

## Blackpool Council

### Wholly-Owned Companies

#### Covid Support to Council Wholly-Owned Companies

The Coronavirus pandemic led to a number of Council Wholly-Owned Companies (WOCs) facing significant income losses as a result of lockdown and subsequent social distancing restrictions. This impacted both company profitability and cashflow. It looked likely that without Council support some would not be able to recover within a reasonable timeframe, which could leave the Council without an operator for assets of significant financial value and importance to the town and its tourist economy.

In November 2020 the Executive approved the establishment of a £24m Covid Recovery Fund (PH46/2020), £20m plus a 20% contingency, ringfenced for WOCs only, from within the existing Business Loans Fund.

To be eligible to access the Covid Recovery Fund facility companies needed to produce a 5-year Covid recovery plan (2020/21 year + 4) and to demonstrate a cumulative break-even income and expenditure position by the end of year 5 of their recovery plan, or as close as possible to this term.

Loans were offered at a fixed rate over 5 years, thereby providing the WOCs with certainty over future repayments requirements and were tailored to the individual circumstances of the company and its recovery plan, offers being made on either an interest-only basis with balloon principal repayment or with monthly repayments of interest and principal.

To date there have been loan approvals of £16.11m against that facility of which £9.12m has been drawn down. £1.36m of this has subsequently been repaid. The Council's Business Loans Fund Panel monitors progress against the WOCs' respective recovery plans on a regular basis.

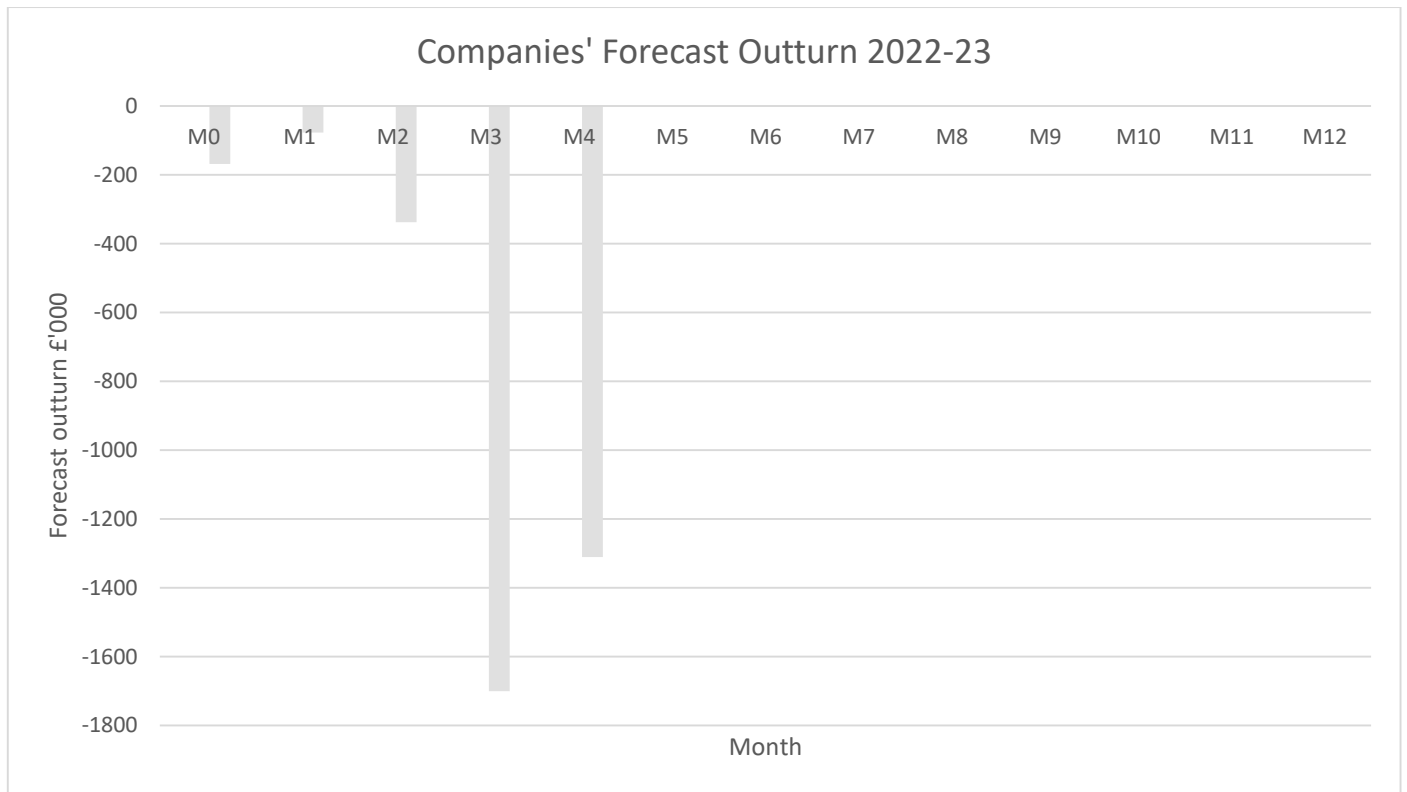
#### Non Covid-related loan support to WOCs

The Council also supports its WOCs' capital spending (capex) requirements where there is a robust business case demonstrating either a valid 'Spend to Save' initiative or an opportunity to spend to generate income. The Council's exposure to principal and capitalised interest in respect of such WOC capex loans is currently £42.06m.

There are currently no short-term cash flow loans outstanding in respect of Council Wholly-owned companies.

#### Wholly-owned companies financial performance as at Month 4 2022/23

The consolidated forecast financial position of the Council's wholly-owned subsidiary companies is a loss of £1.31m based on their individual Month 4 financial monitoring reports. This represents a deterioration of £0.97m from the position at Month 2 largely as a result of inflationary pressures, including fuel costs, utilities and wage pressures, coupled with reduced customer receipts resulting from patronage reductions, offset by some additional grant support and improved income forecasts since Month 3.



There has been a change to the Council's group structure with effect from 1 April 2022 with the transfer of Lancashire Management Operations Limited from the Council's direct ownership to become a subsidiary of Blackpool Housing Company Limited.

The Council has taken advice from CIPFA regarding the proper accounting treatment in respect of company forecast losses. CIPFA has advised that the Council does not need to include the forecast losses in its forecast revenue out-turn; the company losses will be included in the Council's consolidated financial position.