



Shareholder Board

Date: Thursday, 28 October 2021

Time: 10.00 a.m.

Venue: Floral Pavilion

Members of the public are encouraged to view the meeting via the webcast (see below), but for anyone who would like to attend in person, seating is limited therefore please contact us in advance of the meeting if you would like to reserve a seat. All those attending will be asked to wear a face covering (unless exempt) and are encouraged to take a Lateral Flow Test before attending. You should not attend if you have tested positive for Coronavirus or if you have any symptoms of Coronavirus.

Wirral Council is fully committed to equalities and our obligations under The Equality Act 2010 and Public Sector Equality Duty. If you have any adjustments that would help you attend or participate at this meeting, please let us know as soon as possible and we would be happy to facilitate where possible. Please contact committeeservices@wirral.gov.uk

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AGENDA

1. WELCOME AND INTRODUCTION
2. APOLOGIES
3. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members are asked to consider whether they have any disclosable pecuniary interests and/or any other relevant interest in connection with any item(s) on this agenda and, if so, to declare them and state the nature of the interest.

4. PUBLIC AND MEMBER QUESTIONS

4.1 Public Questions

Notice of question to be given in writing or by email by 12 noon, Monday, 25 October, 2021 to the Council's Monitoring Officer (committeeservices@wirral.gov.uk) and to be dealt with in accordance with Standing Order 10.

For more information on how your personal information will be used, please see this link: [Document Data Protection Protocol](#)

4.2 Statements and Petitions

Notice of representations to be given in writing or by email by 12 noon, Monday, 25 October, 2021 to the Council's Monitoring Officer (committeeservices@wirral.gov.uk) and to be dealt with in accordance with Standing Order 11.1.

Petitions may be presented to the Committee. The person presenting the petition will be allowed to address the meeting briefly (not exceeding one minute) to outline the aims of the petition. The Chair will refer the matter to another appropriate body of the Council within whose terms of reference it falls without discussion, unless a relevant item appears elsewhere on the Agenda. Please give notice of petitions to committeeservices@wirral.gov.uk in advance of the meeting.

4.3 Questions by Members

Questions by Members to be dealt with in accordance with Standing Orders 12.3 to 12.8.

5. ESENTIAL CIC DIRECTOR APPOINTMENTS (Pages 1 - 10)

6. ESENTIAL REQUEST FOR FUNDING (Pages 11 - 20)

7. EXEMPT INFORMATION - EXCLUSION OF THE PRESS AND PUBLIC

The following item contains exempt information.

RECOMMENDATION: That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following item of business on the grounds that it involves the likely disclosure of exempt information as defined by paragraph 3 of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

8. ESENTIAL REQUEST FOR FUNDING - EXEMPT APPENDICES (Pages 21 - 28)

Shareholder Board Terms of Reference:

A Sub-Committee of three (3) or more members of the Policy and Resources Committee, subject to political balance, with delegated authority to exercise responsibility for the Council's functions as corporate shareholder of a company, or group of companies, or a limited liability partnership. The Sub-Committee will be organised, and will also meet as a working group, alongside officers and advisors in accordance with the Council's adopted Code of Practice for the Governance of Council Interests in Companies at Part 5(7) of this Constitution.

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WIRRAL

SHAREHOLDER BOARD

Thursday 28th October 2021

REPORT TITLE:	EDSENTIAL CIC DIRECTOR APPOINTMENTS
REPORT OF:	DIRECTOR OF LAW AND GOVERNANCE

REPORT SUMMARY

The Shareholder Board is responsible for reviewing, amongst other matters, the 'Reserved Matters' set out in the Shareholder Agreement entered into in respect of Edsential CIC, a company wholly owned equally by the Council and Cheshire West and Chester Council.

Joanne Helen Beer, who became a Non-Executive Director (NED) of Edsential CIC on 28 February 2019, has retired as Director of the company with effect from 12 October 2021 and the company has sought consent to appoint a replacement.

Edsential CIC has also sought consent to appoint a new and additional Director with specialist insight and knowledge of the special school sector, to add breadth of experience and expertise to the board.

This matter affects all Wards within the Borough.

This matter is not a Key Decision.

RECOMMENDATION/S

The Shareholder Board is recommended to approve the appointment of Alison Ashley and Sharon Senn as Directors of Edsential CIC.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To ensure that a Director with appropriate general skills and special skills relating to special schools is appointed to the Board of Edsential CIC.
- 1.2 To ensure that a Director with appropriate financial skills is appointed to the Board of Edsential CIC

2.0 OTHER OPTIONS CONSIDERED

- 2.1 As detailed in Appendix A to this report, Edsential CIC has conducted a reasoned selection process in respect of the Director appointments. No alternative candidates have been considered.
- 2.2 The Council could decide not to appoint any further Directors to the Board of Edsential CIC. This is not recommended as that would continue with a perceived deficit of Directors with the requisite skills.

3.0 BACKGROUND INFORMATION

- 3.1 Joanne Helen Beer has resigned from the office of Director of Edsential CIC.
- 3.2 The report attached at Appendix A to this report describes the recruitment process and selection rationale behind the proposals to appoint Alison Ashley and Sharon Senn to the Board of Edsential CIC and sets out the short biography submitted by each of them.
- 3.3 The Shareholder Agreement requires shareholder consent to the appointment of a new Directors. The Board currently comprises:
 - a) a single executive Director (Ian Philip McGrady, the Managing Director);
 - b) two Non- Executive Directors employed by the Shareholders (James Andrew Backhouse and Helen Elizabeth Brackenbury) as opposed to the two executive Directors mandated by paragraph 6.4.2;
 - c) Three Non-Executive Directors who are Headteachers (Elaine McGunigall, Nicola Wetton, and Adrian Francis Whiteley) in accordance with the mandated number in 6.4.3;
 - d) One Non-Executive Director who is a school governor (Jane Helen Owens);
 - e) A Non-Executive Chair, Mark Parkinson;
 - f) A Non-Executive Director with financial expertise, Joanne Helen Beer, who has resigned her position but is proposed to be replaced by Sharon Senn;
- 3.4 The composition of the Board of Edsential CIC is not in accordance with the provisions set out above in the Shareholder Agreement in that two Non- Executive

Directors are employed by the Shareholders (James Andrew Backhouse and Helen Elizabeth Brackenbury) as opposed to the two executive Directors permitted by the Shareholder Agreement. Furthermore should Sharon Senn be appointed to the Board, the number of Non-Executive Directors who are Headteachers or Deputy Headteachers will be four which will exceed the number (three) mandated in by the Shareholder Agreement.

3.5 The Articles of Association of Edsential CIC, state that one third of Non-Executive Directors appointed from time to time, or if their number is not three or a multiple of three, the number nearest to one-third, shall retire from office at each annual general meeting. Such rotational retirements have not occurred.

3.6 There is a proposal to conduct a review of the composition of the board of Edsential CIC so as to ensure that it is better aligned with the Shareholder Agreement and its Articles of Association. A report on the outcome of this review will be brought to this Committee at a later date.

4.0 FINANCIAL IMPLICATIONS

4.1 There are no direct financial implication arising from the proposals set out within this report.

5.0 LEGAL IMPLICATIONS

5.1 The Council, Cheshire West and Chester Council and Edsential CIC are parties to a Shareholder Agreement dated 1 December 2015. This provides that the Board of Edsential CIC shall consist of:

(a) at least two, but no more than 3 Executive Directors who shall not be employed by, or an elected member of any shareholder;

(b) two Executive Directors (in total), one such Executive Director being employed by Cheshire West and Chester Borough Council, and one being employed by Wirral Borough Council;

(c) three non-Executive Directors who shall be head or deputy head teachers employed as such in the administrative area of each of the Shareholders; and

(d) one non-Executive Director who shall be a governor of a school located in the area of each of the Shareholders and not be employed by or an elected member of a Shareholder or a head or deputy head teacher.

5.2 The Shareholder Agreement also provides that the Non-Executive Directors shall have suitable experience and skills to provide independent challenge and input into Board decisions and that the Chair of the Board shall be a Non-Executive Director resolved otherwise by a majority of the Shareholders.

5.3 As set out at paragraph 3.4 of this report, the proposals within this report are not in accordance with the relevant Shareholder Agreement. There are no direct legal implications in the composition of the Board of Edsential CIC not being in accordance with the provisions set out in the Shareholder Agreement or the Articles

of Association, but the divergence is not considered to be in the interests of good corporate governance and may expose the Council to reputational risk.

- 5.4 If the Shareholder Board is content to approve the recommendation set out within this report, the Director of Law and Governance will proceed to sign a written Shareholder's resolution confirming the appointments of Alison Ashley and Sharon Senn as Directors of Edsential CIC and request the company secretary of Edsential CIC to make the appropriate returns to Companies House.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are no direct implications to staffing, ICT or Assets arising from the proposals within this report.

7.0 RELEVANT RISKS

- 7.1 The Company's ability to operate effectively may be compromised if a suitable Directors to the Board of Directors are not appointed.
- 7.2 The Council's reputation may be damaged in the event that it does not enforce the provisions of the Shareholder Agreement and the Articles of Association

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The report attached at Appendix A sets out the details of the recruitment processes followed by Edsential CIC.

9.0 EQUALITY IMPLICATIONS

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision, or activity.
- 9.2 There are no direct equality implications arising from the proposals set out within this report. However, the appointment of a director with experience of the special education needs and disabilities sector will enhance the company's ability to engage with all elements of the community.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 There are no direct environment and climate implications arising from the proposals set out within this report.

11.0 COMMUNITY WEALTH BUILDING

- 11.1 There are no direct implications for Community Wealth Building arising from the proposals within this report.

REPORT AUTHOR:

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APPENDICES

Appendix A: Report of Ian McGrady, Managing Director of Edsential CIC

BACKGROUND PAPERS

Shareholder Agreement dated 1 December 2015

Articles of Association of Edsential CIC

Companies House Register of Directors of Edsential CIC

[EDSENTIAL COMMUNITY INTEREST COMPANY - Officers \(free information from Companies House\) \(company-information.service.gov.uk\)](https://www.companieshouse.gov.uk/edstantial-community-interest-company-officers)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Shareholder Board	1st July 2021
Shareholder Board	1 st September 2021

Appendix A –

Report of Ian McGrady

Executive Summary

The Edsential board has reviewed its membership and identified the need to appoint an additional headteacher NED from the special school sector. The board currently has representatives from the primary sector (1 Wirral, 1 CWAC) and the secondary sector (Wirral), however the specialist insight and knowledge of the special school sector has been identified as a gap.

The board undertook a targeted recruitment process where candidates with the necessary expertise and national standing were identified. A single outstanding candidate emerged and was interviewed by the chair and managing director, references were sought and checked. This candidate was then recommended to the board who conducted an interview panel at the September board meeting, the recommended candidate was unanimously approved by the board for submission to the shareholder board. The candidate's summary resume is contained in Appendix 1.

The board has previously identified the need for a director with financial expertise who also has an understanding of the school sector. This role was approved and filled in 2019. The existing director has resigned her position due to the need to focus on her growing business interests. The board undertook the same process as noted above and have recommended an outstanding candidate who is a chartered accountant and has worked in the secondary school sector for over 25 years. The candidate's summary resume is contained in Appendix 2.

Recommendation

The shareholder board note the report and approve the NED appointments

Appendix 1 - Summary resume – Alison Ashley

Alison Ashley - Head Teacher Hebden Green Special School

Worked in the SEND sector for 21 years.

Hebden Green School

- 2001–2006 Lead literacy teacher
- 2006-2009 Curriculum Lead
- 2009-2011 Assistant Head School Improvement
- 2011-2013 Deputy Head Teacher
- 2013 Head Teacher, school and residential

Local

- Member – CWASSH
- Member – CWEIB
- Member – WEP
- High Need Review Strategy– member, sub group

Regional

- Member – Cheshire Special School Consortium
- Cheshire Inclusive Teaching Alliance Co Director 2017-2021
- Chester University – programme support, ratification for SEND
- NLE – S2S support 2017 – current
- Best Practice Network tutor 2014 – current
- Cheshire Teaching School Alliance, member 2021 onwards

National

- Voted as Chair National Network of Special School Teaching Schools NNSTS 2018 - current
- Developed and established Strategic group for NNSTS 2019-current
- Ofsted Head Teacher Reference Group Sep 2018 – current
- Managing Medicines in Special Schools 2020- current
- Judicial Review – SEND panel *recruited, awaiting confirmation*
- Oak National Academy – 2020, established SEND workstream, lessons, editing and QA
- Best Practice Network – supporting the development of new and specialist NPQs

Appendix 2 – Sharon Senn

Academic

- Degree in Economics & Accounting (Upper Second) from the University of Hull
- Chartered Accountant (ACA) with KPMG

Work History

- KPMG (worked in Preston, Liverpool, New Zealand and Manchester) – for 8 years
- Mersey TV Company, Liverpool (3 years)
- Sir John Deane's College, Northwich (8 years) – started off as Finance Manager and became Assistant Principal
- Withington Girls' School, Manchester (19 years) – Bursar and Clerk to the Governors

Summary of experience

After University I wanted to undertake the training to become a Chartered Accountant. I felt that this professional qualification would be valuable and would provide me with the opportunity to learn about a range of industries. After qualification, I took the opportunity to go on secondment to Auckland, New Zealand. Having just married at that point, my husband and I both went (he is an Accountant too).

On return to the UK, I felt that a move to industry was the next step and I had three very interesting years at the Mersey TV Company where I learned how the TV industry operated. I also set up the nursery for the children of staff.

Following the birth of my son, James, I felt that a career move into Education could provide a stimulating environment and would be more compatible with having a young child. Sir John Deane's College, in 1994, had become responsible for its own finances and I was able to set up the Finance Function. Two key achievements there were: firstly setting up the Adult Education Provision (with the Head of IT and the Receptionist) and secondly leading a Lottery application which raised over £350k for the swimming pool.

I was approached by the Headmistress of Withington Girls' School to apply for the role of Bursar there (a new role). There were similarities in setting up the Finance Function but the role is so much broader in terms of being responsible for Catering, Cleaning, Site Services and Marketing (up until about 3 years ago). I am a member of the Senior Leadership Team and therefore play a key role in the management of the School. I have retired from this role as at 31st August 2021 but I am spending time this term helping my successor and overseeing a £2m building project.

My approach

As the only Chartered Accountant at the School, my role is to ensure that the financial aspects of the school are managed well. This effectively means ensuring that we use money wisely and that we obtain best value for money. However, it also means that we can take opportunities to generate income either by selling additional services to our parents or letting out our facilities. The funds for the School are, in effect, to provide the best educational experience for the pupils and what is in the pupils' best interests is always paramount.

Music has always been a passion of mine. I help the Head of Music (playing the piano and trombone) and believe that we should encourage every child to learn to play an instrument. Financial help is provided in relevant circumstances.

I also believe that sporting activities and keeping fit are essential. While I very much enjoy keeping fit myself, I work with the Head of PE to ensure that we offer as many clubs (before and after school) for pupils.

Working with pupils is such a joy and for many years I have taught Financial Management to the Sixth Form pupils as part of the Enrichment programme.

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SHAREHOLDER BOARD

Thursday, 28 October 2021

REPORT TITLE:	EDSENTIAL REQUEST FOR FUNDING
REPORT OF:	DIRECTOR OF RESOURCES (S151 OFFICER)

REPORT SUMMARY

Edsential Community Interest Company, a company wholly owned equally by the Council and Cheshire West and Chester (CWaC) Council, has experienced significant trading and financial difficulties primarily as a consequence of the COVID 19 Pandemic. The company has been in negotiation with officers of both the Council and CWaC Council with a view to obtaining additional financial support.

The proposals within this report affect all Wards.

RECOMMENDATION/S

That Shareholder Board is requested to recommend that the Policy and Resources Committee

- (a) authorise the Director of Resources in consultation with the Director of Law and Governance to approve financial support to be provided to the company over the forthcoming financial year, in the form of Covid related funding support grant of £643,000 and an interest bearing loan of £857,000 as set out in the detail and in appendix 1 of this report.
- (b) authorise the Director of Resources in consultation with the Director of Law and Governance to provide a letter of comfort to Edsential confirming the agreed financing and support.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Edsential has an existing working capital facility to manage its normal operational cashflow arrangements, allowing the company to function effectively. It has encountered financial difficulties arising from the Covid-19 pandemic. The company has utilised available government support measures such as the Coronavirus Job Retention Scheme (Furlough), Revenue Support Grants and Deferral of VAT scheme but requires additional support.
- 1.2 The core underlying business, prior to Covid-19, has proven to be profitable, however the impact of the pandemic has had a material effect on operations. The company has provided revised business plans with detailed financial projections. After considering the company's resources, the long-term consequences of any short term support provided and the assessment of need following recent periods of lockdown and the transition to the re-opening of Edsential's activities, it is considered in the Council's interest as a shareholder, together with CWAC Council, to provide the recommended financial support.
- 1.3 The Policy and Resources Committee agreed on March 24th 2021 to accept the recommendation:
That the Director of Law and Governance be authorised, in consultation with the Director of Resources, to:
- (a) *provide a letter of comfort to Edsential to set out assurances that financial support will be provided to the company over the forthcoming financial year, in the form of Covid related funding support and/or commercial loan, subject to approval by this Committee; and*
 - (b) *consider such a request for assistance from Edsential to this Council and to Cheshire West & Chester Council, which assistance shall only be granted subject to the approval of this Committee and which should include assessment of the request (due diligence), revised business plan(s) and any conditions considered appropriate to be applied at the point of offer.*
- 1.4 Both Councils, as joint shareholders, have been in discussion with Edsential over the expected loss of income due to Covid-19 restrictions and what offer of financial support the Councils could provide. The expected loan payback and how Edsential might make these additional payments have formed part of these discussions. A variety of options have been considered during the negotiations on the overall company and shareholder arrangements, including financial and efficiency options for Edsential. The recommendations in this report provide a balance that weighs the future of the company, financial commitment and exposure to risk for Wirral Council (which is in line with CWaC as an equal shareholder) and expectations on the company about future efficiency savings especially those affecting their employees.
- 1.5 The Edsential Board in signing off their annual accounts will need to be satisfied that the company is a going concern with access to necessary funding. A letter of comfort may therefore be required from shareholders confirming this position.

2.0 OTHER OPTIONS CONSIDERED

2.1 A series of other options have been considered as part of the discussions with CWaC and Edsential, which can be summarised as:

- Overall company options – ownership arrangements
- Financial support options – mixes of funding
- Edsential efficiency options – proposals of how to bridge the funding gap

2.2 There is an option to provide no further support to Edsential. Such an option would place the company under severe financial pressure and an increased risk of failure.

2.3 If this option was taken, there would be financial and resource implications for the Councils should the company fail. Both Councils have provided pension guarantees to Merseyside Pension Fund. These could be requested if the company ceased and here would be potential liabilities for redundancy costs and risk to any cashflow monies advanced. Schools would be impacted through requiring to source alternative service suppliers which would involve resource to procure and services could be more expensive.

2.4 An option would be to return Edsential Services to direct Council control. The partners would need to agree how to wind up the company. It is presumed that the Councils would choose to carry out a solvent liquidation so that the company's staff, creditors and customers were protected and reputation damage was minimised.

Each Council would need to decide to either step in and pick up delivery of services themselves or to work with schools to arrange for some of the company's services to be transferred to another provider. There would be a number of advantages and disadvantages from this

Advantages

- Reduce overhead and additional governance from operating a standalone company
- Would strengthen alignment between Council strategies and policy
- Would protect pay and employment for majority of staff
- Would allow councils to subsidise provision to schools if that is policy

Disadvantages

- This would not reduce short term losses. Edsential would have no means of repaying the Councils existing loans back and losses in 2020-21 would still become costs to Council.
- Losses projected for 2021-22 would still occur but may grow if external governmental covid support is no longer an option
- Significant new transition costs due to potential redundancies, new branding, new infrastructure
- No option to defer short term revenue losses against future profits
- 3 year contracts that Edsential has with most of its schools would no longer be binding, may lead to break up of service if schools don't agree to transfer to Council
- Loss of economies from not operating across boroughs

- The original business case for the establishment of Edsential was predicated on the decline of service provision by the councils, higher cost and competition, all of which remain valid and would provide a challenging environment to operate within.

3.0 BACKGROUND INFORMATION

- 3.1 Edsential is a Community Interest Company. It is equally and jointly owned by the Council and CWaC Council. Its mission is, “Improving outcomes for children and young people.” It was formed in December 2015 and, save for the times when it was prevented from doing so during the COVID 19 pandemic, delivered a wide range of education and support functions to schools, academies, parents, and other education establishments. It generated approximately £19.4m of income in the last full year pre-covid .
- 3.2 Approximately £22m of income generating services, focused mainly on catering, cleaning, residential activity, music and school improvement were transferred from both Councils to the newly formed company in 2015, along with the relevant staffing, contracts and associated expenditure. A number of changes have taken place in the company since inception. Wirral Schools exited the curriculum support service level agreement in 2017 resulting in a drop of turnover of £2.2m, whilst catering services were in decline when the company commenced. Income has increased each year since 2017 up to the time when the impact of the pandemic was felt.
- 3.3 Edsential was trading effectively and projected to generate an operating surplus of approximately £100,000 for the year to March 2021. In the past, operational surpluses have been deployed to either reduce cashflow loan funding received from the shareholder councils and/or provide grants to schools in both Council areas for school improvement activities.
- 3.4 Over and above the impact of the COVID pandemic, it is noted the company has identified a financial pressure arising from the shareholders requirement for employees to be paid at or above the Real Living Wage. The company therefore has a need to reflect the covering of these costs within its business planning so as to maintain viable operations.
- 3.5 As part of the arrangements for establishing the company, both Councils agreed to provide Edsential with a Working Capital Loan facility. The facility is required as the company is reliant upon income streams for services provided, to finance its expenditure. The Company operation means that costs of provision are incurred before income is received leading to a temporary cashflow timing issue. The company makes use of the facility as and when it needs to draw down cash to make payments and repaying as cash for services supplied is received.
- 3.6 On 16th December 2020 the Policy and Resources Committee agreed to approve the renewal of an interest bearing working capital cashflow agreement of up to £2 m. A sum equal to this was also agreed by CWaC. A 5-year term was agreed for the renewed cashflow facility.

- 3.7 The Covid-19 pandemic has impacted upon Edsential's previous business plans and expected income streams. Although governmental support has been utilised by the company, it requires additional facilities beyond the cashflow agreement to cover exceptional costs and losses of income arising from Covid-19.
- 3.8 In March 2021, the Policy and Resources Committee agreed to provide a letter of comfort to Edsential to set out assurances that financial support will be provided to the company over the current financial year, in the form of Covid related funding support and a loan, subject to approval by this Committee. This letter of comfort was provided to the company to share with its auditors. It also agreed at the same meeting to consider a request from the company for financial assistance.
- 3.9 Discussions have taken place between the company and officers of the Council and of CWaC Council about the precise nature of the additional financial facilities that should be offered to Edsential. Covid related grant funding, along with loan funding from each of its shareholder councils, should not only enable it to continue to trade but will support Edsential's endeavours to exploit gaps in its various markets caused by other operators withdrawing or ceasing to trade. This is particularly true in the area of providing outdoor education residential facilities through a restructured offer which would include a rationalisation of the facilities deployed. The company has already indicated that it will not re-open the Outdoor Education Centre at Oaklands, in North Wales, leased from the Council (the lease has been relinquished.). It is planning to close another similarly uneconomic facility owned by CWaC Council.
- 3.10 A joint discussion was held between members of the Wirral Council Shareholder Board, relevant Cabinet members from CWaC and senior officers of both Councils on July 8th to further discuss the options available to the joint shareholders. This included overall company and shareholder arrangements, financial and efficiency options. The briefing paper for this meeting is contained in Appendix 2 which is exempt as it contains commercial information.
- 3.11 The process of reviewing the Draft Annual Business Plan for 2020 for shareholder approval was interrupted by the COVID crisis and the company is preparing a revised version for 2021 for presentation to shareholders which will be presented to the Shareholder Board for approval.
- 3.12 A mix of Covid related grant funding and interest-bearing loans from the two Councils will enable the company to deal with the impact of the Covid 19 pandemic. The grant amount allocated has been calculated using a similar basis to what would have been receivable for Council services under the Sales, Fees and Charges Income Compensation scheme for 2020/21. The balance of financial support offered is a loan that will be repayable with interest. The basis is that the new business plan for the company will enable the company to recover well over the forthcoming years but that there is a need for a short-term injection of cash, details of which are set out below.

4.0 FINANCIAL IMPLICATIONS

- 4.1 A mixture of covid grant funding, of £643,000, and an interest bearing loan, of £857,000, is being recommended. Details of the funding and assumptions made are provided in the exempt Appendix 1 to this report.
- 4.2 In agreeing any arrangement the Council must be satisfied that the company can repay the loan. Proposals from the company regarding any budget efficiencies and income raising measures in relation to the loan refinancing will need to be agreed. The exempt Appendix 2 details proposed measures the company is suggesting can be taken to ensure the company can return to profit and generate the necessary revenue to repay the requested loan. Officers from Wirral and CWAC Council have analysed the proposals and determined they are viable. Any loan however carries with it the risk of loss if assumptions or circumstances do not turn out as assumed. A long-term loan is being suggested to allow the spreading of repayments in order to minimise annual costs and to provide requisite financial headroom for viable company operations.
- 4.3 Were the company to cease trading, there would be financial implications regarding pension guarantees, accumulated losses, cashflow The funding already advanced redundancy costs and any service continuity requirements. Exempt appendix 1 contains a high level assessment of such costs.
- 4.4 Any support provided will not have a detrimental impact on the Council's revenue budget as part of the funding will come from the Council's emergency covid-19 tranche funding, commensurate with the government sales, fees and charges compensation scheme, and any costs associated with providing a loan would be offset with the repayment of principal and interest by Edsential.

5.0 LEGAL IMPLICATIONS

- 5.1 Edsential is a local authority controlled company, established under the Local Government and Housing Act 1989 and which operates under the provisions of that and related legislation, including the Local Authorities Companies Order 1995 and the Local Government Act 2003 and Trading Order 2009 as augmented by the Localism Act 2011.
- 5.2 Edsential is established as a Community Interest Company in which the Council owns half of the issued share capital and CWaC Council holds the other half. Edsential accordingly has limited capacity to distribute dividend income and has additional regulatory requirements to meet. There is a commitment that the company is not established for private gain and any surplus or assets are used principally for the benefit of the community.
- 5.3 Its purposes are education support services and other food services. Its activities relate primarily to school catering and cleaning, support to creative and performing arts, governors, health and wellbeing, music, residential visits and training.

- 5.4 Any further financial facility offered to Edsential needs to be subsidy control compliant so as not to provide an unfair advantage to the company and be compatible with the Council's fiduciary duty to local taxpayers.
- 5.5 To the extent that it provides such services which are a function of the Council, it would then fall on the Council to discharge such services in its area if the company was to cease to carry those out.
- 5.6 The services currently being delivered by the company are limited to
- (i) the provision of Health and Safety advice and the maintenance of a register for schools, where the Council is employer, when schools organise trips outside normal school hours; and
 - (ii) the co-ordination of the school governors' statutory support function which involves giving relevant advice and sign posting training activities.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are no direct implications to staffing, ICT or Assets.

7.0 RELEVANT RISKS

- 7.1 In the event that the company ceases to trade as a result of financial support not being provided there are two main risks:

The negative impact on schools and school children in the area who may receive inferior services from less socially motivated suppliers.

The financial risk to the Council that:

- its working capital loan may not be repaid in full;
- some services may fall back to the Council to be delivered;
- it will be required to cover redundancy costs and possibly other debts of the company.

- 7.2 Such risk would be mitigated by the proposals within this report.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Briefings have been provided to Members appointed to the Shareholder Board (sub-committee).
- 8.2 Discussions have taken place between this Council and CWaC Council, between officers and elected Members, to develop a shared approach. There have also been discussions with Edsential over the proposals. CWaC's Cabinet and the Edsential Board will be receiving recommendations for agreement as laid out in this report.

9.0 EQUALITY IMPLICATIONS

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact

Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.

- 9.2 Edsential currently delivers advice, support, and training to its employees and to schools, parents and young people on Safeguarding, E-Safety and the application of technology, and actively promotes the safe and effective use of technology.
- 9.3 It also offers Safer Recruitment training from the Safer Recruitment Consortium as well as support and guidance on safeguarding.
- 9.4 Through its work with the Governors Services the company provides training on the safe use of technology, Safer Recruitment, Academisation, Pupil Premium funding and preparing for Ofsted.
- 9.5 There are no direct equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 There are no direct implications from the recommendation. Edsential seeks to employ local staff and utilise local suppliers where possible thereby reducing the impact of travel miles. The company states on its website that it is the first certified sustainable palm oil catering company.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 Edsential has a strong track record for contributing towards community wealth. It has been established as a community interest company and ensures that, "All Edsential profits are directly reinvested -into improving our services and supporting progress in schools within our community". A main strength that the company demonstrates is by employing local staff especially for the school catering offer. The company also delivers a good training programme for its staff. The company also looks to purchase locally. The financial support for Edsential proposed in this report will also ensure that those locally employed staff on the Real Living Wage will continue to receive this going forward from the company. Edsential has also become the "World's First Certified Sustainable Palm Oil Catering Company".

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APPENDICES

Appendix 1 and 2 to this report contain exempt information as defined in Schedule 12 of the Local Government Act 1972. It is in the public interest to exclude the press and public during consideration of this item under paragraph 3 (information relating to the financial and/or business affairs of any particular person including the authority holding the information).

Appendix 1 – Proposed Financial Support Detail - Exempt
Appendix 2 - Briefing Note for joint meeting on Edsential Covid Losses and Council responses- Exempt

BACKGROUND PAPERS

'Edsential – Joint Shareholder Financial Update' February 2021
(Not for publication Para 3 (Information relating to the financial or business affairs of any particular person) Sched 12A, Local Government Act 1972

Edsential Shareholder Agreement
Wirral Council Plan 2025
Localism Act 2011

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Policy and Resources Committee	24 March 2021
Policy and Resources Committee	21 December 2020

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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