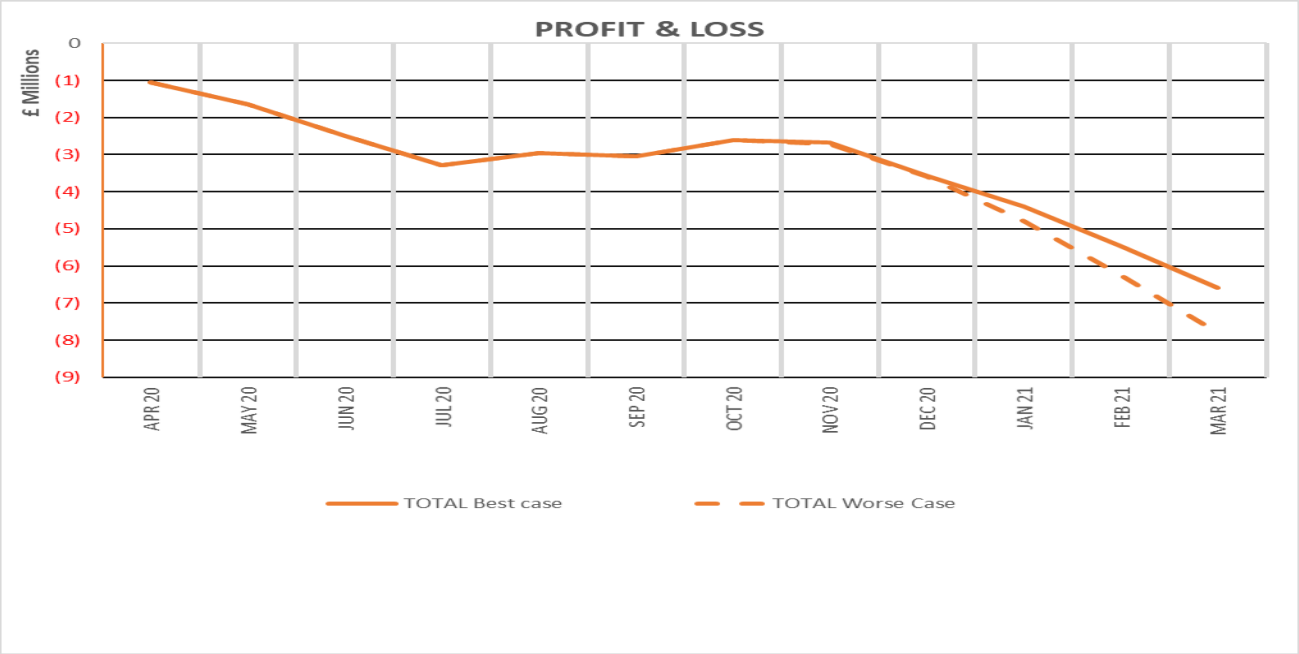
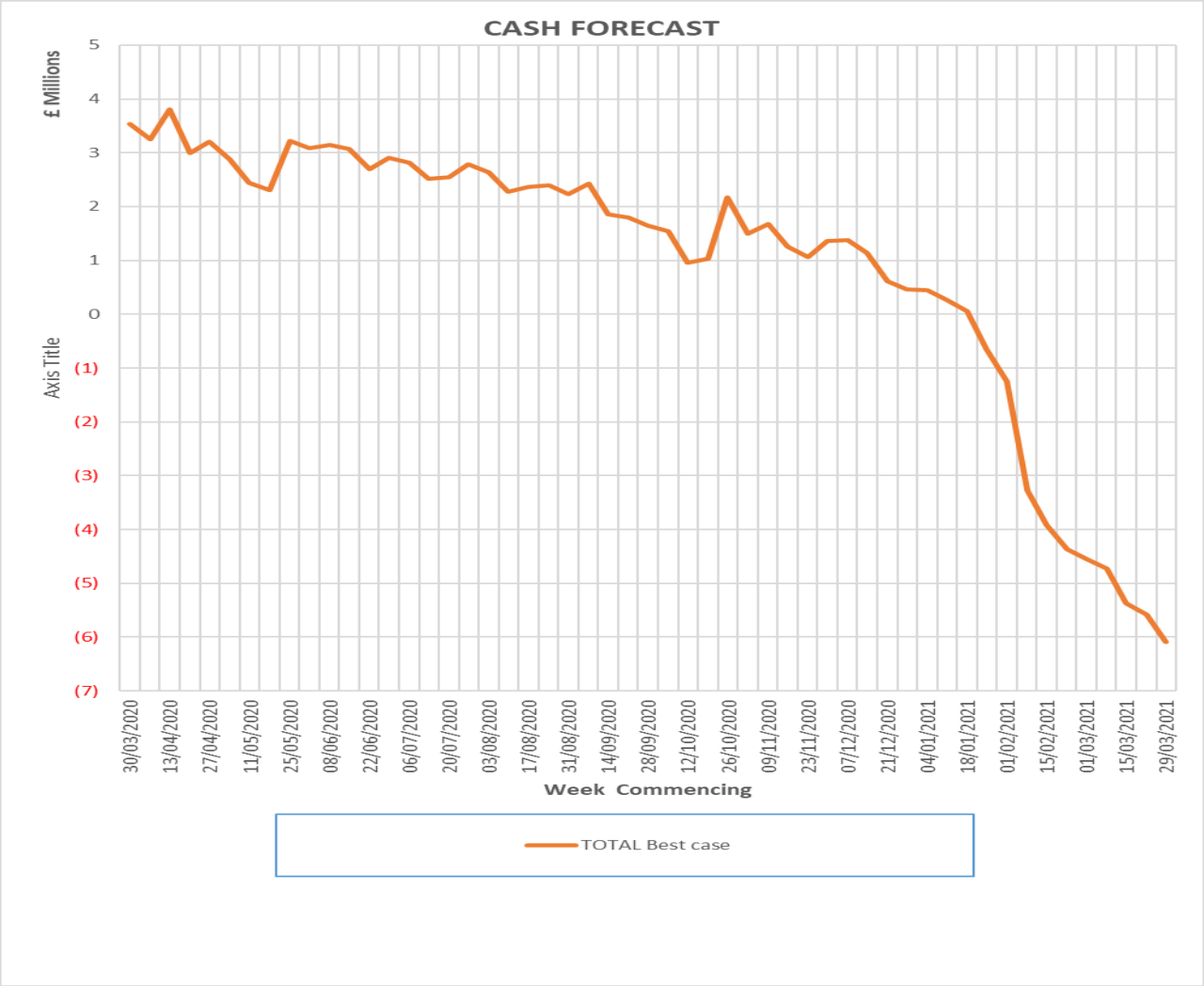
Blackpool Council

Wholly Owned Companies – Impact of Covid-19





A financial modelling exercise has been undertaken in order to identify the Council's exposure to potential wholly-owned subsidiary company losses and their need for cash injections during the 2020/21 financial year.

The graphs demonstrate the aggregated profitability and cash forecasts of the 8 Council wholly-owned subsidiary companies of which the 3 that are facing the biggest impact from the Covid pandemic are Blackpool Transport Services (BTS), Blackpool Entertainment Company Limited (BECL) and Blackpool Operating Company Limited (BOCL).

Initially, for each of the companies a best and worst case financial scenario was modelled in order to identify a range of potential losses. At the outset of this modelling exercise, a series of dynamic "trigger point" scenarios was modelled: points where one or more of the companies would move from one financial scenario to another, for example, from closure to re-opening or a reduction from 2m social distancing requirements to 1m. However, as the year has progressed and government restrictions have been relaxed and then subsequently re-introduced, several scenarios are either no longer viable or have become outdated. Hence companies have reduced the range of scenarios they are reporting to their respective Boards. Consequently, at Month 9 a limited range of scenarios is being reported.

As at month 9, the Council faces forecast aggregated losses in 2020/21 in the range of £7m to £8m and these are shown in the Profit and Loss graph. The third national lockdown was announced after some of the companies had produced their Month 9 financial reporting scenarios, hence some of the forecasts reflect the forecast impact of the re-introduction of national lockdown on 5th January 2021, whilst others do not. Companies will continue to update their forecast out-turns and cash requirements as the year progresses.

The second Cash Forecast graph forecasts the pressure on cash balances within the companies and indicates the timing and scale of potential cash injections. The purpose of this graph is to give the Council an early indication as to when cash may be required to shore up the companies in order to enable it to most effectively exercise its Treasury Management functions.

On the basis of this information a plan is being finalised with the wholly-owned companies that i) will enable them all to continue to operate as a going concern, ii) will evidence that they will all be restored to cumulative surplus within the 5-year medium term (unless a previously agreed longer term recovery plan was already in place), iii) will provide cashflow support rather than direct grant subsidy and comply with State Aid rules and iv) takes advantage of the positive strength of the Council's balance sheet which currently exceeds £0.25 billion in value.