



POLICY AND RESOURCES COMMITTEE

Wednesday, 2 October 2024

REPORT TITLE:	EDSENTIAL OFFICE ACCOMMODATION
REPORT OF:	DIRECTOR OF FINANCE

REPORT SUMMARY

This report seeks shareholder approval for Edsential CIC ('Edsential') to enter into a purchase agreement for new office space. The request comes after Edsential was informed that it must vacate its current premises.

This matter affects all wards within the Borough.

This is not a key decision.

The report contributes to the Wirral Plan 2023-2027 in supporting the organisation in meeting all Council priorities.

Appendix 1 of this report is exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 given that it relates to the confidential business affairs of Edsential.

RECOMMENDATIONS

The Policy and Resources Committee is recommended to grant shareholder approval for Edsential CIC to enter into the purchase agreement for the acquisition of office accommodation as referred to in the exempt Appendix 1.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 This recommendation ensures that Edsential can continue to access a high quality, long term central office solution which will accommodate the company's growth ambitions.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Prior to selecting a preferred option, Edsential explored various alternatives for new office space.

3.0 BACKGROUND INFORMATION

- 3.1 On 9 July 2024 Edsential received communication from CWaC that it is required to leave Whitby Hall Lodge within 6 months. The Lodge is required by CWaC to facilitate regeneration of Ellesmere Port.
- 3.2 Edsential conducted a search of office facilities within 3 miles of Ellesmere Port to identify potential units that are currently available in the area. A preferred site was identified as referred to in the exempt Appendix 1, providing a significant quality upgrade on current accommodation. The Edsential board delegated authority to its Managing Director to conduct negotiations to make an offer to purchase this office.
- 3.3 Negotiations and due diligence were undertaken during August 24 and the vendor has accepted Edsential's offer (as set out in the exempt Appendix 1) subject to contract. The proposed completion date is the 29 November 24.
- 3.4 This option provides Edsential with a high quality, long term central office solution, whilst also providing a physical asset on the balance sheet, which is part of Edsential's longer-term strategy, to create a business with a positive net book value. It will also reduce future risk around increasing rent costs in a geographic area that is underserved with quality office space.
- 3.6 The purchase requires shareholder approval as it is of a value of over £250k. Engagement meetings have already been held separately with officers from CWaC and Wirral Borough Council. CWaC has stated that the decision is likely to be granted by Officer Decision Notice and no potential issues are foreseen in this regard.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Edsential has confirmed that cash is available to secure the office purchase. This cash has been made available by delaying the repayment of the working capital facility for 1-2 years. The working capital agreement does not have any requirement for reducing the balance to zero before its expiry, therefore this approach is compatible with the company's contractual responsibilities. The company will also temporarily reduce its target minimum cash holding to c.£200k.

- 4.2 The building lease will sit on the Edsential balance sheet as a depreciating asset.
- 4.3 The previous office accommodation rental was £24k per annum. This cost will be replaced with a depreciation charge of either £7.25k or £3.2k, depending upon the auditors view on the depreciation period.
- 4.4 Edsential operates independently of its shareholders, receiving income from schools and parents. Should it encounter financial difficulties which threaten its long-term viability the Council would have exposure to risk such as any outstanding cash flows.

5.0 LEGAL IMPLICATIONS

- 5.1 Edsential was established with the appropriate Certificate of Incorporation for a Private Limited Company/Community Interest Company with associated articles on 20 April 2015. The Shareholders Agreement was agreed on the formation of the Company.
- 5.2 It established to provide and carry on activities which benefit all the inhabitants of the administrative areas of Cheshire West and Chester and Wirral Council and elsewhere, and, in particular, schools, educational facilities, children, young people, parents and adults by the provision of educational support services. In addition, the Company may conduct such other business as is set out in its Business Plan.
- 5.3 Edsential is required to produce an Annual Business Plan to the Shareholder Board for approval in accordance with the terms of the Shareholders Agreement.
- 5.4 Edsential and its board of directors have legal responsibilities in respect of the running of the company's financial affairs. The company can operate at a loss as long as there are reasonable grounds for believing these losses can be recovered in future trading periods.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 Edsential is a Community Interest Company employing its own workforce and with its own ICT and asset arrangements.

7.0 RELEVANT RISKS

- 7.1 The purchase of office accommodation will reduce future risk around increasing rent costs in a geographic area that is underserved with quality office space.
- 7.2 A delay in agreeing this purchase may put the timetable for finding alternative accommodation at risk.
- 7.3 There would be financial risk if the Company were to cease trading as the Council is a 50% shareholder and would have obligations regarding shared liabilities, continuation of services and to staff.
- 7.4 There is reputational risk should the company not perform to the expected standards and for the Council as a shareholder.

8.0 ENGAGEMENT/CONSULTATION

8.1 No consultation is required in terms of implementing the activities set out within 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 Equality implications will be assessed during planning, decision and implementation stages and will be recognised as an ongoing responsibility. Equality issues will be a conscious consideration and an integral part of the process.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There will be no measurable environmental impact arising from the proposals set out within this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The community wealth implications have been considered for the improvement activities taking account of matters across headings such as the following:

- Progressive Procurement and Social Value - How we commission and procure goods and services. Encouraging contractors to deliver more benefits for the local area, such as good jobs, apprenticeship, training & skills opportunities, real living wage, minimising their environmental impact, and greater wellbeing.
- More local & community ownership of the economy - Supporting more cooperatives and community businesses. Enabling greater opportunities for local businesses. Building on the experience of partnership working with voluntary, community and faith groups during the pandemic to further develop this sector.
- Decent and Fair Employment - Paying all employees a fair and reasonable wage.
- Making wealth work for local places.

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APPENDICES

Appendix 1 – Further confidential information regarding the proposed acquisition

Appendix 1 is exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 given that it relates to the confidential business affairs of Edsential.

BACKGROUND PAPERS

Edsential Shareholder Agreement
Wirral Council Plan 2023-2027

Terms of Reference

The Policy and Resources Committee unanimously agreed on 11 September 2024 that Shareholder Board matters will be considered by the Policy and Resources Committee until further notice.

The Policy and Resources Committee can make any decision that might otherwise be handled by the Shareholder Board and any of its entities, given that the latter is a Subcommittee of the former.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Policy and Resources Committee	12 July 2023