

Report to:	SHAREHOLDER COMMITTEE
Relevant Company Representative:	John Child, Managing Director, Blackpool Operating Committee Limited (BOCL)
Relevant Cabinet Member	Councillor Ivan Taylor, Deputy Leader of the Council and Cabinet Member for Partnerships and Performance
Date of Meeting	18 March 2022

BLACKPOOL OPERATING COMPANY FINANCIAL POSITION

1.0 Purpose of the report:

- 1.1 To consider BOCL’s Financial position to January 2022, including Cash Flow and Recovery Plan update.

To give a brief Business Plan summary for financial year 2022-23.

2.0 Recommendation(s):

- 2.1 To note BOCL’s Financial Position, Cash Flow Statement and Recovery Plan to January 2022.
- 2.2 To note the brief Business Plan update for Financial Year 2022-23 with questions invited, as further information will be available by the Shareholder Committee meeting date.

3.0 Reasons for recommendation(s):

- 3.1 For the shareholder to understand the current trading position of their Wholly Owned Company

4.0 Other alternative options to be considered:

- 4.1 None applicable.

5.0 Council priority:

- 5.1 The relevant Council priority is: “The economy: Maximising growth and opportunity across Blackpool”

6.0 Background information

- 6.1 BOCL produces monthly management accounts to update key stakeholders on the current trading position.

- 6.2 BOCL had produced a 5-year COVID Recovery Plan to enable the support of a working capital cash flow loan. The plan had a minimum target to break even by end of year 2024/2025, though this has clearly been superseded as BOCL has now fully recovered and in the best financial shape it has ever been in.
- 6.3 Following the easing of Covid-19 social distancing rules on 19 July 2021 Sandcastle Waterpark has been able to welcome a higher number of guests than in 2020. The three hour sessions remain in place and although the admissions have increased and more walk-in guests are welcomed, they have been partially restricted to maintain a positive guest experience and minimise ride queue times – Blackpool resort continues to experience an unprecedented number of visitors helped more recently helped by the extension to the Illuminations (until 3 January 2022) and BOCL's financial results continue to benefit as a result.
- 6.4 As at the end of January 2022, BOCL had achieved £5.6m Revenue, £1.77m (46%) higher than budget, driven by admissions of 274,587 Guests compared with the budget of 195,375 Guests (41% higher) and spends / head at £19.80 against a budget of £19.10. The reduced VAT rate of 5% (to 30th September) and 12.5% thereafter, has contributed over £800k to Revenue so far and this benefit will continue to 31 March 2022 (hopefully as a minimum time period as Tourism Trade organisations are pushing for the 12.5% to stay throughout 2022-2023). The Revenue value also includes grant income of £25k (Government Restart Grant £18k , Kickstart Grant £7k).
- 6.5 Despite the significant increase in Revenue the operating costs of £2.82m to the end of January, were only £11k negative to budget. Staff costs are positive to budget mainly due to the increased use of furlough in April and May 2021 and the cost of the Finance and Operations Directors being placed in Professional Fees. Electricity and gas costs are to budget, however there were delays in receiving information from Blackpool Council regarding usage and charges, as such, adjustments were expected (water invoices had not been received since August, gas since July and electricity since May). As an update, after receiving Gas and water invoices mid-February 2022, there is now an overspend of £80k against budget which will reflect in February's accounts N.B. this overspend is expected to be even higher for utilities if electricity costs have also been under budgeted for.
- 6.6 As a result of strong trading, the year to date January 2022, Operational Profit is £2.78m compared with a budget of £1.01m, leading to a Total Profit of £2.09m compared to a budget of £256k, an improvement to budget of £1.84m.
- 6.7 The month of February traded above revenue due to a strong main half term week alongside an unbudgeted for shorter second half term week, whereupon an extra 800 Guests / day Monday-Friday were welcomed (opening times were only 10:30am – 3pm to help drive costs down whilst maximising on revenue). Expenditure for February is going to be more problematic against budget due to utility overspends as already mentioned and extra staffing costs, mainly due to opening for an extended half term period.

6.8 As demand remains higher than budget, a year-end Total Profit of circa £1.8-2m+ is now within sight (early indications are showing bookings and therefore revenue will surpass March's revenue budget too).

6.9 **Recovery Plan**

BOCL has returned to very profitable trading with retained earnings at 31 January 2022 of £2.27m and has repaid the recovery cash loan in full – BOCL is fully recovered and has no outstanding loans.

6.10 **Business Plan 2022-23**

The draft BOCL Business Plan for the financial year 2022-23 is still being completed and will be sent to BOCL's Board for the Board meeting of 24th March 2022. Of particular note is the financial element that is showing a net profit of over £1.5m. N.B. An extra £500k of utility costs have been factored in to the budget due to high price increase (Gas 70% and Electric 100%), these are offset by price increases on admissions.

In addition, 2022-23 has budgeted to be another strong admission year with draft Guest numbers expected to be £367k Guests N.B. this is at the top end of expectations with all session times filled.

2021-22 was a very difficult year for recruitment so it has been a relief that the Company had a strong response to its recruitment drive in February / March of this year. N.B. There are a few salaried positions still to recruit (in particular we are losing a key Operations / HR Manager with 23 years' service), though the majority of BOCL's Salaried team is stable N.B. any 'Next Steps etc.' have not been factored into the budget, though there are clearly sufficient projected profits in 2022-23 and retained earnings from 2021-22, to give BOCL's Board and the Shareholder, options.

6.11 Does the information submitted include any exempt information? Yes

The report and Appendix contain commercially sensitive information which is exempt from publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

7.0 List of Appendices:

7.1 Appendix 8(a) – Abbreviated Management Accounts January 2022
Appendix 8(b) - Five Year Business ad Recovery Plan and Cash Flow Forecast

8.0 Financial considerations:

- 8.1 The Company's financial indicator, being Total Profit, shows BOCL performing very strongly with total profits at £2.1 million at the end of January 2022, which is circa £1.96 million positive to budget.
- 8.2 As a consequence of the outstanding Company performance to date from 2021-22, BOCL is fully recovered from the negative financial impact of the Pandemic, this includes all COVID-19 loans from Blackpool Council having been paid off (both Cash Flow and Capital Loans).

9.0 Legal considerations:

- 9.1 None.

10.0 Risk management considerations:

- 10.1 Following a very successful season to date for Sandcastle Waterpark, immediate financial risks have been alleviated with a return to profitable operations, cash loans repaid in full, a healthy bank balance and very healthy retained earnings (all record breaking financial outturns, particularly for this time of year).

With the recovery of BOCL into profit and the repayment in full of the Cash Flow Loan, a new forecast to March 2025 is being worked through to give Stakeholders a clearer idea of future budgeted profits and therefore dividends (so far it is looking very good for the Shareholder), including a sizeable dividend payment for 2021-2022 being available – a £900k dividend has been requested by the Shareholder to the Board; whilst this would represent the Company's highest ever dividend payment it would still leave retained earnings above £1 million and cash flow at circa £400k+ as at 31 March 2022. N.B. The Dividend payment can be paid in two parts e.g. a payment of £500k made in April 2022, and £400k nearer the summer 2022, i.e. when cash reserves have built up to a level the Board are comfortable with.

N.B. The Dividend will need to be declared before Financial Year End 31 March 2022, to absolutely guarantee its payment for Blackpool Council's 2022-2023 budget, as such, the Board will be asked to declare the dividend payment at the next BOCL Board meeting on 24 March 2022.

11.0 Equalities considerations:

- 11.1 BOCL is an equal opportunities employer with a diverse workforce – on a recent Blackpool Council Audit BOCL performed extremely well with lots of examples of best practice.

12.0 Sustainability, climate change and environmental considerations:

12.1 BOCL has a strong environmental ethos and is the only attraction in England to be accredited with the Green Key Award, this award recognises excellence in the field of environmental responsibility and sustainability operations.

13.0 Internal/external consultation undertaken:

13.1 Further to a Tax meeting with the Council's Companies it was noted that only 2 Council Companies will return a profit (the other being Enveco), as such, with the losses of other companies and BOCL's own loss brought forward from 2020-2021, BOCL will not need to pay any Corporation Tax for 2021-22.

14.0 Background papers:

14.1 None.