

Finance Director Observations

Our Finance Director, Geoff Crouch, can't be with us today, but he would much rather be here than where he is! He is confident that his medical treatment will be successful and that he will be back very soon.

I have been asked to say a few words about our pandemic years and how we have weathered them from a financial perspective.

When we all entered completely uncharted territory in March 2020, the timing could hardly have been worse. As everyone here will appreciate, our finances are highly seasonal. We earn revenue and generate cash from March to October each year, and then – apart from the vital boost from the Santa Season – we meet our expenses for the winter period from what we have accumulated, and so on year by year.

So, when we cancelled the March 2020 Mother's Day Pullman, our cash was at its lowest point in the cycle. Like all prudent businesses we continually assess our risks and the likelihood of them occurring. Even the most prudent risk committees did not have plans in place for the once-in-many-centuries occurrence that was unfolding.

The operation was brought to an orderly halt and the word furlough entered our vocabulary. Keeping abreast of that government scheme and how we might participate in it became a very complex task. We were working on an emergency footing and would remain in that mode to this day.

Essentially, we were just like a household where, overnight, income is reduced to zero with complete uncertainty as to when it might return. There was some financial relief, for instance from business rates, but otherwise the fixed costs of the railway still had to be met each month on time. Insurance, utilities, rent. Many variable costs were reduced to virtually zero, but substantial funds still had to be found.

We have always operated on the 'cash is king' principle because many a profitable operation has hit the buffers when cash runs out and it can't meet its commitments.

Looking back, it's interesting that there was very little in the way of grant funding available in the early months of the pandemic. A small award via Ashford Borough Council was welcome but wasn't going to last very long.

It was with some relief then that the announcement came of the Government's Culture Recovery Fund. Success was no by means assured. It was certainly not a question of advising the Department of Digital, Culture, Media and Sport how much we needed and waiting for the cheque to arrive. I was asked to take the lead on the application and am indebted to those who assisted in a task whose importance was not lost on any of us. We had to establish our need for the money, the reasons why the Kent & East Sussex Railway is an important organisation to keep alive, our impact in the community and to the local economy, and the significance of the heritage in our care. We also had to demonstrate that we had a clear plan to return to viable operations once we could resume services.

Some anxious weeks went past, the deadline for an expected answer came and went, but eventually we received a positive response – we had been awarded the full £301,500 that we had applied for.

In calculating this amount we had worked on the principle that we should only call upon the public purse for the funds that we couldn't generate ourselves. It was a condition of the scheme that financial projections should assume that our site would be open to visitors throughout the period October 2020 to March 2021. The relief at the positive news about our application soon turned to concern when it became clear that the pandemic was worsening and our summer re-opening had been a false dawn. Over the six month period that was covered by the grant, we were open to the public for just a small number of days.

The management team made the extremely difficult recommendation to cancel the 2020 Santa season. I remain proud of their courageous decision-making based on values and the principles at stake. It simply wasn't right to encourage people to travel to Tenterden in those pre-vaccine days and to put our people and our community at risk.

Come the new year, a new tranche of the Culture Recovery Fund was announced. Success in Round 1 did not guarantee a positive outcome second time around. It was a condition that you could only apply for 50% of your previous award. We made the case that the cancellation of the Santas meant that we required a higher level of funding, and again received a positive response, this time being awarded £250,700 for the period April to June 2021.

To access the Culture Recovery money you have to provide an audit trail of invoices for every £1 spent and demonstrate that it was used for the intended purpose. I am pleased to say that with the outstanding support of the railway's accounts department, we were able to claim every penny that we were awarded.

Success in the second round meant a significant milestone could be achieved: bringing every member of our staff back from furlough, and preparations for a full reopening could take place. Again, the management team took a courageous decision. If we argued we were a transport operation we could open a month earlier. But the reality is that we are an educational charity and a tourist attraction. We should open the doors when those facilities were permitted to return to action. I'm certain that our careful and caring approach to the restarts have stood us in good stead with our visitors, and hopefully with all of you.

As well as the administration of the Culture Recovery Fund bids, we were able to receive government funding due to our enforced closure through applying for no less than 21 different grants administered by both Ashford Borough and Rother District Councils, totalling some £75,000.

The fundraising group also successfully applied to the Garfield Weston Foundation for a grant in support of the Terrier 150 project and received £25,000. To my knowledge, it's the first award the railway has received from such a foundation and allowed the work on both Terriers to continue despite the mayhem in the world.

And our members, friends and the general public helped us in supporting the 60th anniversary appeal and through legacies. The Marketing department and Fundraising group

worked together to introduce some innovative new approaches. Giving by text was introduced, there were radio interviews and press adverts in new publications for us. We should be very grateful for the generous support of every donor.

We have survived, and as Simon has said before, we are in rather better shape than we had any right to expect. Passengers have returned in numbers that are encouraging. The bills have been paid and we are in a position to cautiously invest in the railway. Examples include the new telehandler for the Permanent Way department and the new cherry picker for Infrastructure. Modern equipment that ensures work can be done safely and effectively.. And we have learnt some skills in fundraising that will be useful on an ongoing basis.

There have been changes, and some have been painful. We now have fewer members of staff: but our salary costs continue to be around £50,000 per month. Insurance and utilities add more than £10,000 on top of that. It's a lot of money to generate each and every month of the year.

We can't be sure that we are at the end of the Covid-19 road. If there is another wave or a new strain, and we are forced to close our doors again, we equally can't be sure that the same level of support will be there for us next time around.

All being well, there will be no further need for covid support funding or furlough. The financial year ahead must be one where we stand on our own feet. We are starting in a positive position. There has been much work behind the scenes, and much has been done by all of you in the particular roles you play to run and support our railway. We fail or succeed as a team. May the new financial year, starting very shortly with the Santas, be one where we can all pull together – unhindered by external circumstances- to do what we do best.

Geoff Crouch
Finance Director
November 2021