

**SPECIAL ALEXANDRA PALACE AND PARK  
BOARD**

**19 MARCH 2009**

**TABLED ITEM**

**AGENDA    REVISED BUDGET AND BUSINESS  
ITEM 4    PLAN 2009 - 2010 (PAGES 1 - 24)**

Report of the General Manager  
Alexandra Palace – To inform the Board  
of the proposed budget and business  
plan 2009/2010.

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## Agenda Item

Agenda item:

Special Alexandra Palace and Park Board

19<sup>th</sup> March 2009Report Title: **Alexandra Park and Palace Budget 2009/10**Report of: **David Loudfoot, General Manager****1. Purpose**

- 1.1 To seek the approval of the Board for the Trust budget for 2009/10 and the associated level of revenue support required from the local authority.

**2. Recommendations**

- 2.1 That the Board consider the estimates attached and agree the levels of expenditure.
- 2.2 That the board agree to delegate to the General Manager the setting of the APTL licence fee for the coming year.
- 2.3 That the Board formally request the local authority to agree to provide the sum of £2.0m required to balance the revenue budget for FY 2009/10 out of its corporate resources.
- 2.4 That the Board formally request of the local authority that £300k of capital funding be provided.
- 2.5 The Board formally advise the local authority, once they have decided upon the future of the development project, if they require additional revenue funding support in FY 2009/2010 and beyond.

Report Authorised by:



**David Loudfoot, General Manager** .....

**Helen Downie, Head of Finance** *H. Downie* .....

Contact Officer: **David Loudfoot, General Manager, Alexandra Park & Palace, Alexandra Palace Way, Wood Green N22 7AY Tel No. 020 8365 2121**

<p><b>3. Executive Summary</b></p> <p>3.1 The Board is required to formally request financial support of £2.0m from the Council as set out in paragraph 6.7.</p> <p>3.2 The board is requested to note the capital requirement of £300k as detailed in para 6.6(e) for 2009/10 and the requirement to make a formal request to the council for this funding. The depreciation amount this will generate is already included in the overall revenue budget</p> <p>3.3 There is a risk of failure of the ice rink plant due to its age and an associated risk of significant impact upon the budgeted gift aid from APTL if the ice rink was unavailable for any length of time. Officers of APTL and the Charity are examining the options and preparing contingency plans.</p> <p>3.4 There is significant general risk to the budgeted income via gift aid due to the recession. This is demonstrated by the current year forecast and outturn against budget.</p>
<p><b>4. Reasons for any change in policy or for new policy development (if applicable)</b></p> <p>4.1 N/A.</p>
<p><b>5. Local Government (Access to Information) Act 1985</b></p> <p>5.1 No specific background papers were used in compiling this report.</p> <p>5.2 For further information contact David Loudfoot, General Manager, Alexandra Palace, Alexandra Palace Way, Wood Green, London, N22 7AY. Tel. 020 8365 2121</p>

**6. Description**

- 6.1 The budget estimate is shown at Appendix 1 to this report. The budget has been drawn up with full consideration of the current economic climate as well as the need to undertake various works to the building to prevent any further deterioration of the fabric and ensure the target gift aid payment from APTL can be delivered.
- 6.2 As part of the budget process, the trustees need to consider the setting of the Licence fee to APTL which can be reviewed if required. However in the current economic climate a rise would not be advisable. The officer recommendation is that the authority for review and setting of the licence fee is delegated to the General Manager.

- 6.3 If the development project is to be continued then additional funding will need to be provided. This will be dependent upon the outcome of the trustees' deliberations which are currently ongoing. The budget currently only allows £30k for expenditure in this area which can only be considered sufficient for initial feasibility. Any further work to be undertaken, for example a substantive marketing and consultation exercise would require additional funding to be identified.
- 6.4 The trust's income will derive from the following sources;
- \* Income from community events in the park;
  - \* Concession income, including the licence fee from APTL
  - \* Lease income;
  - \* Service charges for leased buildings;
  - \* APTL gift aid payment (estimated at £600k).
- 6.5 Prime costs expenditure is limited to staffing costs for the management/governance of the charity; planned maintenance to the main building and security provision for both the building and the park. Total prime costs are £1.5m of which £918k is allocated for security and engineering maintenance contracts.
- 6.6 Fixed and Variable overheads
- a. The fixed overheads total of £401k has within it NNDR for the Palace, general insurances including public liability, audit fees, legal costs and central administrative charges which cover the committee secretariat for the servicing of five meetings each administrative cycle, postage and the use of the service by associated bodies.
- b. Variable overheads amounting to £1.02m reflect ongoing repairs to the building and equipment. Specific repairs and maintenance planned for the year total £376k. This includes;
- Building fabric
- £45k East Pavilion roofs ( will be used for matched funding from EH)
  - £20k Palm Court/ east entrance high level roof repairs
  - £15k Flooring repairs
  - £15k External painting
  - £10k Lime render repairs at low level
  - £10k Glazing repairs to Great Hall roof
- Equipment repairs
- £15k Ductwork repairs
  - £10k Air handling system repairs
  - £10k Emergency lighting batteries
  - £10k Lift repairs
  - £5k Replacement filters for kitchen extracts

- c. Professional fees of £97k covers on-going legal advice, consultant support and marketing as well as the financial and HR support provided by the trading company. £142k of expenditure on park maintenance and cleaning has been included in order to maintain the benefits achieved via the HLF Project which has now been completed and resulted in the award of a Green Flag. The remaining items within this category are self-explanatory.
- d. The charity's budgeted revenue deficit, after the budgeted £600k gift aid payment from APTL, is £2.0m. It will be necessary to formally seek financial support from the local authority for this amount.
- e. The Charity's revenue budget includes depreciation on existing assets of £101k and on new capital purchases of £56k for the year. This is based on capital purchases of £300k being made during the course of the financial year. This budget has been set in consultation with the trading company and consists of capital purchases which are essential to the delivery of the target gift aid payment for 2009/10.

The most urgent needs have been identified as :

Replacement flooring for west hall  
Replacement industrial dishwasher  
Replacement cleaning machines and equipment for halls  
Expansion of IT capability to include events diary and remote access  
Serveries and catering equipment refresh programme.  
A/V and wireless IT facilities in meeting rooms

It will be necessary to formally seek approval from the local authority in respect of this capital budget. Council officers have suggested this be supported by specific business case submission to the council. The Board should note that APTL's business plan upon which the covenant is based assumes the capital funding be provided and the covenant will be negatively affected without this expenditure.

It should also be noted that the risk of failure of the ice rink plant remains and the trustees need to be aware that such failure would have a significant impact upon the out-turn due to lost income and that replacement of the plant would require in excess of £1.1m capital. The board should consider preparing a feasibility study/business case for the replacement of the aged plant in the ice rink. The board should also note that there is no indication at this point that the council would be willing to fund the works.

- 6.7 The trusts budgeted out-turn, having considered the above income and expenditure is £2,003,965. The trust's funds continue to be in deficit and in consequence this amount of funding support will have to be requested from the council.

- 6.8 The operating loss of £2.60m before the covenant is lower than the 2008/9 budget figure of £2.68m. However the effect of the reduced available covenant is that the budgeted funding required from the council will rise to £2.0m. (09/10)

The council did not agree to the trustees requested £210k of capital support in 2008/9 and only a very limited number of essential items were purchased. The trustees requirements this year amount to £300K. It should be noted that this funding is essential to the function of APTL in delivering the events programme.

- 6.9 The council has set its budget for support to the trustees at £1.728m, if the trustees agree the above budget they will need to notify the council of the additional support above that which the council has already agreed.

## **7. Consultation**

- 7.1 No specific consultation requirement arises from the content of this report.

## **8. Conclusion**

- 8.1 The Charity's expenditure for the coming year exceeds the income that it can generate and support from the local authority for the sum of £2.0m will be required.
- 8.2 The Trust will also require £300k capital funding for the year.
- 8.3 The current economic conditions present significant risk to the budget as does the potential failure of the ice rink.

## **9. Recommendations**

- 9.4 That the Board consider the estimates attached and agree the levels of expenditure.
- 9.5 That the board agree to delegate to the General Manager the setting of the APTL licence fee for the coming year.
- 9.6 That the Board formally request the local authority to agree to provide the sum of £2.0m required to balance the revenue budget for FY 2009/10 out of its corporate resources.
- 9.7 That the Board formally request of the local authority that £300k of capital funding be provided.
- 9.8 The Board formally advise the local authority, once they have decided upon the future of the development project, if they require additional revenue funding support in FY 2009/2010 and beyond.

**10. Legal Implications**

- 10.1 A copy of this report has been sent to the Trust Solicitor.
- 10.2 A copy of this report has been sent to the LBH Head of Legal services

**11. Finance Implications**

- 11.1 Beyond the amount of £30k for fees, this budget does not include any expenditure on the development process which, if required, will be separately identified and requested from LBH.
- 11.2 It should be noted that the Trust relies each year on the APTL gift aid payment to balance the budget. This presents a risk to the charity at the year end if trading conditions impact the company's performance. This risk also flows through to LBH and is magnified by the fact that the majority of the APTL profit being derived in Q4.
- 11.3 The ice rink refrigeration and ice pad system is at risk of failure due to ageing; such a failure would have a significant impact upon the trading outcome and replacement would require in excess of £1.1m capital funding. This has not been allowed for in this budget.
- 11.4 The budget has been drawn up with full consideration of the current economic climate as well as the need to undertake various works to the building to prevent any further deterioration of the fabric and ensure the target gift aid payment from APTL can be delivered.

**12. Use of Appendices/Tables/Photographs**

- 12.1 The detailed budget estimate is shown at Appendix 1.
- 12.2 The business plan is shown at Appendix 2
- 12.3 The comment of the LBH CFO are shown at appendix 3



## Consolidated Alexandra Palace 2009-10

	Annual Budget 2008/09	Forecast 2008/09	Variance on budget	% Variance	Annual Budget 2009/10
<b>INCOME</b>					
SUNDRY SALES	4,000	1,270	(2,730)	-68%	5,000
COMMUNITY EVENTS INCOME	53,000	43,147	(9,853)	-19%	50,000
CONCESSION INCOME	164,450	161,895	(2,555)	-2%	165,000
LEASE INCOME	87,325	124,292	36,967	42%	119,350
SERVICE CHARGES	8,000	27,563	19,563	245%	12,000
<b>TOTAL INCOME</b>	<b>316,775</b>	<b>358,168</b>	<b>41,393</b>	<b>13%</b>	<b>351,350</b>
<b>EXPENDITURE</b>					
SALARIES	261,381	308,248	(46,867)	-18%	294,145
PARK CONTRACT	250,000	236,080	13,920	6%	265,000
SECURITY/ENG CONTRACTS	758,000	819,028	(61,028)	-8%	917,500
PARK SECURITY CONTRACT	40,000	40,000	0	0%	30,000
<b>TOTAL PRIME COSTS</b>	<b>1,309,381</b>	<b>1,403,356</b>	<b>(93,975)</b>	<b>-7%</b>	<b>1,506,645</b>
<b>FIXED OVERHEADS</b>					
GENERAL RATES	44,000	41,580	2,420	6%	48,000
GENERAL INSURANCES	250,000	256,776	(6,776)	-3%	240,000
AUDIT	20,000	21,401	(1,401)	-7%	22,000
LEGAL COSTS	41,000	41,000	0	0%	40,000
CENTRAL ADMIN. CHARGES from LBH	42,000	42,975	(975)	-2%	51,000
<b>SUB TOTAL FIXED O'HEAD</b>	<b>397,000</b>	<b>403,731</b>	<b>(6,731)</b>	<b>-2%</b>	<b>401,000</b>
<b>VARIABLE OVERHEAD</b>					
REPAIRS - BUILDINGS	311,000	117,758	193,242	62%	205,000
REPAIRS - ROAD	50,000	43,208	6,792	14%	60,000
MAINTENANCE - BUILDING	120,000	82,305	37,695	31%	90,000
REPAIR/ MAINTAIN - EQUIPMENT	98,000	135,211	(37,211)	-38%	81,000
MAINTENANCE - PARK	100,000	101,059	(1,059)	-1%	125,000
CONTRACT CLEANING park toilets	12,500	12,500	0	0%	16,500
INTERNAL AUDIT	5,000	0	5,000	100%	5,000
PROFESSIONAL FEES	92,500	142,235	(49,735)	-54%	97,155
UTILITIES	17,000	32,751	-15,751	-93%	41,584
COMMUNITY EVENTS (fireworks)	90,000	96,375	(6,375)	-7%	100,000
MARKETING EXPENSES	10,000	775	9,225	92%	5,000
GENERAL OFFICE COSTS	15,400	21,821	-6,421	-42%	27,950
STAFF TRAINING AND WELFARE	820	933	-113	-14%	5,900
DEPRECIATION - Existing assets	160,000	99,817	60,183	38%	101,331
DEPRECIATION - New Assets					56,250
<b>TOTAL VARIABLE OVERHEADS</b>	<b>1,082,220</b>	<b>886,747</b>	<b>195,473</b>	<b>18%</b>	<b>1,017,670</b>
Development Costs	210,000	145,574	64,426	31%	30,000
<b>ALL OVERHEADS</b>	<b>1,689,220</b>	<b>1,436,053</b>	<b>253,167</b>	<b>15%</b>	<b>1,448,670</b>
<b>TOTAL INCOME</b>	<b>316,775</b>	<b>358,168</b>	<b>41,393</b>	<b>13%</b>	<b>351,350</b>
<b>TOTAL EXPENDITURE</b>	<b>2,998,601</b>	<b>2,839,409</b>	<b>159,192</b>	<b>5%</b>	<b>2,955,315</b>
<b>TRUST OPERATING LOSS</b>					
APTL covenant	(2,681,826)	(2,481,242)	200,584	7%	(2,603,965)
<b>TRUST TOTAL OPERATION</b>	<b>(1,681,826)</b>	<b>(2,031,242)</b>	<b>(349,416)</b>	<b>-21%</b>	<b>(2,003,965)</b>

## APPENDIX 1

### **Strategy and Objectives of the Alexandra Park and Palace Charitable Trust.**

#### Preamble

The last review of the strategy and objectives of the charity took place in the late 1990's and a report was presented to the Board by the [then] Trust solicitors, Malkins.

The draft was presented to the Board of charity trustees on 16<sup>th</sup> November 1998. At this meeting the Board resolved that subject to its responses to previous comments by both the Advisory and Consultative Committees being included where necessary the document be re-submitted to the Board for final approval.

#### **THE OVERALL STRATEGY AND OBJECTIVE OF ALEXANDRA PARK AND PALACE CHARITABLE TRUST.**

#### **1. Background**

1. The London Borough of Haringey (the Trustee) took over Alexandra Park and Palace from The Greater London Council on 1<sup>st</sup> January 1980.

2. In 1967 the High Court of Justice, Chancery Division held that the statutory trusts upon which an owner held Alexandra Park and Palace were charitable. The consequences of these trusts being charitable are far reaching. The trusts were not registered with the Charity Commission by the [then] Greater London Council. They were however so registered by the transferor trustee, the London Borough of Haringey on 25<sup>th</sup> March 1981. Many of the issues the charity has faced over the years have arisen because of the constraints of charity law, the influence of local government law and the conflicts between them.

## 2. Charity

1. The generally recognised legal definition of Charity is as follows :-

*“Charity in its legal sense comprises four principle divisions: Trusts for the relief of poverty; Trusts for the advancement of education; Trusts for the advancement of religion and Trusts for other purposes beneficial to the community not falling under any of the preceding.”* [Lord MacNaughton in ITC-v- Pemsel (1891)].

## 3. Principal Object

1. The reason the High Court held the Trusts in this case were charitable was because they were trusts for *‘other purposes beneficial to the community’* namely the Trustees duty to maintain the Park as an open space and keep the Park and Palace available for free use and recreation of the public forever.
2. It is worth underscoring the fact that the Trustees’ obligations are to the public at large and not just Haringey residents. The Trustees stand by the principle of the **“Palace of the People”**.

3. This is the principal object of the Charity. The Trustees have been given wide statutory powers to enable them to meet this principal object.

#### 4. Overall Strategy

1. The Trustees recognise the need to make the Charity's activities profitable. *It is only by establishing profitability and making profits that the Trustees will be able to improve the Charity's assets and widen their availability to the public.*
2. The Trustees recognise that subject to ensuring the future running of the Charity is put on a sound financial footing, it will have to pay to the Council a capital sum, out of any sum received on the grant of a building lease. The Trustees recognise that the Charity faces a claim by the Council in respect of already incurred and continuing revenue deficits.
3. The Trustees wish to maximise the Charity's income and profit consistently with the principal object of maintaining the Park as an open space and keeping the Park and Palace available for the free use and recreation of the public forever.
4. The Trustees can categorise their activities as :-
  - (a) non-profitable activities beneficial to the community (for example, the maintenance and upkeep of the Park and the fireworks display)
  - (b) profitable business and recreational activities which support the primary work of the charity
5. The Trustees recognise that they need to try to ensure that the profitable business and recreational activities generate sufficient profit to meet the costs of non-profitable activities. The Trustees intend to continue to run the Charity's current core business, and keep the Palace and Park available for free use and recreation of the public.
6. The Trustees are anxious to identify further profitable business within existing powers and profitable recreational activities to enable them to:
  - a. establish overall profitability;
  - b. provide against the contingent liability of the Council's revenue deficit claims;

- c. extend the range of their non-profitable activities beneficial to the community;
- d. generate sufficient profit to carry out further re-building and/or restoration of the Palace

7. Following the decision of the Charity Commission in September 1995 (that it was willing to consider promoting a Scheme) the Trustees have selected a Preferred Developer. It is their ultimate objective, once they are empowered by a Charity Commission Scheme, to enter into a building agreement with the Preferred Developer which provides for a grant of a 125 year lease. The area subject to the Agreement and Lease will be the Palace Building and the immediate surround referred to as "*the Development Footprint*".

## **5. The Park**

1. The Trustees will not build or allow building in the Park except:
  - a. construction of a multi-storey car park at the rear of the Palace as authorised in the 1983 Planning Permission possibly to replace existing car park areas which shall be restored to the Park;
  - b. for recreational opportunities;
  - c. ancillary to existing or potential leisure use, specifically pavilions, changing and/or toilet facilities.
2. The Trustees will explore the possibility of restoring the Pavilion car park to the Park.

## **6. Transport**

1. The Trustees recognise and accept the necessity for improved public transport links to Alexandra Palace. The Trustees will consider the available options.
2. The Trustees have encouraged representations to be made to Railtrack and the relevant railway companies encouraging improvements to Alexandra Palace Station to facilitate the proposed Thames Link Services particularly the lengthening of the platforms.

**7. General**

1. The Trustees recognise the Alexandra Palace as a building of national historical significance which has now been listed. This contributes to its attraction for visitors and potential profitability.
2. The Trustees will endeavour to preserve the presentation of identifiable features which give the Palace its unique historic character.
3. In order to identify such features the Trustees will, where appropriate, consult with the relevant historic and conservation bodies.

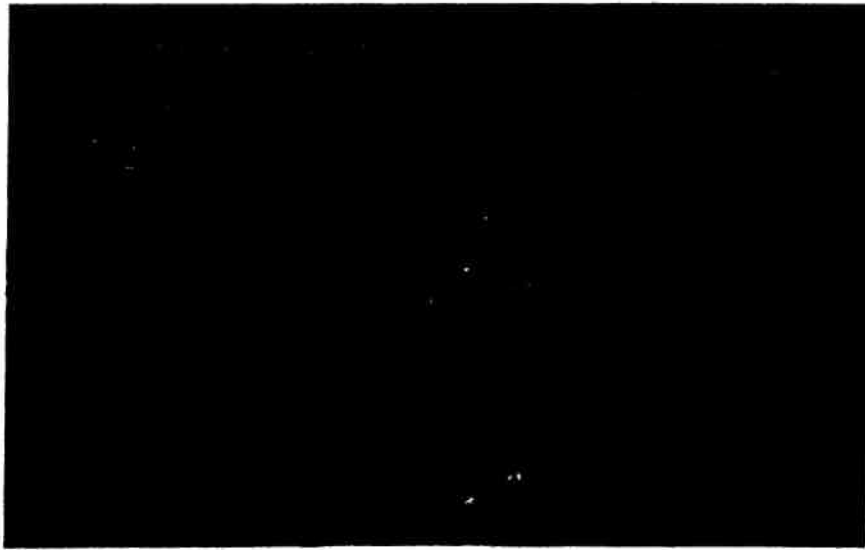
**BULLET POINT SUMMARY**

1. Principal Objects
  - (a) Maintenance of Park as an open space
  - (b) Keep Park and Palace available for free use and recreation of the public.
2. To establish overall profitability in order to achieve its charitable objects.
3. To continue to seek Partnership/Lottery or other funding for business and recreational development.
4. Not to allow building in the Park (subject to very limited exceptions)
5. To pre-empt by profitable development of the Palace the need to sell any assets
6. To continue to investigate transport links and ultimately bring forward authorising legislation if necessary in order to make the Palace and Park more accessible to people throughout London.

**APPENDIX 2**

Alexandra Palace and Park Charitable trust

**Business Plan  
Period 2009/10**



### **Introduction and Mission statement**

This document has been drafted to provide background and context to the trustees' budget requirements for the year 2009/10. It also identifies priorities for the trustees and sets out the objectives for the coming year.

The trustee's (draft) mission statement is **"Working to ensure the Palace and Park is a premier recreation facility for the public"**

In seeking to deliver upon this mission statement the trustees recognise the unique venue that the Palace provides and the value to the local community of the Park and its facilities.

Alexandra Park and Palace has a long history as a popular destination for leisure dating back to the 1860's. The origin of the charity is in the 1900 act of parliament titled the "Alexandra Park and Palace (public purposes) Act 1900. The act established a "body of trustees to acquire Alexandra Park and Palace and other lands and to hold them for the unlimited use and recreation of the public forever".

The trusteeship of the charity was passed to the London Borough of Haringey (LBH) from the Greater London Council (GLC) in 1980. The objects and powers of the charity and trustees are contained in various acts of parliament and orders known collectively as the Alexandra Park and Palace Acts and Orders 1900-2004.

The charity governance is delegated by the corporate trustee (LBH) to a board of the local authority known as the Alexandra Palace and Park board. This delegation means that the individual members of the Board are, as a matter of charity law the "charity trustees." In consequence they are responsible for all the charity does and how it does it.

The board currently consists of seven trustees who are elected members of the council and three non voting representatives. These are drawn from the Alexandra Palace and Park Consultative Committee which advises the board of the views and desires of the park and palace user groups and also gives opportunity to those local and national organisations that wish to have an input into the operation of the charity.

The board is also advised by a (Statutory) advisory committee which consists of local residents associations and ward councillors from the adjacent local wards along with two council wide representatives.

The day to day operation of the Charity is undertaken by the General Manager appointed by the board of trustees. The General Manager acts as the head of service for the charity staff and attends all board meetings.



The Palace building was badly damaged by fire in the summer of 1980 and has only been partially restored. Approximately 40% remains derelict. The trustees continue to explore means by which full restoration can be achieved.

The modern interpretation of the historic park was achieved via a landscape project between 2003 and 2007 which updated much of the work undertaken in the previous decade. The success of this can be proven by the award of a green flag measure of excellence in 2008.

The council has been advised that it has a continuing duty to fund the charity following exhaustion of the charity's funds. The rebuilding of the building in the 1980's brought the charity to a position where its funds were exhausted and the Council has provided funds to meet the charity's annual projected revenue deficit ever since this became the case. Whilst the Council has to date attached conditions to this funding, namely that the charity progresses with its attempt to grant a holistic lease for development of the Palace (but not the parkland), this position is likely to be part of the ongoing discussion in relation to the charity's future strategy and objectives.

The charity has constituted a trading company to undertake the delivery of events and operation of the main Palace building and the ice rink; this trading subsidiary covenants its profits back to the charity in a tax efficient manner each year, this maximises the benefit to the charity of the events programme.

To deliver on their mission statement the trustees have identified a series of aims/objectives and actions to be undertaken:

AIM:	Means of Implementation( proposed action)
Maximise the use and enjoyment of the Palace and Park	<ul style="list-style-type: none"> <li>• Increase the number of community events held in the Park and Palace.</li> <li>• Commission works to enhance the building exterior and the overall environment of the park.</li> <li>• Work alongside APTL to increase the number of events taking place.</li> <li>• Increase advertising and public awareness of the events in the park and palace.</li> <li>• Improve the availability of information to park users.</li> <li>• Encourage the various local interest groups (friends of the park, studios, organ and theatre) to arrange events and attractions.</li> <li>• Continue to maintain the park to green flag standard.</li> <li>• Develop a programme of capital expenditure targeted towards enhancing the ability of the trading company to deliver quality events.</li> </ul>
Minimise the costs of the charity	<ul style="list-style-type: none"> <li>• Review tendering arrangements for contracted services such as legal services and other significant costs.</li> <li>• Work in conjunction with APTL to minimise the costs of building fabric repairs whilst maximising the benefit of the expenditure.</li> <li>• Work in conjunction with APTL on branding and advertising.</li> <li>• Review costs and contracts on a regular basis.</li> <li>• Further develop the volunteer workforce for the park.</li> </ul>
Enhance the visitor experience	<ul style="list-style-type: none"> <li>• Develop and implement a programme for redecoration of the palace interior and exterior.</li> <li>• Develop a long term maintenance plan for the building fabric.</li> <li>• Work in conjunction with APTL to improve the image of the Palace and park as a major venue.</li> <li>• Develop a programme of volunteer projects to improve the park environment and landscape.</li> <li>• Undertake a public consultation as to satisfaction with the current services and events in the Park and Palace.</li> <li>• Maintain the park management plan so as to ensure retention of Green flag standard and award.</li> </ul>
Improve efficiency and focus of organisation.	<ul style="list-style-type: none"> <li>• Complete the Implementation of the governance and strategy review that is underway.</li> <li>• Implement enhanced trustee training and education.</li> <li>• Enhance links and understanding between the major stakeholders, Charity LBH, APTL and the public</li> <li>• In conjunction with the trading company develop a 3-5 year plan for both organisations.</li> <li>• Improve the performance management of contractors and staff by cross referencing staff performance to the trustee aims as part of the appraisals process.</li> <li>• Increase the number of regular board meetings to 5 per year.</li> <li>• Hold trustee away days for consideration of strategy and objectives</li> </ul>

Progress on these aims, actions and aspirations will be reported to the trustees through the provision of regular management reports to the board.

**Resources:**

Including the General Manager, the charity retains a small core staffing complement, with a dedicated parks manager and office/reception staff to facilitate the upkeep of the operation and a fire officer to ensure fire safety is embedded in the estates infrastructure.

The total cost for the charity staff is £294,145

The majority of service delivery is provided by external contractors for Parks maintenance, Site security and regular planned maintenance.

Direct expenditure on the Park including items such as grounds maintenance contract, litter removal, tree works, path and road repairs amounts to £ 496,000.

Direct expenditure on Maintenance of the building including repairs and contract costs amounts to £724,000

The expenditure on the Security function for the site amounts to £568,000

**Overview of total income and expenditure**

Income (direct)	£351,350
APTL covenant	£600,000
<b>Total income</b>	<b>£ 951,350</b>
<b>Expenditure</b>	<b>£(2,955,315)</b>
<b>Total trust operation</b>	<b>£(2,003,965)</b>

**Forward Planning**

The charity trustees recognise that in the medium and long term, they have to find a means to address the dereliction in the building, the costs of this will be in excess of £35 million for restoration of the building and a further £50 million for operator fit out and construction costs. This is beyond the ability of the trustees to raise funds themselves.

For many years, the chosen path for achieving this refurbishment has been the strategy of attracting a single developer to take the entire Palace building on a long lease. However, in the final stages of implementation, the project collapsed due to a High Court challenge to the Charity Commission's process of consultation on the project. The selected lessee has withdrawn its interest in the project. This has left the trustees free to reconsider all available options.

At the time of writing, the trustees have embarked upon such a programme of review and are considering both the governance and the overall strategy of the charity.

An action plan has already been put in place for the improvement of the governance of the charity and trustees are monitoring the progress of this.

In the coming year they intend to focus on reviewing the strategic direction of the charity.

It is intended that this review of strategy will be completed by means of a series of trustee away days, and it will be completed by the end of the year. This process will include consideration of many factors including those listed below:

**Potential Strengths:**

- Trading company being a recognised brand in its main market.
- Continuing financial support from LBH for the revenue operation
- History of the Palace and Park.
- Regulated by the charity commission.
- Parkland has already been regenerated and is very popular

**Potential Weaknesses:**

- Physical Condition of Palace (40% derelict)
- Existing facilities tired and need refurbishment but funding unavailable without external partnerships.
- Lack of ability to attract external capital investment due to uncertainty about the future.
- Location of nearby residential properties leads to conflict around noise and expansion of the events programme.
- Common Perception of travel links being poor.
- Insufficient car parking for larger events.

**Perceived Opportunities**

- Potential for APTL to grow now that it has been reinvigorated and is pushing for new trade.
- Potential for APTL to expand its repertoire and for new income streams to be developed.
- Potential for a new development scheme for the Palace.
- Potential for external partnerships.
- 2012 tourism factor.
- Enhanced engagement with advisory bodies.
- Change of trustee.
- Heritage interest in building.
- Heartlands school opening next to the parkland in the near future.

### **Perceived Threats**

- Public may campaign against further development attempts.
- Adverse publicity from such campaigners affecting commercial customers' perceptions of the Palace
- Increased competition from new exhibition centres (i.e. Farnborough, O2,)
- Impact on the charity /APTL if the economic downturn is prolonged
- Potential for price war at beginning of economic upturn.
- Charity commission intervention on trusteeship.
- Legal action by the first developer.
- Restricted level of funding available from LBH.
- Failure of ice rink plant which is design life limited.
- Long term deterioration in fabric of building
- Long term changes in the political structure of LBH

**Once the review is complete it will be formed into an action plan to implement the revised strategy and will guide future business planning.**

### **Future Trends**

The maintenance costs of the main building are a considerable proportion of the expenditure, much of the derelict proportion is in poor condition and there is a growing need for expenditure to halt further deterioration. The current plant and machinery for the exhibition halls and ice rink was fitted in the mid to late 1980's and much of this is now at the end of its economic life.

During the coming year a programme of phased refurbishment / replacement will be devised.

The current economic conditions are not favourable to growing the exhibition business, nor are they well suited to a redevelopment of the building for public leisure, this position may change as the economy picks up but at the time of writing there is too much uncertainty on timescales to allow the trustees to anticipate the best timing for such an opportunity. The trustees will undertake research on this during the year.

Thus the financial trend for the coming few years must at best be for the deficit revenue funding requirement from LBH to remain at around £2m per annum and the growing pressure for capital investment will also need to be addressed.

The trustees intend to research alternate funding streams to allow the desired improvements to the building to be realised.

This business plan will be reviewed and revised at the end of 2009 to take into account the changes that develop as part of the reviews that are underway and to incorporate the action plan as part of the process.

## **The Charity's Strategic Direction and Objectives**

### **Strategic Direction**

As set out in the trustees aims, the current strategic direction is to manage the building and the trading subsidiary in the best possible fashion to maximise the income from events in order to minimise the revenue deficit which is funded by and out of the resources of the corporate trustee.

In recognition of the value placed upon the park by the local population, regardless of any future development project for the Palace building, the trustees intend for the charity to retain direct management and control of the parkland.

The main priority in the coming period will be developing policies for the future direction of the trusteeship and the security of the charity by means of a strategic review of their options for the main building.

### **Objectives**

The principle charitable objects are the provision of recreation and leisure for the general public.

This is currently achieved through:

- Organised events and public activities such as Exhibitions, Shows, Craft fairs, and Concerts provided in the Palace building (delivered via the trading company)
- The provision of the Parkland.
- The organisation of an annual Fireworks display ( One of the largest in London)
- The Ice rink ( delivered via the trading company)
- Provision of Boating lake and pitch and putt course ( operated by contractors)

The current formal strategy and objectives of the charity which were adopted in 1998 are attached as appendix 1.

The trustees have identified that the events programmes should be increased wherever possible. The trading company is crucial to this objective and unfortunately the prevailing economic conditions have the potential for a significant downturn in new events and present a risk to existing events. In addition, it is clear from the current year that overall margins are being eroded. These factors present a difficult challenge to the trustees.

The second most important objective for the trustees is to find a means whereby the remaining derelict portion of the building can be brought back into use. This remains a difficult task as there are many competing pressures. The trustees recognise that it is an unsustainable position for 40% of the principle asset to be unused however the costs of putting the building into good repair far outweigh the available funding.

The trustees recognise that the public image of the trust has been negatively impacted by the recent events in the development process (loss by the charity commission of Judicial review) and the trustees will undertake stakeholder engagement and consultation to clarify the position of the trust and to work towards a better understanding by the public of the challenges arising from the condition of the building and the other key issues faced by the trustees.

As stated above, a review of the long term strategy is underway and will be completed during the 2009/10 financial year, this will guide future business planning and inform the risk management process.

### Financial Implications

The charity utilises a wholly owned trading company for the purpose of raising funds via the operation of the halls and general facilities. The performance of the trading company is critical to the ability of the charity to control the level of support required from the corporate trustee.

The covenant from the trading company for the current year (08/09) has been affected by several factors including unexpectedly high utilities costs and the change in economic climate.

#### Trading company covenant

2006/7	2007/8	2008/9 (predicted)	2009/10(projected)
£660,885	£713,000	£450,000	£600,000

#### Charity deficits

2006/7(restated frs 17)	2007/8	2008/9 (predicted)	2009/10(projected)
£1,842,811	£2,964,594	£2,030,000	£2,003,3965

The 2009/10 budget requirement sets a target of £2,003,965 for the deficit funding requirement.

As stated above the current trading conditions are very challenging and the Charity currently (and for the foreseeable future) will require revenue funding from the corporate trustee which has a legal obligation to fund the deficit operation of the charity. Although the quantum of this funding has not been specified it is accepted that the corporate trustee should provide sufficient funding to ensure the building does not deteriorate further.

In addition to the revenue funding, the charity requires £0.3 million of Capital investment in the year 2009/10 for new equipment and asset replacements to ensure viable trading conditions for the events operation.

A priority action for the Charity and Trading Company is to develop a new 2-5 year plan co-ordinating the business plans of both organisations in light of the revised strategy and trading conditions. This has

been identified as a short term objective to be urgently addressed once the trustees review of strategy has been concluded.

A significant financial risk is that charity may require an additional estimated £1.1 million of Capital if the ice rink floor fails; this is not included in the charity's draft budget for 2009/10 but the trustees and other stakeholders need to be aware of the risk of this potential failure affecting the out-turn figures of both APTL and the Charity.

**Summary of Key actions:**

During this year the trustees will:

- Complete a review of the strategy and objectives of the charity.
- Devise a 3-5 year plan which will identify future capital investment needs both of the building and for the provision of quality equipment for use by the trading company.
- Design and undertake stakeholder engagement and consultation about the long term future of the building.
- Develop an action plan to implement the revised strategy.
- Devise a plan for phased refurbishment of the existing plant and facilities.
- Research external funding opportunities.
- Expand the programme of community events.
- Continue to manage the park to Green Flag stds.



**Comments of the London Borough of Haringey Chief Financial Officer:**

**Gerald Almeroth LBH CFO has been supplied a copy of this report and provided the following comment:**

**" The Council continues to subsidise the ongoing net cost of the Alexandra Palace and Park Charitable Trust each year. The base budget for the deficit in the Council's approved budget for 2009/10 is £1.728m.**

**The revenue budget being proposed is £2.004m, which is £276k in excess of the Council's provision. A further £300k of capital investment is also being put forward. In respect of the capital investment proposals these should be supported by assessments of the individual business case clearly setting out the revenue implications of each item.**

**The financial risks are outlined in the report and in particular the current economic climate may have a detrimental impact on the trading activities. These risks will need to be carefully managed and monitored as part of the budget and performance reporting.**

**Items of discretionary or non-income generating expenditure should be held back wherever possible in order to reduce the overall deficit in line with the Council's provision and to possibly create capacity to fund some of the capital items without requesting additional funding from the Council.**

**I recommend the Trust adopts a three year business planning process to develop a more strategic approach to investments and savings. This would also assist the Council in considering proposals for additional funding earlier in the process and in time for the Council's own budget setting deadlines."**

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