1,025	-1,051	-1,077	-1,104
Finance, banking, audit & accounting	-19,000	-19,475	-19,962	-20,461	-20,972
Legal & other professional services	-25,000	-15,000	-15,375	-15,759	-16,153
Staff training & inductions	-7,560	-8,388	-8,514	-8,642	-8,771
Contingency / sundries @3%	-3,257	-3,174	-3,250	-3,329	-3,410
Total YLC expenditure	-538,314	-596,557	-641,908	-653,440	-675,890
Commissioning expenditure:					
Core council contract	-2,664,443	-3,120,628	-3,002,006	-3,002,006	-3,002,006
Additional commissioning responsibilities	0	-500,000	-1,000,000	-1,000,000	-1,250,000
	-2,664,443	-3,620,628	-4,002,006	-4,002,006	-4,252,006
Total expenditure	-3,202,757	-4,217,184	-4,643,914	-4,655,446	-4,927,897
Interest, depreciation & amortisation					
Interest	4,000	4,100	4,203	4,308	4,415
Depreciation & amortisation	0	0	0	0	0
Net profit	6,686	18,043	31,595	15,503	20,755
Corporation tax @ 20%	-1,337	-3,609	-6,319	-3,101	-4,151
Surplus	5,349	14,435	25,276	12,402	16,604
Cumulative surplus (cash reserve)	5,349	19,784	45,059	57,461	74,066

FINANCIAL MODELLING

10.47 In the real world things rarely go precisely according to plan. It is therefore important that the variables and assumptions that have been used to generate the financial plan are tested to analyse their potential financial implications. This particularly applies to income projections where there are currently few concrete plans and guarantees about future income levels.

10.48 The financial modelling for this business plan has involved analysing the impact of potential financial performance from both optimistic and pessimistic perspectives.

10.49 This analysis not only gives a much better indication of the potential range of financial outcomes that are possible for the YLC, but the steps taken to create the different financial forecasts also provides greater confidence that the assumptions underpinning the financial plan are robust, prudent and achievable.

10.50 The output from this analysis is a series of parallel financial forecasts that can be used to provide insight into the risks and opportunities facing the YLC; and therefore also some of the organisational responses that may be required.

10.51 These parallel financial projections are discussed in more detail in the financial sustainability part of this section. The remainder of this financial modelling section discusses different potential performance scenarios for each of the new income generating activities of the YLC. Every effort has been made to ensure that the scenarios are as realistic as possible. This means ensuring that the performance outlooks in a scenario remain credible and broadly taking into account the way growth will impact on different costs (i.e. step-costs & variable costs).

10.52 It is also worth noting that although the theoretical range of performance is much wider than the credible scenarios described below, there is little value in financially modelling extraordinarily good or bad scenarios. Although it is important that the YLC develops high-level plans for responding to these types of situation, as extreme scenarios are likely to require fundamental re-evaluation of the business model, there is little value in carrying out any detailed financial analysis at this stage.

Increasing YLCs commissioning responsibilities

The YLC will seek to take on additional commissioning responsibilities from the Council (beyond core contract responsibilities), other public bodies, sponsors or funders. Preliminary discussions with the Council have already begun although they are not at an advanced stage at present. Initial research indicates that there is potential for taking on additional contracts with the Council for contracts in the region of up to £4.4 million at year 1 levels.

The figures included in the financial plan for taking on commissioning responsibilities from other organisations or external funders are considered prudent, and are intended to cover grant funding, sponsorship, donations and corporate social responsibility investment. This includes existing local funding from various agencies that would redirected through the YLC community commissioning model, as well as seeking out new investment on youth services in the borough. Further details about potential opportunities for expanding commissioning responsibilities can be found in section 6 of the business plan.

The percentage management fee charged for additional commissioning responsibilities will be based on a combination of the number of contracts and the total contract value. However, the financial model assumes that the Council will get a preferential rate (15% average) compared to other external funders (20% average) due to the level of support and funding already provided. This reflects the overhead any organisation would incur when commissioning services. The management fee has been developed based on the standard industry practice and has set a cost around the industry median, which given the level of added value the YLC will bring is very competitive.

In terms of variable costs, the financial model allocates 10% of any additional income to pay extra flexible outreach workers that may be required; and a further 10% of additional income to pay for additional costs for supplies and services.

In terms of step-costs, the financial model is based on an estimate that an additional 0.5 FTE of a community commissioner post will be required for each additional £1.5m of commissioning contracts.

It has also been estimated that that it would be possible to grow front-line community commissioners by 4 members of staff before any changes would need to be considered to the senior staffing structure. Although there are theoretical growth opportunities far beyond this amount, this is outside of even the optimistic forecasts made during financial modelling.

The YLC may reach a level of growth where the entire business model may need to be reviewed. At such a point, management would need to review organisational capacity, staffing structures and budgets to ensure that growth does not negatively impact on the quality of service delivery or other key organisational objectives.

The following additional commissioning has been forecast in the financial model, along with the calculated contribution to overheads after deducting for additional step and variable costs.

Additional commissioning*	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
Pessimistic	£0	£0	£250,000	£500,000	£500,000
Prudent business plan	£0	£500,000	£1,000,000	£1,000,000	£1,250,000
Optimistic	£500,000	£1,000,000	£1,500,000	£1,500,000	£2,000,000
Contribution to overheads	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
Pessimistic	£0	£0	£35,000	£70,000	£70,000
Prudent business plan	£0	£70,000	£123,268	£123,017	£157,762
Optimistic	£70,000	£123,515	£193,268	£193,017	£245,524

*Please note that in the financial model the additional commissioning responsibilities have been assumed to be split evenly between the Council and other external funders.

Public engagement, consultation & research

The YLC will offer a public engagement, consultation and research service in Lambeth to help organisations and agencies interact with their customers and involve them in their business planning.

As a community led membership organisation for young people, the YLC will be uniquely placed for this type of income generating activity provided the organisation is successful in developing and maintaining a large, representative and active membership base.

The level of activity forecast is assumed to be relatively modest, based on a minimum starting cost of £5k for a simple consultation exercise.

It is estimated that 20% of any additional income will be needed to pay for additional supplies and services in order deliver each contract and a further 20% of additional income to pay for additional flexible community outreach workers. It is estimated that all other costs will be met by core staffing within existing budgets.

The following income projections have been financially modelled, along with the calculated contribution to overheads after deducting for all additional variable costs.

Additional income	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
Pessimistic	£0	£0	£0	£0	£0
Prudent business plan	£15,000	£20,000	£25,000	£30,000	£40,000
Optimistic	£20,000	£30,000	£40,000	£60,000	£80,000
Contribution to overheads*	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
Pessimistic	£0	£0	£0	£0	£0
Prudent business plan	£9,000	£12,000	£15,000	£18,000	£24,000
Optimistic	£12,000	£18,000	£24,000	£36,000	£48,000

*Please note that there should be no step-costs within the activity ranges financially modelled.

Donations and direct fundraising

As a community based membership organisation, the YLC will be in a position to generate fundraising income, both from individuals on a small scale (e.g. sporting events, fundraising, etc) and through larger donations (e.g. legacies, etc).

This income does not relate to grants or sponsorship secured for youth services. Any donations for services for young people are treated as commissioning income in the financial model, from which the YLC will take a management fee.

It is estimated that any additional variable administration costs from these revenue streams are immaterial. This means that all forecast income is assumed to be net of any variable costs.

The following total values for donations and direct fundraising have been estimated in the financial model. All amounts stated are considered to be inclusive of gift aid if applicable.

Additional income*	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
Pessimistic	£5,000	£7,500	£10,000	£12,500	£12,500
Prudent business plan	£20,000	£30,000	£40,000	£50,000	£50,000
Optimistic	£30,000	£45,000	£60,000	£75,000	£75,000

*Please note that as there are no assumed variable or step costs to this income, the amounts stated also represent the contribution to overheads.

FINANCIAL SUSTAINABILITY

10.53 The financial sustainability of the YLC will strongly depend on its ability to generate additional revenue that can contribute to the core running costs of the organisation. Although successfully controlling costs will also be crucial to ensuring the business remains profitable, growth from additional income is a far more significant factor in terms of sustainability throughout the timeframe of this business plan.

10.54 The financial modelling for each of the income generating activities of the YLC has been based around optimistic and pessimistic scenarios. However, it is important to realise that an entirely optimistic or pessimistic scenario is somewhat unlikely to happen in the real world.

10.55 Although the relative success of the different parts of the business will impact on each other, it is more likely that actual performance will include some outcomes that were considered optimistic at the outset, and others that were considered pessimistic. This means that looking at an entirely optimistic or pessimistic financial forecast can be a little misleading if they are not interpreted appropriately.

Prudent outlook

Prudent sustainability analysis	2014/15	2015/16	2016/17	2017/18	2018/19
Total YLC income	£545,000	£614,600	£673,503	£668,943	£696,646
YLC Income from core council contract	£490,000	£467,000	£423,300	£403,635	£377,481
Income from core contract as a % of total income	90%	76%	63%	60%	54%
Total YLC costs	£538,314	£596,557	£641,908	£653,440	£675,890
Surplus before tax	£6,686	£18,043	£31,595	£15,503	£20,755
Surplus as a % of total costs	1.2%	3.0%	4.9%	2.4%	3.1%
Cumulative surplus after tax - cash reserve	£5,349	£19,784	£45,059	£57,461	£74,066

10.56 The key analysis from the prudent financial model has already been discussed as part of the section on the financial plan. However, the table above summarises the main output from the perspective of sustainability both in terms of profitability and liquidity (cashflow & cash reserve).

10.57 Delivering the prudent financial plan achieves just above the minimum necessary performance to be a sustainable business. Not only will the YLC be returning reasonable surpluses towards the end of the 5-year plan, but the business should also have grown an adequate cash reserve to manage unexpected events.

10.58 Although the YLC will still be dependent on the continuation of a similar core contract from the Council, the organisation will be in a better position to manage its own risks and will be less dependent on the precise contractual terms for the services provided for the Council.

10.59 A key part of delivering this financial plan is ensuring that additional income is progressively grown so that by year 5 a total of 46% of income is being generated from sources other than the core council contract. In many respects this can be considered the income target for achieving sustainability, at least within the context of the tapering financial envelope from the Council and the YLC agenda discussed throughout this business plan.

Pessimistic outlook

Pessimistic sustainability analysis	2014/15	2015/16	2016/17	2017/18	2018/19
Total YLC income	£515,000	£484,600	£487,253	£513,943	£487,896
YLC Income from core council contract	£490,000	£467,000	£423,300	£403,635	£377,481
Income from core contract as a % of total income	95%	96%	87%	79%	77%
Total YLC costs	£532,314	£571,057	£588,926	£606,957	£616,403
Surplus before tax	-£17,314	-£86,457	-£101,673	-£93,014	-£128,507
Surplus as a % of total costs	-3.3%	-15.1%	-17.3%	-15.3%	-20.8%
Cumulative surplus after tax - cash reserve	-£13,851	-£83,016	-£164,355	-£238,766	-£341,572

10.60 The table above summarises the analysis from financially modelling all the pessimistic growth scenarios.

10.61 It is worth emphasising that it is somewhat unlikely that all of the growth scenarios included in financial modelling will be pessimistic. The above results therefore represent the extreme pessimistic end of possible outcomes that is unlikely to materialise in practice.

10.62 It is also worth emphasising that the financial output does not include any modelling of the possible organisational responses that would be necessary to manage this pessimistic scenario. Instead the analysis shows what could happen if the YLC continued to try to deliver the business plan in its current form in the event of substantially worse than expected performance.

10.63 The analysis shows that in this extreme scenario the YLC is running at a loss in each of the 5 years, with the loss progressively growing the more the financial envelope from the Council reduces. However, this situation could not actually materialise unless the YLC acquired some form of substantial credit of one form or another – otherwise by year 2 the YLC would be unable to pay its expenses.

10.64 Rather than present a genuine financial forecast, the main intention of the above analysis is to quantify the savings that would have to be found if things go badly.

10.65 In this pessimistic outlook, steps would have to be taken towards the end of year 1 to ensure that the organisation is able to manage an extremely tight cashflow situation. However, it is only during year 2 that significant savings would have to be found, essentially because the financial model only includes modest income projections in year 1 so poor performance in this area only has a limited impact at the outset.

10.66 It is not currently feasible to create a detailed financial plan for how the required savings would be found. The appropriateness of different potential business responses will depend on the precise contextual circumstances at the time.

10.67 However, realistically savings in excess of £50k per annum could only be found through some form of restructure of the staffing model and a resultant scaling back of strategic ambitions for the organisation.

10.68 The result would be an organisation that is capable of comfortably meeting its core commissioning requirements for the Council; but with insufficient capacity to meet some of the other strategic objectives set by the organisation. Crucially, such a scaling back of key staff would also lead to a loss of the capacity necessary to generate future growth opportunities.

10.69 In this eventuality the staffing posts likely to be reconsidered first are the Business Development Manager and the Finance & Deputy Director. These two posts are integral to developing and growing new income generating opportunities in a sustainable way. However, in this pessimistic scenario the bulk of these plans will have proved unsuccessful (at least initially).

10.70 Once the strategic ambitions of the organisation are scaled back, it would be necessary to try to scale back these posts by either integrating their functions with other posts, reducing the number of hours for each post or by reducing the skills (and therefore salary) required in their job descriptions.

10.71 Although hopefully this pessimistic situation does not materialise, it is important that the YLC is set up (including input from Council staff during the transitional period) in a way that allows this type of restructure to occur at the lowest possible cost to ensure redundancy liabilities are not unnecessarily incurred.

Optimistic outlook

Optimistic sustainability analysis	2014/15	2015/16	2016/17	2017/18	2018/19
Total YLC income	£647,500	£727,100	£796,003	£811,443	£892,896
YLC Income from core council contract	£490,000	£467,000	£423,300	£403,635	£377,481
Income from core contract as a % of total income	76%	64%	53%	50%	42%
Total YLC costs	£557,814	£634,542	£665,408	£682,940	£735,378
Surplus before tax	£89,686	£92,558	£130,595	£128,503	£157,518
Surplus as a % of total costs	16.1%	14.6%	19.6%	18.8%	21.4%
Cumulative surplus after tax - cash reserve	£71,749	£145,796	£250,271	£353,074	£479,088

10.72 The table above summarises the analysis from financially modelling all the optimistic growth scenarios. However, before discussing some of the implications of the results presented in the table it is worth emphasising two key points.

10.73 Firstly, it is somewhat unlikely that all of the growth models will be optimistic. This extreme situation is therefore unlikely to occur in practice and instead represents the extreme positive end of what could be considered realistically possible.

10.74 Secondly, this financial output represents optimistic growth levels achievable within the planned leadership and management structure of the organisation. If there is growth beyond the optimistic income projections, particularly in terms of additional commissioning responsibilities, then it is likely to be necessary to review the staffing model to ensure there is appropriate management capacity for sustainable growth.

10.75 In practical terms, this means robust business planning will be required in order to ensure that growth is taken on in a manageable way and that good timely decisions are made about when to employ additional fixed staff.

10.76 In financial terms this means that there are likely to be substantial step-costs in sustainably managing growth above the level forecast in the optimistic scenarios (i.e. income may increase without a proportionate growth in operating surplus, at least until the extra growth better utilises the extra capacity).

10.77 Although the above optimistic scenario is unlikely to occur, it nevertheless demonstrates that the upside potential of the YLC is very significant. Anywhere near this level of performance would enable the YLC to have a large array of future options for maximising the social potential of the business.

10.78 By year 5 the optimistic financial model forecasts that only 42% of YLC income comes from the core Council contract. Although the YLC would still therefore require some form of continuation of the core commissioning contract, the organisation would be extremely well established both in terms of profitability and liquidity (i.e. cash reserve). The YLC would also be able to better respond to changes in strategic priorities in the Council towards play and youth services.

10.79 As a minimum, the YLC would be able to ensure that it was able to offer the Council the best possible deal for continuing to commission play and youth services on its behalf.

10.80 As a final point, this overall optimistic scenario assumes that the savings schedule offered up to the Council does not change. However, the YLC may wish to negotiate a deal with the Council where savings are offered up more quickly if financial performance is significantly better than forecast. This may offer useful leverage in current negotiations as agreements are still yet to be reached about the financial envelope for the duration of the business plan.

10.81 Importantly, this type of agreement may also encourage the Council to utilise the YLC as a commissioning vehicle for other contracts beyond those initially in scope – i.e. the more contracts the Council places under YLC management the faster savings can be offered up.

FINANCIAL STRATEGY

10.82 Although the management of the YLC will need to be flexible and adapt to changing circumstances, the following principles will be used as a guide and to set limits for financial decision-making:

- Use all surpluses to generate a working capital buffer
- Use no loans or other interest incurring capital unless supported by a robust business case
- Only make capital investments if the revenue implications are comfortably affordable
- Only take on significant additional commissioning responsibility after appropriate business planning, including robust financial modelling.

10.83 Beyond these core principles for financial decision-making, the essence of the financial strategy for the YLC is to ensure that it can deliver the services required in the contract to the required quality level for as low a unit cost as possible.

10.84 Although the YLC can only indirectly influence the Council's decision both to continue to fund play and youth services and to continue to use the YLC as a vehicle to commission those services, the lower the unit cost that the YLC is able to achieve, the better negotiating position the business will find itself in.

10.85 The minimum aim of the YLC is put itself in a position where no other commissioning vehicle could be used by the Council to commission play and youth services without compromising either quality and/or cost.

VFM ANALYSIS

10.86 The key considerations when carrying out the value-for-money analysis of the YLC financial plan is that:

- The YLC is a proposal for a new way of commissioning services in the borough using the existing council resources spent on this function which will achieve savings (i.e. it is not new money)
- Neither the YLC running costs nor the value of the council contract are directly comparable with the current model for commissioning, as the YLC has wider functions and roles.

10.87 The YLC will be undertaking many new business and social activities that will both bring in new income and incur new and different costs. This not only includes the additional costs associated with being an independent legal entity, but also includes costs associated with many of the social objectives of the business – especially the costs of developing and maintaining an active and representative membership base.

10.88 In addition, the internal commissioning team receives many support functions from different back office teams in the Council, the costs for which do not form part of the commissioner's controllable budget. Although as part of the main contract the Council will continue to provide the YLC with a small number of support functions at net zero cost (i.e. any charge will be offset by increasing the contract value), the YLC will still be paying for a lot of services and functions that it would be either inappropriate or impossible for the Council to provide.

10.89 The above factors do not mean that it is not possible to make meaningful value-for-money comparisons between the council and YLC model but these factors must be taken into account.

Commissioning costs

10.90 The most important part of a VFM analysis is assessing the relative or proportionate cost to the Council of the YLC contract against the value of the commissioning budgets that the YLC will manage.

10.91 The following table shows this for the cashable contract value (i.e. excluding premises and support services).

VFM analysis of core council contract	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
Total value of core council commissioning contracts	£3,344,110	£3,120,628	£3,002,006	£3,002,006	£3,002,006
Core *cashable* value of contract to the council	£460,000	£437,000	£393,300	£373,635	£347,481
Cashable costs to council as a % of commissioning value	13.76%	14.00%	13.10%	12.45%	11.57%

10.92 The context set by the financial model is that the council contract is tapering throughout the duration of the 5-year plan to a total of 24% cashable savings against year 1 figures; whereas the commissioning budgets are assumed to remain at year 3 levels for the final 2 years of the business plan.

10.93 This means that the relative percentage costs drop slowly until the end of year 3, and then more rapidly in years 4 and 5.

10.94 By the end of the business plan the YLC is forecast to be delivering the core contract at only 11.6% of the value of the commissioning budgets under its control. This low rate is made possible by the additional income generated from other activities.

10.95 The rate can be compared to the cost of the current commissioning model, the details of which are shown in the next table using the best available information. Please note that all costs are indexed by 1.5% per annum as this is necessary In order to create a fair comparison with the YLC financial model.

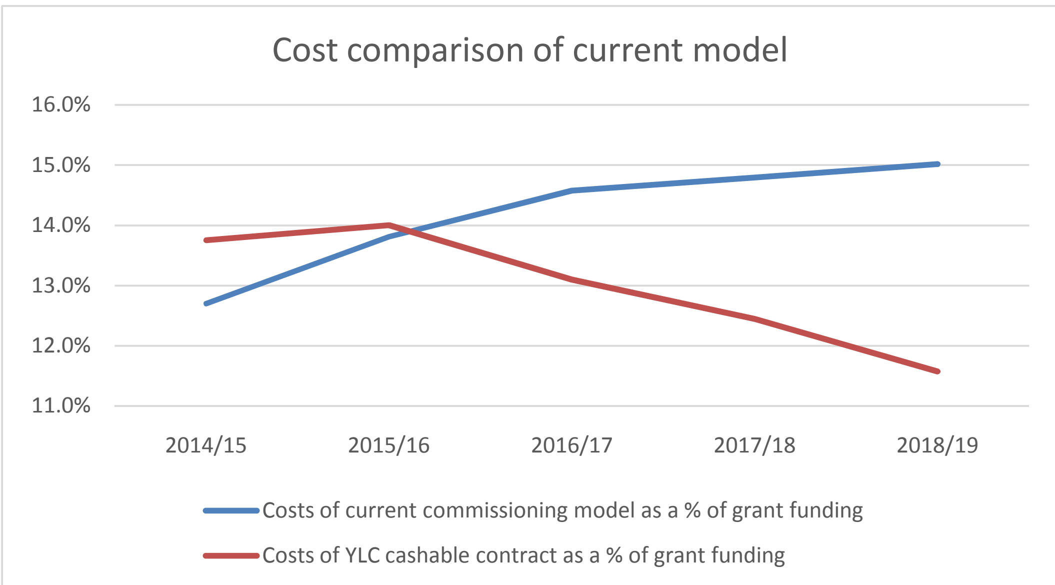
Costs of current commissioning model	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
Direct staffing (5.5FTE)	£288,222	£292,545	£296,933	£301,387	£305,908
Notional senior management cost	£50,000	£50,750	£51,511	£52,284	£53,068
Overheads / recharges based on 25% of fixed staff costs	£72,055	£73,136	£74,233	£75,347	£76,477
Supplies & services based on 5% of fixed staff costs	£14,411	£14,627	£14,847	£15,069	£15,295
Total comparable commissioning costs	**£424,689**	**£431,059**	**£437,525**	**£444,088**	**£450,749**
Total value of commissioning budgets	£3,344,110	£3,120,628	£3,002,006	£3,002,006	£3,002,006
Costs as a percentage of commissioning budgets	12.5%	13.6%	14.4%	14.6%	14.8%

10.96 In terms of comparison against the existing commissioning function, the YLC initially needs a small amount of additional investment. This is because the YLC will be an independent organisation (rather than an in-house team) and will have wider functions than purely commissioning services. Without this initial limited pump priming the venture is not really viable as the YLC would not have the opportunity to develop the alternative income generating activities that are crucial to the sustainability of the business.

10.97 By the second year of the business plan the costs of the YLC to the Council are the same as the forecasted costs of the existing commissioning model. However, crucially, after that the costs of the YLC model to the Council drop substantially compared to the forecast costs of the current model. This pattern is shown in the graph below:

10.98 Over the 5-year business plan the total forecast costs of the YLC cashable contract is £2.0m. This compares to the forecast costs of the current model of £2.2m. This represents an 8% saving over the life of the YLC business plan.

10.99 However, just as importantly, by the end of the business plan the YLC is forecast to be 23% cheaper than the current model. This reduced level should be sustainable moving beyond this business plan.



Other VFM considerations

10.100 The above analysis shows that the YLC business plan will be able to deliver a substantially more efficient model of commissioning compared to the current model. However, this is not a like-for like comparison, and in many respects the YLC will be able to offer much more improved outcomes both for the Council and users of youth services.

10.101 The following value-for-money considerations all demonstrate the excellent financial and social return on investment that the Council will receive from this venture. The YLC will:

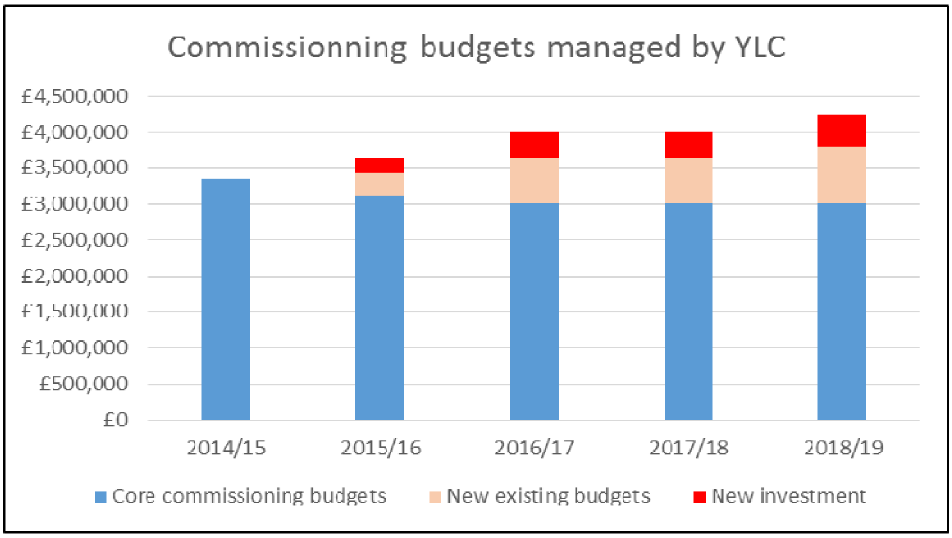
- Further the model of community commissioning by taking on responsibility for commissioning services on behalf of other local public bodies aimed at achieving outcomes and providing services for young people in Lambeth
- Provide a vehicle to bring new money into the borough for youth services through fundraising, bidding for grants and sponsorship. This type of opportunity is extremely limited to a local authority in comparison to a community membership society
- Provide an opportunity to make back-office savings by freeing up capacity as the YLC takes responsibility for functions currently provided by Council teams
- Provide an opportunity to act as a success story for the Council on its journey to becoming a cooperative council, demonstrating new and exciting ways of working with the local community
- Provides an opportunity to develop the most unique and innovative model of commissioning in the youth sector. This model has already gained significant interest including from the media, which will only increase as the YLC goes live
- Provides a platform for greater community involvement and ownership of services, which should lead to better services and higher customer satisfaction
- Provides a platform to join-up community resources, including an increased use of volunteering and use of community assets

10.102 Although all the points raised above are crucial from a VFM perspective, the enhanced ability to secure additional investment for youth services in Lambeth is arguably the most significant, especially at a time of shrinking budgets.

10.103 The YLC is forecast to commission an additional £3.75 million worth of services for young people over the 5-year period over and above the core contract. Although much of this additional commissioning will relate to better utilising existing budgets (of either the Council or other public organisations in Lambeth) £1.4m of this additional income is targeted to be new investment that would not otherwise have been brought into the borough.

10.104 Delivering on the business plan will therefore result in an overall increase in the commissioning budget for youth services over the next five years, which will buck the national trend for investment in young people services.

10.105 The bar chart over page shows the commissioning budgets as part of the core contract with the Council and the additional commissioning budgets that the YLC is forecast to manage in the business plan (from the Council, other local public bodies and other grants and fundraising opportunities). Although it is important to emphasise that there are no concrete plans at the current time, the additional commissioning budgets are shown split between the targeted new investment that the YLC will seek to secure and the existing budgets in Lambeth that will be brought into the new community commissioning model. This demonstrates the additional value the YLC will deliver.


Commissionning budgets managed by YLC
£4,500,000
£4,000,000
£3,500,000
£3,000,000
£2,500,000
£2,000,000
£1,500,000
£1,000,000
£500,000
£0
2014/15
2015/16
2016/17
2017/18
2018/19
Core commissioning budgets
New existing budgets
New investment

11. UNDERWRITING RISK TO THE YLC AND LAMBETH COUNCIL

11.1 This risk management section describes the key risks faced by the YLC and briefly discusses key strategies for mitigating the impact of each risk or the likelihood of them occurring.

11.2 The risks are discussed under the following thematic headings:

- Risks requiring resolution before go-live
- Risks during the 5 year plan
- Risks at the end of the council contract

11.3 The key context for discussing risk management is the balance of risk between the YLC and the Council. Throughout the life of the initial contract the Council must share some key business risks whilst the YLC tries to turn itself into a strong and self-sustaining business. However, over time the Council's responsibility should diminish.

11.4 One of the key medium-term strategic objectives for the YLC is that the Council holds no more risk or liability than it does for its other key strategic partners.

Risks requiring resolution before go-live

ID	Risk	Description	Impact	Likelihood	Mitigation
A1	The transition budget agreed with the council is insufficient	Without sufficient funds in the transition budget to pay for required start-up costs it could undermine both the start-up timetable and any early impetus gained from launching the YLC. The transition budget in the financial model is assumed to be 'net zero' where the council retains any under spends against the transition budget. Start-up funding from the Cabinet Office has been secured (£70k) which will offset a proportion of the Council transition funding needed.	High	Medium	Reach agreement with the Council around start-up funds as soon as possible, including agreement about the risk & reward for over & under spends. Reach agreement with the Council as soon as possible regarding the management of transactions for the transition budget.
A2	The contract amount offered by the council is insufficient to implement the business plan	The business plan and financial model have been created based on an indicative financial envelope. Any amount materially less than that included in the financial model will require a fundamental restructuring of the business plan.	High	Medium	Agreement with the council needs to be reached as soon as possible over both the business plan and the financial envelope.
A3	The YLC does not have sufficient working capital to be a viable business	The YLC is being established without any seed capital or equity. This means that the business has no effective working capital with which to pay its expenses. If the contract does not include some form of upfront payment schedule adequate to provide sufficient liquidity then the viability of the business will be put under threat.	High	Certain	The contract with the Council must include an adequate upfront payment schedule. The YLC must use any surpluses to try to build up a cash reserve sufficient to cover future working capital requirements. The YLC should acquire emergency overdraft facilities. However, these should only be used as a measure of last resort.

ID	Risk	Description	Impact	Likelihood	Mitigation
A4	The savings timetable required by the council is too ambitious	The 5-year business plan is based around generating additional income in order to manage the tapering financial envelope provided by the council. Failure to achieve target income levels will mean that planned savings will need to be reviewed or major restructuring of the business plan will be required.	High	Medium	Agreement with the council needs to be reached as soon as possible over the 5- year financial envelope. The YLC needs to ensure that the Council is willing to discuss restructuring any savings timetable if performance in generating new income is significantly worse than forecast. The YLC should offer an incentive of a faster savings timetable if performance in generating new income is significantly better than forecasted.
A5	Agreement cannot be reached with the council over appropriate arrangements for support services	The YLC is only requesting minimal support services from the council. There should therefore be minimal complications in finalising necessary details. There is a risk that the Council wishes to provide a higher level of support than included in the business plan in order to minimise the cashable value of the contract. This may risk creating potential issues around contract management in order to ensure that the YLC is able to secure appropriately skilled services in a timely manner.	Medium	Medium	Agreement with the council around the scope and details of support services need to be reached as soon as possible; ensuring that any agreements do not fall foul of any rules around state aid. Where appropriate agreements should be stipulated in the core contract so that responsibilities are clearly stated.
A6	There is slippage against the start-up timetable	Although there are many potential causes for delay against the start-up timetable, the time taken to agree the financing arrangements for the YLC and the provision of support services are the most significant. Any significant delays may affect the planned rollout of new commissioning contracts, potentially adversely impacting on the provision of youth services in the borough.	Medium	Medium	Ensure a clear start-up timetable is agreed with the Council and signed-off as soon as possible. The timetable should clearly identify any significant risk areas or potential bottlenecks.

ID	Risk	Description	Impact	Likelihood	Mitigation
A7	The YLC does not acquire suitable premises to satisfactorily carry out its business	Arrangements around the provision of appropriate premises and premises related support have not yet been reached. This therefore represents a potentially significant risk to the successful implementation of the YLC business plan.	High	Low	Agreement with the council needs to be reached as soon as possible over premises and any associated budgets. For the duration of the contract it should be agreed that any premises and premises related expenditure provided by the Council to the YLC should be based on a 'net-zero' effect (i.e. contract income will automatically flex to cover any variations in cost).
A8	Appropriate staff / personnel cannot be recruited into key positions in management and on the board	Failure to recruit appropriately skilled and qualified staff into the key management positions and to the board is likely to undermine the initial impetus gained from launching the new enterprise. The key leadership positions are crucial for both establishing the YLC into a sustainable business and for ensuring the YLC is able to fulfil its key responsibilities as a separate legal entity.	Medium	Medium	Ensure there is a clear recruitment plan and timetable agreed so that responsibilities are clear and any actions can be taken against any slippages in a timely fashion. Early engagement with the Council's HR Dep. to utilise their expertise and to agree their involvement in the recruitment process.
A9	TUPE is deemed to be applicable for one or more of the YLC staffing posts	The business plan and its financial model have been produced on the basis that TUPE does not apply to any of the YLC posts. If this situation changes it could delay the start-up timetable for the YLC as well as incur significant additional costs to the financial model. This presents financial and operational risks, see Appendix 7.	High	Medium	Legal (or at least expert) advice should be sought as soon as possible to ensure clarification of possible TUPE implications. Significant TUPE implications will require re-evaluating the entire financial model.
A10	Company status – VAT, State Aid, Public Body, Gift Aid	The various organisational and financial status for the YLC may result in the need for material structural changes to the business plan. The financial plan does not include VAT. However, it is possible that VAT will have to be applied to some transactions of the YLC, including potentially to part of the operating contract with the Council. There are advantages and disadvantages to the YLC with the application of VAT. This does not affect the council's position because it can reclaim any output VAT.	Medium	Medium	VAT expertise must be sought as soon as possible and the implications worked through the financial model that underpins the business plan. Organisational status with respect of State Aid, Public Body and Gift Aid should be finalised as soon as possible so that the implications can be worked through the business plan and associated financial model.

RISKS DURING THE 5 YEAR PLAN

ID	Issue	Description	Impact	Likelihood	Mitigation
B1	The business loses a senior staff member for a period of sustained absence	The financial plan does not contain a contingency to cover the paid loss of the director or senior manager for a sustained period. If a senior staff member is absent from work for a sustained period (i.e. greater than 3 months) it is likely to seriously undermine the financial position of the business. It will also likely undermine the strategic objectives of the YLC as any forward momentum around service development plans is likely to be lost.	High	Low	The YLC should aim for the council contract to include an indemnity clause for the Council to provide or pay for a replacement managing director in the event of a sustained sickness or other absence. It is felt that the risks relating to the absence of other staff members can be managed by the YLC; although the Council should be prepared to be sympathetic should this eventuality occur. The Council should also be prepared to play an active role in the recruitment of a new managing director should the need arise for whatever reason.
B2	Sickness absence is high	The staffing model should enable the YLC to handle reasonable sickness absence without undue problems. However, it will not be able to handle more than a few people being sick at the same time without compromising the ability of the YLC to meet its work commitments.	Medium	Low	Evidence from similar social enterprises suggests that absenteeism should be lower than conventional public-sector organisations. It is crucial that the Managing Director monitors employee sickness and absence to identify potential pressures. Any additional costs for covering sickness absence will have to be met from contingency monies.

ID	Issue	Description	Impact	Likelihood	Mitigation
B3	The YLC is unable to access appropriate flexible staff	The staffing model depends on being able to access a small number of flexible staff as Community Engagement Officers as and when required. It is important that appropriate steps are taken to ensure that no unforeseen employment liabilities are created.	High	Low	The YLC should establish good links with a number of agencies and potential providers of appropriate staff on a flexible basis.
B4	The business has inadequate cash flow to pay its creditors	Even though the Council contract will need some form of upfront payment schedule, the business may experience occasional periods of inadequate cash flow. Although indicative cash flow modelling has identified that the YLC should have adequate cashflow throughout the duration of the business plan, this risk may materialise if financial performance is worse than forecast.	High	Low	The YLC must arrange an overdraft facility with the bank. The Council may have to offer to be a guarantor for the length of contract. The Council could also act as a short-term creditor to the YLC under certain prescribed temporary circumstances. Any such arrangements are likely to have to be done on a commercial basis (i.e. interest bearing) so as to not fall foul of rules around state aid.
B5	Some of the cost estimates included in the financial model prove insufficient	Although the cost estimates and budgets produced in the financial model are based on the best possible information, there is still a significant risk as there is no historical budget against which to benchmark. This risk is more significant considering the tight nature of the financial model.	Medium	Medium	The YLC needs to closely monitor all expenditure, updating its financial model as appropriate. Even though the budget is split against different types of spend to enable more effective and realistic planning, the YLC needs to closely control its expenditure to ensure no unnecessary spend is made.
B6	Membership levels are significantly lower than anticipated	Achieving a strong and representative membership is essential to both the social mission of the YLC and threatens the key rationales underpinning the commissioning model integral to the business plan. It is also crucial to many of the strategic growth strategies for the business as a large and representative active membership is the key unique selling point for the YLC.	Medium	Medium	Membership development is a key function of the organisation with dedicated expert staff employed to achieve key objectives in this area. Engagement to-date is good offering good early signs for future membership levels. The YLC has developed a membership development strategy, which needs to be regularly reviewed and updated to meet changing circumstances.

ID	Issue	Description	Impact	Likelihood	Mitigation
B7	A safeguarding incident occurs within a project commissioned by the YLC	As a commissioning organisation for youth services implementing appropriate controls to manage safeguarding risks is of paramount importance.	High	Low	The YLC has developed a safeguarding policy which is compliant with LSCB guidelines. Safeguarding is embedded in YLC commissioning processes, including a safeguarding audit prior to the start of service delivery and reviews as part of on-going monitoring. The YLC has requesting safeguarding support from the council and LSCB as part of the terms of the funding agreement, which will support this.
B8	A staff member, provider or other body sues the YLC	Should a staff member, provider or other body sue the YLC for whatever reason, then both the potential legal costs and any potential financial settlement may be unaffordable.	Medium	Low	Barring exceptional circumstances, any eventualities not covered by insurance would need to be covered by the council.
B9	The locality commissioning model is unsuccessful	The YLC represents a new commissioning model for youth services in Lambeth and there is a risk that the venture does not deliver the anticipated social and financial benefits anticipated in this business plan.	High	Low	The YLC commissioning model is based on good practice guidelines and utilises expert input from people with good operational experience. The YLC needs to ensure that its approach to commissioning is flexible and capable of adapting to changing circumstances.
B10	A provider fails to deliver the specifications detailed in its contract	The YLC will be commissioning with a large number of providers. There is a risk that a provider could fail to deliver the outcomes specified in its contract or fail altogether as a viable business entity.	Med	Med	Robust contract management frameworks need to be put in place, including improving planning, provision of support and contract terminations where needed. Power will be included in the contracts to charge failing providers for the cost of obtaining their service elsewhere.

ID	Issue	Description	Impact	Likelihood	Mitigation
B11	Growth in additional income is significantly worse than expected	Although the financial plan is based around prudent growth assumptions, additional income from multiple revenue generating activities are nevertheless essential to delivering a sustainable budget.	High	Medium	If growth is significantly worse than forecast then the staffing model would have to be restructured to release savings. The most obvious positions for review would be the Finance & Deputy Director and the Business Development Manager. Such a restructure would involve a substantial reduction in ambitions for the YLC and would limit the organisation to little more than delivering the terms of the core contract. It is crucial that good decisions are made around staffing and the effective control of step costs, both for increases and decreases in demand. It is also crucial that staff are employed on terms that do not lead to high exit costs if a major restructure is required in the first few years of operation.
B12	Growth in additional income generating activities is significantly more than expected	Although achieving high levels of additional income will put the YLC in a strong position for the future, it is nevertheless important not to grow too fast in a way that is not sustainable and which may undermine the quality of services offered by the YLC	Medium	Low	Management need to ensure the YLC only bids for grants or additional commissioning contracts that the organisation has the competencies and capacity to deliver The business must ensure that all significant growth is supported by a robust business case and appropriate financial modelling.

RISKS AT THE END OF THE COUNCIL CONTRACT

ID	Risk	Description	Impact	Likelihood	Mitigation
C1	The Council does not want to renew the operating contract with the YLC	Although the business plan is based around growing new and diverse income streams, the YLC will still require a core contract with the Council in order to be a viable business entity. This risk applies equally to both the 3-year review and after the 5-year agreement.	High	Medium	The best strategy the YLC can employ is to offer the best possible value for money as a commissioning organisation, to become a well-known local organisation, and to bring as much money as possible into youth services in the borough so that decisions around council funding have significant knock-on consequences. The YLC leadership needs to take a pro-active role in any review.
C2	The Council wishes to change core aspects of the contract	The most significant change would involve a significant reduction in the financial envelope at either the 3-year review or after the 5 -year contract. However, even smaller changes including premises or support services, could have material consequences.	High	Medium	Significant changes to the contract or financial envelope is likely to require a substantial reworking of the business model based on circumstances at the time. The YLC needs to be in regular dialogue with key persons in the council to ensure that any potential changes can be factored into developing business plans as early as possible.
C3	The business has been unable to build up adequate working capital to allow liquidity	Even delivering on the financial plan will still not give the business 8 weeks working capital reserve at the end of the 5- year contract. It will certainly not be achieved if performance is significantly worse than forecast.	Medium	Medium	The YLC needs to prioritise the strategic objective of achieving adequate working capital by the end of the contract. It is likely that any future contract will have to continue to be based around an upfront payment schedule. The company may be sufficiently established that it is able to more easily get terms of credit to enable it to manage cash flow.

ID	Risk	Description	Impact	Likelihood	Mitigation
C4	The contract with the council ends with several provider contracts ongoing	It is likely that many of the commissioning contracts with providers will have different life-cycles compared to the operating contract between the YLC and the council. Should the contract with the Council end it is important that appropriate arrangements are made to ensure contracts with providers are brought to a close.	Low	Medium	Any contractual arrangements with providers need to include appropriate terms for the termination of contracts.
C5	Wrapping up the business	If the business is unsuccessful there may be tasks involved in wrapping up the business that cannot be covered by YLC staff. Many of these tasks are likely to incur costs that are unlikely to be payable within the YLC operating budget.	High	Low	The contract with the Council should cover details of any support that will be provided in wrapping up the activities of the YLC should the need arise.

12. ORGANISATIONAL PROCEDURES AND PRACTICE

FINANCIAL MANAGEMENT AND PROCUREMENT

12.1 The YLC will have in place the appropriate financial controls, processes, skills and expertise within the organisation and will be focused on working transparently and delivering value for money in all aspect of its work. Where additional knowledge is needed the YLC will seek out training opportunities or seek specialist consultancy advice.

12.2 The YLC will develop its financial regulations and code of purchasing with Council input as part of the transitional phase of the YLC's development. These will outline the decision-making processes and the approval processes for authorising financial spend. This will include sufficient separation of roles to ensure the organisations finances are safeguarded.

12.3 The YLC will be putting in place an accounting system as its means of making payments as part of the transitional phase.

12.4 The YLC will provide sufficient financial reports and performance information to enable the council to be assured that the funding is being used for the intended purpose.

12.5 Following discussions with the YLC's legal representation, the Council's legal and procurement teams, the working assumption is that the YLC is not a public body and is therefore not subject to the EU procurement rules. The YLC will however comply and put in place processes, which deliver the principles of transparency, openness, fairness and competition, all of which are core to the values of the organisation.

SAFEGUARDING

12.6 As a youth led model, the YLC recognises its unique responsibility to young people and has made safeguarding a priority and made it central to its work. The YLC will comply with the requirements of the Lambeth Safeguarding Children Board (LSCB) in relation to Section 11 of the Children Act (2004). The YLC will have robust processes and the appropriate skills, expertise and commitment to embed safeguarding in the organisation. The YLC Safeguarding Policy is appended to this plan.

EQUALITY

12.7 The YLC is committed to achieving best practice in equality and diversity and will take pride in ensuring its services are responsive to the communities' needs. Given the success of the YLC is dependent on its ability to engage with and be representative of the community of Lambeth, equality and diversity will be central to the organisation both in how it is structured and operates. This will be evident in the size and profile of its membership and how the community is reflected in the structure of the organisation including representation on the Steering Group and Board.

12.8 The YLC constitution contains commitments to equality and diversity and a specific commitment to ensuring that the Steering Group which sets the YLC strategy is representative of the diversity of communities in Lambeth. This is to be achieved both through direct democratic representation, direct appointments to the Group and a responsibility on the Group and its members to ensure that all relevant voices are heard.

12.9 The YLC will develop its equality policy for Council input as part of the transitional phase of the YLC's development.

HEALTH AND SAFETY

12.10 The YLC is committed to health and safety and will be compliant with the Health and Safety at Work Act 1974. The YLC will develop robust policies and procedures for the Councils input as part of the transitional phase of the YLC's development.

PEOPLE MANAGEMENT

12.11 The plan assumes that TUPE will not apply to any of the posts in the YLC and that there will be no transfer of any assets or liabilities or other employment terms & conditions.

12.12 The YLC will be developing its terms and conditions of employment as part of the transition phase, which it will require support from the council with.

12.13 The YLC will put in place robust and transparent people management and HR processes and procedures, which will put equality and diversity central to its practice. This is also a key action for the transition phase which the YLC will require support from the Council.

12.14 It is assumed that the YLC will make its own provisions for pensions (i.e. it will not be part of the LGPS). The YLC will be looking at options for an appropriate pension scheme during the transitional start-up period. The financial model assumes an employer contribution of 6% of gross salary towards pension obligations, which is above the statutory minimum of 3% for employers.

12.15 The YLC will be compliant with the London Living Wage.

YLC BRANDING AND MARKETING

12.16 The development of a strong brand and identity is central to the YLC becoming a large membership organisation in Lambeth. Over the last six months, young people and community representatives have developed a very strong brand for the organisation. Creating an identity which young people want to be part of and associated with is an on-going driver in the YLC's approach.

12.17 The development of a strong identity is also important in order to cement the YLC's place in the market locally and to raise awareness with potential funders and supporters. As part of the transition and set up of the YLC, a branding and marketing strategy is being developed with the aim of getting the name of YLC well known and respected in the industry will be completed.

INSURANCE

12.18 The YLC will have the appropriate insurances in place. Advice from the Councils insurance team has confirmed the YLC will need the following which has been costed into the business plan:

- Public liability (indemnity of £5m)
- Employers liability (indemnity of £10m)
- Directors & Officers (indemnity of £2m)

12.19 It is assumed that any insurance for property and facilities will be covered in the contract with the council and within the £20k budgeted for all premises related expenditure.

12.20 The insurances will be put in place ahead of the YLC go live in January 2014.

CUSTOMER SERVICE AND COMPLAINTS

12.21 As a front facing organisation, customer service and satisfaction is a focus and measure of the organisation, which is included in the organisations balanced scorecard in section 3 of the plan.

12.22 The organisation will handle complaints in an efficient and effective way and ensure they are acted on appropriately. The YLC will be developing a complaints procedure as part of the transition.

DATA PROTECTION

12.23 The YLC will be compliant with the data protection act. This has and will continue to be a particular focus in relation to the membership activity of the organisation.

13. APPENDICES

- Appendix 1 YLC Constitution
- Appendix 2 Financial assumptions paper
- Appendix 3 YLC Cash flow
- Appendix 4 YLC Safeguarding Policy
- Appendix 5 YLC Commissioning approach
- Appendix 6 YLC Transition plan
- Appendix 7 implications for the business plan if TUPE applies