



WEDNESDAY, 22ND MARCH 2023

POLICY AND RESOURCES COMMITTEE

Report Title:	EDSENTIAL CIC UPDATE AND ANNUAL BUSINESS PLAN 2023 – 2024
Report of:	DIRECTOR OF FINANCE (SECTION 151 OFFICER)

REPORT SUMMARY

This report provides an update on Edsential and the proposed Annual Business Plan for 2023 – 2024.

The Wirral Plan 2021 - 2026 sets out the Council’s vision to secure the best possible future for the Council’s residents and covers the following five themes:

- A thriving and inclusive economy, creating jobs and opportunities for all;
- A sustainable environment, a sustainable borough, leading the way in tackling the environment crisis;
- Brighter futures for all regardless of their background;
- Safe and pleasant communities that our residents are proud of; and
- Healthy and active lives for all, with the right care, at the right time.

This report aligns with the themes of brighter futures for all regardless of their background; safe and pleasant communities that our residents are proud of and healthy and active lives for all, with the right care, at the right time.

This matter affects all wards within the Borough.

This matter is not a Key Decision.

Appendices 1 to 3 of this report are exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

RECOMMENDATION/S

The Policy and Resources Committee is recommended to;

1. Note the draft annual business plan for 2023-2024 submitted by Edsential CIC in accordance with the requirements of the Shareholders Agreement.
- 2 Request that the Director of Finance in consultation with the Director of Law and Governance to engage with the company to establish a deeper understanding of the company’s functioning with a view to suggesting revisions to the Annual Business Plan for 2023 – 2024 and to report back to a future meeting of either this committee

or Shareholder Board with recommendations relating to such a revised annual business plan.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The Shareholders Agreement requires Edsential to produce an annual business plan for approval by its shareholders. A draft annual Business Plan has been produced, which officers believe should be further reviewed with further engagement with the company. It is anticipated a revised version of the annual business plan will be forthcoming in due course.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Accepting the draft Annual Business Plan as submitted. This option has been rejected as the draft annual business plan submitted requires further investigation and amendment.

3.0 BACKGROUND INFORMATION

- 3.1 Edsential is a Community Interest Company and is jointly owned by Wirral Council and Cheshire West and Cheshire (CW&C) Council. The company provides a range of services to the education sector including school meals, cleaning, residential courses, music tuition, and school governor training amongst other activities. The company in its mission statement states it aims to provide services in a private sector market setting with a public sector ethos. As income is primarily derived from schools and parents its operating model is under normal circumstances to make a modest return after satisfying its financial obligations which can then be reinvested into schools and services as appropriate.
- 3.2 The Council, Cheshire West and Chester Council and the Company are parties to a Shareholders Agreement dated 1 December 2015. This provides that the Company shall provide each shareholder a Business Plan for each financial year for approval. The Shareholders Agreement defines the operating arrangements for the company including the membership of the company board which although having representation from shareholders is not under the majority control of either shareholder.
- 3.3 The company has since inception had an agreed (equal) cashflow facility with both shareholders which is interest bearing. The facility was renewed for a five year term following approval of Policy and Resources Committee on 21st December 2020. The facility being a maximum drawdown of up to £2m per shareholder. CW&C also approved the renewal for their facility on the same terms
- 3.4 The closure of schools and cessation of residential course activity during the pandemic had a significant impact on Edsential's ability to provide services and receive income to cover its costs over the 2020/21 and 2021/22 finance years. Policy and Resources 10th November 2021 agreed that the Director of Resources, be authorised, in consultation with the Director of Law and Governance to approve financial support to the company, in the form of Covid related funding support grant of £643,000 and an interest bearing loan of £857,000.

- 3.5 The 2022/23 business plan was devised to allow the company to reset its activities in a post covid environment and provided time for the company to implement a number of operational changes to reflect the new environment. This would then allow the company to make agreed repayments against the covid recovery loan.
- 3.6 Post pandemic turnover has risen. The company is however operating in challenging market conditions. There is some lag in full recovery to pre-covid levels of activity. This autumn's inflationary spike and particularly in respect of food ingredient prices for school meals, energy and wage costs have impacted levels of return. Inflation is a sector wide issue and the result is that the company has been put under increased financial pressure.
- 3.7 The Annual Business Plan of the Company for 2023 - 2024 (attached at Appendix 2) with associated Budget Commentary (attached at Appendix 1) sets out:
- (a) the objectives, plans and targets for the Company for the financial year commencing 1st April 2023 to 31st March 2024;
 - (b) a strategy review; and
 - (c) a financial summary/analysis.
- 3.8 The business plan lays out a number of measures which the company believes will enable it to trade at a level to recover its position. Given the commercial environment the company is operating within the business plan is commercially sensitive as disclosure would provide advantage to those it competes with. In the plan the company is seeking to increase income via a number of avenues whilst changing a number of its operating arrangements.
- 3.9 Officers have reviewed the business plan. Further explanation and analysis is required to gain a better understanding of the assumptions within the draft business plan and the robustness of forecasts, particularly in light of the current economic climate. Further meetings are taking place with the company and information has been requested to assist with the above. The outcome of this work should then be brought back to either this committee or Shareholder Board as appropriate before agreement of a 2023-24 Annual Business Plan.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The company operates independently of its shareholders receiving income from schools and parents. Should the company encounter financial difficulties which threaten its long term viability the Council would have exposure to risk such as any outstanding cash flow and covid recovery loan balances.

5.0 LEGAL IMPLICATIONS

- 5.1 The Company 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 The Company was 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 The Company is required to produce an Annual Business Plan to the Shareholder Board for approval in accordance with the terms of the Shareholders Agreement.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are no direct implications to staffing, ICT or Assets arising from the subject matter of this report.

7.0 RELEVANT RISKS

- 7.1 Without a detailed Annual Business Plan the Council as shareholder does not have a clear set of objectives against which to monitor the performance and effectiveness of the Company generally and in particular against the Shareholders Agreement and the Company's Strategy.
- 7.2 There is a reputational risk for the Council over the performance of its partially owned company.
- 7.3 There is financial risk for the Council in respect of any outstanding loan balances provided and any other financial obligations that may arise.
- 7.4 A comprehensive and deliverable Annual Business Plan is an important tool in mitigating these risks.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Consultation and engagement has taken place between the company and both shareholders in respect of the proposed 2023-24 business plan.

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 subject matter of this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 There are no direct environment and climate implications arising from the subject matter of this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 A well drafted and appropriate Business Plan is one of the hallmarks of a successful company. A well run and successful company and community support organisation will contribute to the development of a resilient local community.

11.2 The company employs Wirral residents providing income and job opportunities. The company strives to offer terms and conditions which are better than private sector competitors.

REPORT AUTHOR: Peter Molyneux
Senior Finance Manager
telephone: 0151 666 3389
email: petemolyneux@wirral.gov.uk

APPENDICES

Appendix 1 Financial Commentary (Exempt)
Appendix 2 Edsential Draft Annual Business Plan 2023-2024 (Exempt)
Appendix 3 Edsential Shareholder Agreement (Exempt)

Appendices 1 to 3 of this report are exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

BACKGROUND PAPERS

Shareholders Agreement
Edsential Financial Monitoring Statements
Edsential Business Plan

TERMS OF REFERENCE

This report is being considered by the Policy and Resources Committee in accordance with Section b (v) of its Terms of Reference,

(b) provide a co-ordinating role across all other service committees and retain a 'whole-council' view of performance, budget monitoring and risk management, which includes responsibility for a decision:

(v) regarding companies or limited liability partnerships including acquisition and disposals;

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Shareholder Board	25 th March 2022
Policy and Resources	10 th November 2021
Policy and Resources	21 st December 2020