



POLICY AND RESOURCES COMMITTEE

Wednesday 10 November 2021

REPORT TITLE:	EDSENTIAL REQUEST FOR FUNDING
REPORT OF:	DIRECTOR OF LAW AND GOVERNANCE

REPORT SUMMARY

This report provides for consideration of the recommendations of the Shareholder Board in respect of the report "Edsential Request for Funding". The full minute of the Shareholder Board and associated Report of the Director of Resources is attached.

RECOMMENDATION/S

The Shareholder Board held on 28 October 2021 resolved to recommend that the Policy and Resources Committee consider the following:

- (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 Other options have been considered as reported within the minutes of the Shareholder Board minutes and appended report.

3.0 BACKGROUND INFORMATION

- 3.1 Background information is set out within the appended report.

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 the appended report.
- 4.2 As the figures exceed £100,000 for both revenue and capital, the matter is being referred to the Policy and Resources Committee in accordance with the Council's Constitution.

5.0 LEGAL IMPLICATIONS

- 5.1 In accordance with the Part 3B of Constitution (Committee Terms of Reference), the Policy and Resources Committee has two main areas of responsibility, which is to provide strategic direction to the operation of the Council, including making decisions on policies and co-ordinating spend not reserved to full Council, and to maintain a strategic overview of outcomes, performance, risk management and budgets.
- 5.2 the Policy and Resources Committee is charged by full Council to provide a co-ordinating role across all other service committees and retain a 'whole-council' view of performance, budget monitoring and risk management. In particular, this includes specific responsibility for a decision on any virement between Budget funds (revenue) requested by a Committee or officer in excess of £100,000; and on any virement between Budget funds (capital) or any amendment to the Capital Programme requested by a Committee or officer in excess of £100,000; as per Part 3(B), Section 1.2 of the Constitution
- As part of the matter of business that was the subject of the report to Shareholder Board falls under that responsibility reserved to the Policy and Resources Committee, Shareholder Board's resolution is presented as a recommendation.
- 5.3 As the decision in this matter is the subject of a recommendation from another Committee, the Policy and Resources Committee must take into account the resolution of that Committee and give due regard to the guidance and comments made by its members. The Policy and Resources Committee must not, however, consider itself bound by that Committee's recommendations or otherwise fetter its discretion; its Members must come to their own decision. In doing so, the Committee must satisfy itself that it has been provided with all relevant information or a suitable précis to enable it to comply with its duties and make a lawful decision.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 This report is for information only and does not contain any direct resource implications.

7.0 Relevant Risks

7.1 The risks were covered in the original report submitted to the Committee.

8.0 ENGAGEMENT/CONSULTATION

8.1 Engagement and Consultation were covered in the original report submitted to the Committee.

9.0 EQUALITY IMPLICATIONS

9.1 Equality implications arising from the subject matter were considered as set out in the annexed report(s) and meeting minute.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 Environment and Climate implications arising from the subject matter were considered as set out in the annexed report(s) and meeting minute.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 Community Wealth implications arising from the subject matter were considered as set out in the annexed report(s) and meeting minute.

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APPENDICES

Appendix 1 Minute extract

Appendix 2 Edsentials Request for Funding Report

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