

Operations Management Plan

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Financial and Budgeting Plan

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1.0 - Executive Summary

This report evaluates the financial performance of a proposed 150-bedroom hotel development in Swansea's Copr Bay, delivered as part of a wider regeneration scheme. The analysis focuses on projected profit and loss performance, particularly in the first year of operation, as an indicator of financial viability. It examines key financial drivers, including anticipated revenues, operating costs, and overall profitability, alongside an assessment of long-term financial sustainability and risk.

The hotel is projected to generate diversified income streams from accommodation, food and beverage services, events, and leisure facilities such as a rooftop bar. While this diversification enhances revenue potential, the business model is underpinned by a high proportion of fixed costs, including staffing, utilities, and maintenance, which increases exposure to occupancy fluctuations.

Findings suggest that profitability is highly sensitive to occupancy levels and seasonal demand. Proximity to Swansea Arena is expected to generate strong event-driven demand; however, off-peak periods present a financial risk, as reduced occupancy may not sufficiently cover fixed operating costs. As a result, performance is closely tied to demand volatility.

Overall, the development presents strong revenue potential but carries moderate operational sensitivity rather than low financial risk. To strengthen viability, it is recommended that the project further diversifies revenue streams, maximises event-linked income, and implements strict cost-control measures to enhance resilience and long-term sustainability.

2. 0- Introduction

The aim of this assessment is to evaluate the profit and loss of the proposed Swansea Copr Bay hotel and assess its overall financial viability. It will determine whether the revenue generated from hotel operations is sufficient to cover both development and ongoing operating costs, while also delivering consistent long-term profitability. The analysis will consider key drivers of performance, including visitor demand, tourism growth, and the influence of nearby attractions such as Swansea Arena, which are expected to play a significant role in driving occupancy levels. Overall, the focus is on whether the hotel is likely to achieve a strong and sustainable profit and loss position and make a meaningful contribution to the local economy through long-term financial success.

3.0 - Main Findings

3.1- Profit and Loss Statement

A profit and loss statement, also known as an income statement, shows a business's revenue and expenses over a specific period and determines whether it makes a profit or a loss (Forbes, 2026; Zeni, 2025). It is a key tool for assessing financial performance and supporting strategic decision-making.

For the proposed Swansea Copr Bay hotel, the profit and loss statement provide essential measures such as gross revenue, operating costs, profit margins, and net profit. These figures allow management to evaluate efficiency, control expenditure, and assess overall profitability. It also highlights trends such as seasonal fluctuations in demand and changes in costs, which are particularly important in the hospitality sector where occupancy levels vary throughout the year.

Figure 1: Profit and Loss Statement – Year 1 (Proposed Swansea Copr Bay Hotel)

Revenue	Amount (£)
Rooms	£1,200,000
Food & Beverage Services	£400,000
Events & Conferences	£300,000
Additional Services	£100,000
Total Revenue	£2,000,000
Variable (Direct) Costs	Amount (£)
Cost of Goods Sold (COGS)	£700,000
Total Variable Costs	£700,000
Fixed Costs (Operating Expenses)	Amount (£)
Staff Salaries	£400,000
Rent / Property Costs	£150,000
Utilities	£80,000
Marketing & Advertising	£70,000
Insurance & Other Fixed Costs	£100,000
Total Fixed Costs	£800,000
Profitability	
Item	Amount (£)
Total Revenue	£2,000,000
Total Costs (Variable + Fixed)	£1,500,000
Net Profit	£500,000

The profit and loss statement for the proposed Swansea Copr Bay Hotel shows how the business generates profit in its first year by comparing total revenue with both variable and fixed costs. The hotel earns £2,000,000 in total revenue from rooms, food and beverage services, events, and additional services. From this, £700,000 is spent on variable (direct) costs such as food ingredients, housekeeping supplies, laundry, and other costs that change depending on hotel activity. A further £800,000 is spent on fixed costs, including staff salaries, rent or property costs, utilities, marketing, and insurance, which remain relatively stable regardless of occupancy levels. After all costs are deducted from revenue, the hotel achieves a net profit of £500,000. This indicates that the business is profitable in its first year, as it is able to cover both fixed and variable costs while still generating a surplus.

3.2 – Revenue Analysis

Revenue is the total income a business earns from selling goods and services over a set period (Square, 2026). The proposed Swansea Copr Bay hotel generates income from room bookings, food and beverage sales, events, and guest services, helping to diversify and stabilise revenue. Based on average visitor spending of £160 per stay, the hotel is expected to generate around £6.4 million annually. This is supported by tourism growth and demand linked to Swansea Arena, helping maintain steady occupancy levels.

Its location in a regeneration area further supports strong revenue potential, although income may still vary due to seasonal demand and economic conditions.

Monitoring profit and loss is essential in hotels, as it shows whether revenue covers costs and ensures profitability. Regular review helps managers control costs and make informed decisions to maintain financial stability (Purchase Plus, 2025).

3.3- Cost of Goods Sold (COGS)

In the context of the proposed Swansea Copr Bay Hotel, Cost of Goods Sold includes costs such as food and beverage ingredients, housekeeping supplies, laundry services, and the wages of staff directly involved in service delivery, such as chefs and housekeeping staff. It is a key financial metric because it directly affects gross profit. If these costs rise without a corresponding increase in revenue, profitability will decline. Therefore, effective management of Cost of Goods Sold, such as negotiating better supplier prices, improving operational efficiency, and reducing waste, is essential for maintaining strong financial performance (PI Accountancy, 2025).

3.4- Gross Profit

HSBC (2025) states that gross profit represents the financial gain a company achieves by subtracting Cost of Goods Sold (COGS) from total revenue. It shows how much profit a business makes from its core activities before operating expenses are considered. In the context of the proposed Swansea Copr Bay Hotel, gross profit reflects the income generated from key services such as room bookings, food and beverage sales, and events after the direct costs of delivering those services have been deducted.

This figure is important because it indicates how efficiently the hotel is generating profit from its main operations. A higher gross profit suggests strong revenue performance and effective control of direct costs, while a lower gross profit may highlight issues such as rising supply costs or inefficient service delivery.

3.5- Operating Expenses

Operating expenses include all costs required to run the day-to-day activities of a business (BDC, 2026). These costs are not directly linked to producing goods or services but are essential for overall operations.

For the proposed Swansea Copr Bay Hotel, operating expenses typically include staff salaries, rent or property costs, utilities such as electricity and water, marketing and advertising, insurance, and the wear and tear of assets such as buildings and equipment. These costs are important because they have a significant impact on operating profit within the profit and loss statement. After gross profit is calculated, operating expenses are deducted to determine operating profit. If operating expenses increase without a corresponding rise in revenue, overall profitability will decline. Therefore, careful management of operating costs at the hotel is essential for maintaining financial stability, improving efficiency, and ensuring strong performance in the hotel's profit and loss account.

3.6- Operating Income

Operating income, also known as operating profit, is calculated by subtracting total operating expenses from gross profit. It provides insight of the profit or loss generated from a business's core operations before non-operating items such as interest and tax are considered (Capital, 2026).

In the context of the proposed Swansea Copr Bay Hotel, operating income reflects how successfully the business is performing from its main activities, such as room sales, food and beverage services, and events, after accounting for running costs like wages, utilities, and marketing.

This figure is important because it highlights the efficiency of the hotel's core operations. A strong operating profit indicates effective cost control and strong revenue generation, while a low or negative figure may suggest high operating costs or weak trading performance.

3.7- Non-Operating Income

According to Investopedia (2025), non-operating income comes from activities outside a company's core operations, such as investment gains, interest income, interest expenses, and asset sales, and helps provide a clearer view of overall earnings.

For the proposed Swansea Copr Bay Hotel, this may include interest paid on development loans or interest earned on surplus cash. These items are recorded separately from operating income to distinguish core hotel performance from financial activities.

3.8- Income Before Taxes

Quarter Chart (2026) explains that income before tax, also known as pre-tax income, is the profit a business makes before tax is deducted. It shows how profitable a company is without including the impact of taxation. It is calculated by adjusting operating income to include non-operating items, such as adding investment income and subtracting costs like interest payments. For the proposed Swansea Copr Bay Hotel, income before tax shows the overall financial performance of the business after both normal hotel operations and other financial activities are included. It is an important part of the profit and loss statement because it gives a clear picture of profitability before taxes are applied, helping to show the hotel's true financial position.

3.9- Income Tax Expense

Income tax expense shows the amount of tax a business is required to pay based on its taxable income. It is calculated after income before tax has been determined and reflects the portion of profit owed to the government (Gurung, 2024).

For the proposed Swansea Copr Bay Hotel, this expense reduces the final profit available to the business. The amount of tax paid depends on profitability, as higher income leads to higher tax obligations.

This section is important because it directly affects net income, showing the true profit or loss of the hotel after all financial obligations have been accounted for.

3.10 - Net Income

Net income, often called the “bottom line” because it appears at the end of the income statement, shows whether a business has made a profit after all expenses are deducted from revenue. It represents the profit that can be either distributed to owners or reinvested into the business (Beaver, 2024).

For the proposed Swansea Copr Bay Hotel, net income is particularly important as it reflects the true profitability of the hotel and shows how effectively it manages both revenue generation and cost control. It summarises the overall financial performance of the business after all expenses have been accounted for.

3.11 – Cost Structure (Fixed and Variable)

The hotel’s cost structure can be divided into fixed and variable costs. Fixed costs, as defined by Hayes (2025), are business expenses that remain constant regardless of changes in output or sales within a relevant range. For the proposed Swansea Copr Bay Hotel, these include building maintenance, staff salaries, utilities, and insurance. These costs represent a significant ongoing financial commitment due to the capital-intensive nature of hotel operations.

This cost structure has a direct impact on the profit and loss statement, as fixed costs must be covered regardless of occupancy levels or demand. As a result, the hotel requires consistently strong revenue to ensure total income exceeds total expenses and generates profit. If revenue falls below expectations, the profit and loss statement will quickly show reduced profitability or potential losses, particularly during off-peak periods.

In contrast, variable costs change in direct relation to business activity. According to American Express (2024), these costs fluctuate depending on sales or production levels. For the hotel, this includes housekeeping per occupied room, food and beverage supplies, and event-related operational expenses. These costs are more flexible, allowing the business to adjust to changes in demand and manage overall costs shown in the profit and loss statement.

3.12- Key Performance Indicators

Key Performance Indicators (KPIs) are measurable indicators used to assess business performance (Qlik, n.d). The proposed Swansea Copr Bay Hotel can use KPIs such as profit margins, occupancy rate, and revenue per available room (RevPAR) to monitor how effectively it is generating revenue and controlling costs.

RevPAR is calculated by dividing total room revenue by the number of available rooms. For the proposed hotel, 150 rooms operating over 365 days results in 54,750 available room nights per year. With projected room revenue of £1,200,000, RevPAR is approximately £21.92, representing the average revenue generated per available room. Although the hotel is forecast to achieve a net profit of £500,000 in its first year, this relatively low RevPAR suggests that room revenue performance is relatively low. This indicates potential weaknesses in either occupancy levels, pricing strategy, or a combination of both.

To improve profitability, the hotel could implement dynamic pricing to increase room rates during periods of high demand, enhance its overall value proposition, and boost occupancy through targeted marketing campaigns and strategic partnerships, such as with Swansea Arena. Strengthening these areas would help improve RevPAR and better align revenue generation with the hotel's available capacity.

4.0-Conclusion

Overall, the analysis indicates that the Copr Bay Resort Hotel is financially viable in its first year, with an estimated £500,000 profit driven by strong room revenue and additional guest spending. KPIs such as ADR, RevPAR and TRevPAR demonstrate effective pricing and solid revenue potential within Swansea's growing tourism market.

However, profitability remains highly sensitive to occupancy due to the hotel's high fixed costs, meaning even small changes in demand could significantly affect performance. External pressures, including inflation, rising wages and increased energy costs linked to the wider economic impact of the war, also present ongoing risks to margins. Revenue projections may be impacted by economic conditions such as inflation, which can reduce discretionary spending on travel and hospitality." Rising energy costs and wage inflation, influenced by wider economic and political factors, may increase operating expenses and reduce profit margins."

While strong demand linked to Swansea Arena offers clear growth potential, weaker-than-expected occupancy or poor cost control could quickly reduce profitability. As a result, long-term success will depend on effective revenue management, accurate forecasting, and tight cost control to maintain stable occupancy, cash flow, and overall financial resilience.

5.0-Recommendations

The Copr Bay Resort Hotel has a strong business model, but several key actions are recommended to maximise revenue and ensure long-term financial stability.

During off-peak periods, the hotel should introduce targeted promotions such as mid-week discounts, package deals (e.g. dining, spa, or events), and early-bird offers to boost occupancy. A dynamic pricing strategy should also be used to adjust room rates in line with demand, local events, and competitor activity, particularly around Swansea Arena.

To reduce reliance on room revenue, the hotel should diversify income through stronger development of food and beverage services, rooftop bar operations, conferences, weddings, and other events, helping to increase TRevPAR and improve resilience to seasonal demand.

Stronger marketing is also essential, including digital promotion, social media engagement, and partnerships with Swansea Arena and local tourism businesses to increase visibility and attract consistent visitor flow.

Operationally, strict cost control is required through regular monitoring of the profit and loss statement to identify inefficiencies early. Energy-saving measures and sustainable practices should also be implemented to reduce rising utility costs.

In addition, flexible staffing aligned to occupancy levels will help control labour costs, while improved forecasting using KPIs such as ADR, RevPAR, and occupancy trends will support better financial decision-making.

Overall, these recommendations will improve occupancy, strengthen revenue streams, reduce costs, and ensure sustainable profitability in a competitive and fluctuating market.

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