

## Appendix 1

### Report from Edsential

**Edsential Community Interest Company** formed in 2015 is co-owned by CWAC and Wirral Councils. Edsential provides high quality, ethical and innovative services to schools and families across the North West, with the strategic aim of improving outcomes for children. Edsential works in 95% of the schools in CWAC, Wirral and Halton, and directly delivers activities to over 80,000 children each year through core services of: Learning Outside the Classroom, Physical Education and Swimming, Catering, Mental Health and Wellbeing, Music, Creative Arts, Governor Services, and 6 Residential Outdoor Centres. Edsential are the leading provider for Duke of Edinburgh (DofE) in the North, with over 1,800 young people gaining a bronze, silver or gold award each year. Edsential provide catering to 63% of schools in CWAC and Wirral, providing 4,521,630 school meals last year.

#### **Holiday Activity Fund 2020 and 2021**

Over 11,400 children benefit from free activities and nutritious food across West Cheshire, Wirral and Halton. Families were able to enjoy free, nutritious food and activities at a wide range of exciting clubs over the summer holidays. Funded by the Department for Education, the £1.8m Holiday Activity Fund won by Edsential Community Interest Company was able to support over 11,400 children across local boroughs, at a time when such provision for young people and their families was needed more than ever.

Edsential and their local partners supported and provided funding for over 160 community, voluntary and faith sector organisations, along with schools, who jointly delivered:

- Over 147,000 healthy meals and 97,000 family food and activity parcels.
- Over 155,000 activity-filled attendance days, with physical activities such as dance, yoga and adventure play, plus diverse enrichment activities including arts and crafts and forest school.
- Creative online provision, receiving over 76,000 user interactions

In 2021 Edsential are co-ordinating the HAF provision across the 3 boroughs for the whole year, under the new HAF scheme that has been rolled out nationally.

#### **Edsential At Home**

We were delighted to introduce **#EdsentialAtHome**; a FREE weekly educational activity pack that could be downloaded and completed at home. Each week was centred around a different theme and had activities, using everyday objects and low-cost resources, around the following key areas:

- **Make and Create** – exploring the arts and cookery through a range of practical activities
- **Time to Move** – PE and Dance sessions to keep moving indoors and out as well as healthy eating recipes for you to make at home to keep you well
- **Let's go Outside** – time to find out what is happening out your garden or in the street where you live.
- **Adventures at Home** – activities to encourage you to embrace adventure, challenge yourself and develop your character and to build your resilience, confidence and curiosity

Over 3000 users accessed Edsential At Home during 2020.

### **Free school meal food parcels**

With just 24 hours' notice of the January lockdown, the catering team set up a process that produced 16,000 meal equivalents per week for the children of CWAC and Wirral. Over 7000 food parcels were dispatched to FSM children in the first two weeks of January 2021.

### **Strategy review**

Edsential's strategy will be dominated by the need to recover from the financial impact of Covid within the existing dynamics of the schools' market. The key focus points for Edsential over the next financial year are:

- **Covid recovery and winning new business:** It is important that Edsential recovers pre-covid revenue levels across all service areas during 21/22, but particularly in future bookings for the residential centres. The goal is to build a pipeline that returns to historic levels quickly and then aims to increase our market share. New sectors will be targeted including Welsh schools and family activity days during school holidays. Geographic areas that were traditionally served by centres that have now closed will also be targeted.

All services have growth plans that focus on increasing the penetration of their services into our existing customer base as well as winning new schools in neighbouring authority areas. Residential targets the whole of England and is focused on entering large metropolitan markets, such as Birmingham and Manchester.

- **Competitive cost base:** The Covid debt burden placed on the company requires it to increase its margins to enable the debt to be paid off within the agreed time period. The company must therefore take steps to control its cost base and allow the full benefit of price increases to be delivered as increased margin.

Edsential's costs are largely driven by direct employee costs, and our employee costs are high due to the local living wage and a very generous benefits package (defined benefit pension scheme, generous sickness cover, generous holidays). As stated previously, our existing T&C's do not reflect

standard industry practise in certain sectors – notably catering and cleaning – which are highly labour intensive and price sensitive, and the resulting price differentials between Edsential and its competitors result in an uncompetitive cost base in some sectors.

- **Productivity improvements:** improved productivity is key to reducing costs, and therefore maintaining (or achieving) competitive pricing. Productivity impacts are required across every service area – from increased chargeable time for tutors, to IT solutions for administrative efficiencies.
- **Digitisation:** One of the key drivers of growth and productivity is effective digitalisation – we need to be easy and accessible for our customers to deal with us, and also to deliver productivity gains to reduce our cost base. This specifically involves continued development of our website, launch of the new Residential booking website and increased use of Cypad functionality in school kitchens and HR & Payroll applications.
- **Low cost competitors:** We need to manage our cost base and structures to compete against our low-cost competitors. We are experiencing significant undercutting from competitors, particularly in respect of cleaning and catering services. These competitors undercut due to their lower staff costs, providing their employees with low (or no) contributory pension scheme and statutory sick and holidays. This undercuts Edsential's generous employee benefit package by a substantial margin, leaving our competitors with an immediate cost advantage in price competitive marketplaces.
- **Reduced school budgets and spending:** We are experiencing a key shift in the tendering process for schools, with schools opening tendering processes, welcoming a wider degree of competition from a wider range of suppliers, and being primarily focused on price as school budgets tighten. Schools are increasingly choosing lowest cost over quality, for example a recent school cleaning tender placed 80% of weighting on lowest cost. Some schools have taken catering in-house in the belief they can make a profit from it, the schools do not carry the risk or cost burden for the pension or regulatory compliance; this is transferred to the council without any cost or challenge. The schools do not adhere to any recognised quality or ethical standards (e.g. Red Tractor, Marine Stewardship Council or Soil Association) that cost a little more. The ongoing support from the education teams within both shareholders is important to building Edsential's credibility and brand awareness.
- **Social value:** As a certified Social Enterprise it is vital that our customers understand who we are and what we stand for. Our mission is core to everything we do and we deliver social value to our school communities in many different ways. Since it launched, Edsential has reinvested several million pounds back into the pockets of schools and parents. Our burgeoning corporate reputation for being an ethical supplier is vital to the long-term growth potential for the business, we need to be recognised as the most ethical and best value partner a school can choose.

### **Creating a sustainable business**

As part of our response to the concerns of our customers and the climate emergency declarations by our shareholders, Edsential have fundamentally reviewed what it will take to be a sustainable business in the coming decades. The result has been the development of our 4 Cs strategy that will direct our business decisions moving forward:



We have linked the framework to the UN Sustainable Development Goals and have identified how we can target specific SDGs within the overall framework.



As part of the new framework and to 'close the loop' on our ethical catering strategy we have created strategic partnerships with Chester Zoo and the Orangutan Land

Trust. The partnership with the OLT includes an ambition for Edsential to provide financial support, of up to £20k per year, for their reforestation and animal wildlife corridor project in Indonesia. This is linked to curriculum activity to demonstrate to children that their choices can make a difference to this world. The agreement only allows for support to be given if Edsential meets its business plan commitments.

### **Financial performance and the impact of Covid 19**

The table below sets out the draft financial result for the year to March 2021. The business has reported a loss of £1,498k against an anticipated profit of £101k and therefore the business is £1,599k behind plan.

Draft Year to Date Consolidated Management Accounts to March 2021:

SERVICE	Year To Date - March 2021		
	Budgeted Profit / Loss	Actual Profit / Loss	YTD Variance to Budget
Business Support	-2,137,269	-2,115,268	22,001
Catering	772,977	816,474	43,496
Cleaning	7,615	90,266	82,651
Culture	0	-8,687	-8,687
Education Curriculum	40,368	2,280	-38,088
Governors	50,922	63,788	12,867
Health & Wellbeing	261,913	241,570	-20,342
Music	395,854	214,370	-181,483
Residential	716,672	-802,342	-1,519,014
Mental Health	-7,730	0	7,730
<b>TOTAL</b>	<b>101,321</b>	<b>-1,497,550</b>	<b>-1,598,871</b>

### **Draft Budget for the year ending March 2022**

As the level of financial support from the shareholders is unclear, we are not in a position, to conclude and present our final budget for the year to March 2022.

The table below sets out the latest working budget for 2021/22 and compares this to how the business would have been budgeted to perform if there was no COVID 19 impact in 2021/22. Whilst the budget is still draft and a work in progress an indicative result for next year is a circa £1.7M loss.

COVID is expected to have an adverse impact of £1.7M in the year.

SERVICE	YTD BUDGET - APRIL TO MARCH 22		
	Budgeted Profit / Loss	Budgeted Profit / Loss (No COVID)	Impact of COVID
Business Support	-2,184,481	-2,184,481	0
Catering	728,954	900,412	171,458
Cleaning	56,937	56,937	0
Culture	-15,681	-15,681	0
Education Curriculum	4,882	4,882	0
Governors	37,414	37,414	0
Health & Wellbeing	183,955	225,753	41,798
Music	208,391	267,761	59,370
Residential	-714,503	753,898	1,468,401
<b>TOTAL</b>	<b>-1,694,132</b>	<b>46,895</b>	<b>1,741,027</b>

The consolidated impact of Covid on the business has resulted in a £3.3m loss from April 2020 to March 2022. After this we anticipate the business will reasonably quickly return to historic performance levels.

### **Benefits delivered directly to our shareholders**

Edsential is a mission driven organisation and we seek to improve outcomes for children and young people in everything we do. **Appendix A** contains a table highlighting the benefits Edsential provide to Wirral council's priorities.

In addition to the social value delivered every year, detailed in our impact reports, the shareholders have benefitted from the following financial returns:

Shareholder Related Party Transactions (taken from published stat accounts)			
	Cumulative Total		
	CWAC	WBC	Total
Purchases from Parent Undertaking	(5,564)	(2,359)	(7,923)
Interest payable on Loans from Parent	(262)	(265)	(527)
	<b>(5,826)</b>	<b>(2,624)</b>	<b>(8,450)</b>

The above table, based on our audited accounts, demonstrates that our shareholders received £8.5m in income from Edsential in the 4 years to March 2020.

In addition, Edsential brought £2.3m of central government funding to the area in HAF bid funding and funded £100,000 of school project through its grant fund. Combined, this represents £10.9m of cash income for our shareholders and their council tax payers since 2016.