

**Response to 3 finance and financial resilience related questions raised by Members for the AGM:**

**Questions:**

1. **Is it possible to provide information, including financial data, about the future prospects for the Society please?**
2. **How do the board as a whole see the future of the society? And their position on the way forward for the society.**
3. **At what point do we get the Go ahead for the next show and what financial position do we need to be in to get the go ahead?**

These three questions are at the heart of the current issues the Society is facing and are central to understanding our current position, how we have got to this point, and the financial platform we are likely to be working from going forward. All three questions and their respective answers are intrinsically linked:

**Looking Back:**

Analysis of the Society’s Accounts (please see attached schedule) over the past 7 years (2013-2019) shows:

- That our cash position (adjusted for depreciation, ‘sponsorship in kind’ and donations (either linked to the cattle building or one-off exceptional figures) has been deteriorating by c. £80k per year over the last 7 years, the poorest years being 2017 and then 2019.

<b>Year</b>	<b>Cash flow surplus (deficit) before Depreciation, Sponsorship in-kind and donations.</b>
2013	-£72,230
2014	-£16,743
2015	-£59,044
2016	-£83,084
2017* <sup>14mth Period</sup>	-£163,200
2018	-£36,294
2019	-£126,217

- Fixed Costs (or overheads) of running the organisation have increased over the 7yrs with staff costs in 2019 up 46k from those of 2016, in part reflecting the increasing complexity of running a large-scale public event and associated need for professional oversight to manage key risks and compliance related issues.
- The ‘cash balances’ position shown in the 2019 audited accounts at £250,668 would have been appreciably worse were it not for a very substantial one-off donation that year. But where this ‘cash balances’ figure also includes an increased volume of ‘Trade Stand Deposits’ held at the yearend – which are included in the Accruals & deferred income figure as a liability (Note 15 in the Audited Accounts, up from £56,680 in 2018 to £121,136 in 2019)

UPDATE since the AGM - The comparative figure for 31/12/2020 (per Management Accounts), but excluding all 2021 showground letting deposits and the Bounce Back loan which is currently held in a Deposit Account) was £46,047, a reduction of 82%.

- Overall Show income fell from £988,821k in 2013 to £870k in 2019, a reduction of 12% in cash terms, a substantially greater drop when adjusted for inflation.

Profit & Loss Information	Year End	7 yr Trading Average						
	31/10/2013	31/10/2014	31/10/2015	31/10/2016	31/12/2017	31/12/2018	31/12/2019	
					14mth Period			
<b>Show Related Income:</b>								
Admissions	£462,441	£484,507	£467,372	£424,717	£404,229	£446,087	£373,940	£437,613
Entry Fees	£34,698	£35,236	£30,790	£31,210	£31,529	£28,067	£25,005	£30,934
Car Parking	£23,008	£28,470	£25,813	£21,330	£26,079	£33,062	£27,504	£26,467
Other (Stables, Pens, Calalogues)	£26,988	£20,140	£18,803	£22,894	£28,261	£20,757	£19,277	£22,446
Trade Stand Lettings	£335,716	£323,940	£314,878	£318,711	£306,636	£291,507	£326,274	£316,809
Catering Concessions	£55,000	£58,000	£59,000	£62,575	£66,018	£64,311	£65,000	£61,415
Sundry (elc sales, equip hire etc)	£50,970	£33,390	£19,343	£21,591	£42,202	£30,359	£33,832	£33,098
<b>Show Income TOTAL</b>	<b>£988,821</b>	<b>£983,683</b>	<b>£935,999</b>	<b>£903,028</b>	<b>£904,954</b>	<b>£914,150</b>	<b>£870,832</b>	<b>£928,781</b>

- Show admissions income has been on a gradual downward trend in real terms over that period, with 2019 showing the additional direct impact on gate receipts of poor weather, whilst costs have been increasing. This seems to mirror a downward trend experienced by many other agricultural shows.
- Show related expenditure was broadly consistent from 2013 to 2018 at c. £815k, but fell by 4% in 2019 to £782k as greater focus was place on cost management and reduction.

Profit & Loss Information	Year End	7 yr Trading Average						
	31/10/2013	31/10/2014	31/10/2015	31/10/2016	31/12/2017	31/12/2018	31/12/2019	
					14mth Period			
<b>Show related 'Direct' Costs</b>	<b>£845,942</b>	<b>£800,883</b>	<b>£826,019</b>	<b>£820,410</b>	<b>£845,616</b>	<b>£817,927</b>	<b>£782,478</b>	<b>£819,896</b>
Education	£13,022	£9,537	£5,902	£4,564	£36,616	£26,067	£30,242	£17,993
<b>Total 'Direct' Costs</b>	<b>£858,964</b>	<b>£810,420</b>	<b>£831,921</b>	<b>£824,974</b>	<b>£882,232</b>	<b>£843,994</b>	<b>£812,720</b>	<b>£837,889</b>

- Even with the donation mentioned above, cash balances reduced (-52%) from £525k coming in to 2017 to £250k at the end of 2019

LIQUID ASSETS	£998,499	£964,389	£950,826	£525,488	£316,199	£253,420	£250,668
Accruals & Deferred Income	£114,466	£52,349	£84,612	£74,489	£118,244	£56,680	£121,136

- The construction of the Society Building in 2015/16 also had a material impact on the Societies Balance sheet, reducing cash reserves significantly and introducing a significant Bank Loan into the Balance Sheet.

LONG & MEDIUM LOANS	£0	£0	£0	£346,022	£320,666	£299,747	£280,822
OVERDRAFT / OTHER	£0	£0	£0	£50,000	£0	£0	£0

- Building 'other income' linked to the County Show (trade stand sales, sponsorship etc) and other non-show related incomes (Grants and Gift Aid) have to a degree helped compensate for reducing core show revenues. (See Table above)

#### Outside of the Show:

- Building up show ground rental income was disappointing in 2019, in part because the one-off rental seen in 2018 was not repeated.
- More generally, the society has failed to deliver growth in 'off season show ground rental income over recent years, in part because of the restrictive nature of the show grounds Section 106 agreement, and also because the new cattle barn (which is not weather proof) has proven to be of little interest to potential third-party tenants.

Showground Hire	£94,013	£106,497	£124,425	£158,094	£202,573	£219,915	£157,698	£151,888
Investments Income	£10,221	£7,843	£6,635	£439	£1,273	£1,272	£1,771	£4,208
Sponsorship (ex Spn'shp 'in-kind')	£40,663	£32,218	£34,874	£36,451	£47,609	£40,643	£62,241	£42,100
Grants & Gift Aid	£0	£0	£0	£0	£0	£0	£40,253	£5,750
Subs & Membership etc	£29,730	£31,079	£30,345	£30,867	£30,278	£48,117	£28,046	£32,637

#### Society's strategy must reflect the realities of our situation and the needs of our community:

- As identified in the Trustees report in the 2019 Accounts, in recognition of the increased levels of regulatory oversight, the associated cost increases and risks of running an annual County Show, and the need to drive 'new revenues' from both the show (ticket sales, trade stands rentals, sponsorship) and the show ground (show ground lettings etc), a full review of roles and responsibilities (including staffing requirements of the society) was undertaken in 2019 which notably resulted in the creation of an Operations Manager role, the intention being that this function would manage / oversee all facets of the Showground and Show, funded in part by reducing the CEO role to a part time strategic and leadership role.
- This structure was finalised in January 2020, 2 months before the CV-19 Pandemic first arose.

### **Current Position:**

With CV-19 leading to the cancelation of both the 2020 show and the majority of show ground lettings, the BOT and Office Team worked to protect staff and stakeholders and to conserve cash, with key actions being:

- Staff Team: To initially make use of the Government's furlough scheme for the majority of our staff,
- Trade Stand Deposits: To repay all trade stand deposits (including those initially rolled on to the 2021 show),
- 2020 Show Obligations: Negotiate with all contracted suppliers to the 2020 show to minimise loss of deposit payments already made,
- Seek new lettings: for the showground, including the CV-19 drive in testing centre,
- Fixed Assets Review Group has been established to look at the Society's substantial property fixed assets base in order to ascertain whether or not there are untapped opportunities for income generation, and / or whether there are opportunities to capitalise on the freehold property and buildings, or parts thereof.
- Revised Show Options Group – has been established to consider whether there are ways in which the Society may continue to hold annual Shows going forward but on a much reduced risk profile.

As our financial position became clearer and the decision to cancel the 2021 show was made, steps were taken to reduce staff numbers through a number of redundancies, recognising the reduced level of activity expected in the short to medium term.

- Cash Accounting – for the majority of this year the BoT has been working to a cash accounting-based system of financial control and forecasting; updated and reviewed weekly in the early period then moving to monthly reviews with the considerable help of Susan Layton in the show office
- Communication – in a fast moving and extremely challenging environment, the BoT have been very mindful of the need to keep our staff, members and key stakeholders advised of key activities and decisions, and to explain why these actions are / have had to be taken; first to our communication to Members in March, and then again in communications to all Members and stakeholders in June, early in September, and more recently regarding the pending AGM on 25th November.

A new, simpler website, to replace the previous two websites, will be launched hopefully by Christmas. The key driver is to promote the Showground, rental of which is to a great extent our only source of income in the current environment. Even that is uncertain until the pandemic is properly under control.

### **Looking Forward:**

Once we have worked through the remaining challenges brought about by the far reaching implications of the Cv-19 pandemic, and mindful that these challenges have been made more onerous given the underlying cash position, the charity and your BoT will continue to be focused on the delivery of its core charitable objectives – to educate and promote the rural economy and all its facets to the general public. Specifically:

- In the short term we are focused on controlling costs and rebuilding revenues through the rental of the site – but S106 restrictions remain a real constraint, with negotiations with the Local Authority proving to be difficult, with very little help from the Council.

- Working with local schools, subject to pandemic constraints and our underlying financials, will continue to be a focus.
- Does that include running a large scale 2 day County Show? – Probably not, and certainly not at the scale or in the format we have been used to previously.
- Why? Promoting and underwriting annual shows of this nature carries significant financial risk – a risk that historically we have been prepared to carry based on our financial position and cash reserves. These reserves have been reducing over recent years as detailed above and were materially impacted by CV-19, and will need to be rebuilt to acceptable levels over coming years before Trustees can be comfortable that such events can be hosted with an acceptable level of risk, both to the Society and to the Charities Commission – should they choose to challenge.
- Agricultural Societies (whether charities or not) do not actually need to own their own showgrounds. There are plenty of Shows that rent land for their Shows, just as Hirers organising other events rent our Showground.
- The Society is a registered charity that has to work for public benefit. Our core objectives of education (in all its forms, not just focused on primary education) and promoting the rural economy in all its forms must take precedence over gambling on the success of a Show.

**At what point do we get the Go ahead for the next show and what financial position do we need to be in to get the go ahead?**

Context:

Historically the Society has had clear guidelines as set out in the Annual Accounts around our reserves policy in light of the main risks to the organisation. Its policy was that unrestricted funds not invested in tangible fixed assets held by the charity should represent between  $\frac{1}{4}$  and  $\frac{1}{2}$  (Approx. £200-£400k) of the annual expenditure of the Royal County of Berkshire Show, where this policy was based on the potential risks as the majority of income to the Society is generated over the 2 days of the show.

As already stated, 2020 has not only led to the cancellation of the 2020 (and more recently the 2021) show, but has also seen almost all 'site rental' based income wiped out.

Looking forward, the point at which we, the Board of Trustees on behalf of the Charity and Members give the 'go ahead' for a future show will depend on amongst other considerations:

- What sort of show (size, duration, target audience etc) are we intending to promote?
- What core assumptions have been made in developing the proposed format of the show (number of paying guests, average ticket price, number of trade stands, catering income etc) and from there,
- How do those core assumptions feed through to the proposed events business model?

Looking into the future, it is therefore reasonable to assume that only once the BoT have satisfied themselves that the business model and supporting financial plan of the proposed event are sufficiently robust, will consideration be given to the Society / Charity 'underwriting' the commercial risk

associated with that event, and only then on the proviso that the Society / Charity holds what is considered to be sufficient financial reserves – which in the circumstances is likely to be equivalent to a minimum of 50% of the projected event related costs.