

ALEXANDRA PARK AND PALACE **CHARITABLE TRUST BOARD**

26th March 2018

Report Title: Alexandra Park and Palace Charitable Trust – 2018/19 Budget

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Local Government (Access to Information) Act 1985

Appendix 2 contains exempt information as defined in Schedule 12a of the Local Government Act 1972, Paragraph 3 – information relating to the business or financial affairs of any particular person (including the authority holding that information)

Purpose: This paper sets out the draft 2018-19 Budget for Alexandra Park and Palace Charitable Trust.

1. Recommendations

To approve the APPCT Budget for 2018/19 financial year.

2. Executive Summary of 2018/19 Budget

- 2.1 The Statement of Incoming and Outgoing Resources (Table 1) illustrates various activities undertaken by the Trust (revenue and capital), funded from unrestricted income, restricted grants and loans. The table demonstrates changes in the level of different activities and their financial impact on the Trust.
- 2.2 The 2018-19 total incoming resources are £5,381,000 (Table 1). Included in this amount are: unrestricted funds of £3,545,000 and restricted funds of £470,000 (for capital maintenance of the Palace and Park). Also included is the East Wing Project funding of £1,366,000 required to complete the construction works (refer to 4(g) and 4(h)).
- 2.3 In addition to these sources of funding the Trust will draw funds from its reserves, which at 1 April 2018 are estimated to be £9.9m. These reserves are represented mainly by the restricted HLF funds committed to the Regeneration Project.

- 2.4 The unrestricted reserves remain at a very low level as the Trust expends all of its unrestricted funding each year on the maintenance of the Park and Palace.
- 2.5 The 2018/19 Trust budgeted spend on direct charitable expenditure is £12.3m (Fundraising activities, strategic leadership and support costs and capital projects).

3. Table 1 - Statement of Incoming and Outgoing Resources – 2018-19 Budget

APPCT	Year 2017/18 Budget £	Year 2017/18 Forecast £	Year 2018/19 Budget £
Income			
Unrestricted	3,409,217	3,413,297	3,545,052
Capital Fund	470,000	470,000	470,000
East Wing & Activity Plan	0	153,066	1,366,254
Total Incoming Resources	3,879,217	4,036,363	5,381,306
Direct Charitable Expenditure			
Running and maintaining the Park	(528,704)	(534,440)	(556,125)
Running and maintaining the Palace	(2,239,463)	(2,218,714)	(2,186,640)
Creative Learning	(23,042)	(20,304)	(25,025)
Regeneration	(219,494)	(223,276)	(251,629)
West Yard Storage	(1,664,912)	(1,665,761)	(982,632)
East Wing & Activity Plan	(15,925,780)	(15,828,450)	(7,518,726)
Direct Charitable Expenditure	(20,601,395)	(20,490,946)	(11,520,777)
Raising funds	(115,079)	(115,106)	(132,700)
Strategic Leadership	(349,095)	(351,850)	(352,041)
Support Costs	(177,139)	(192,295)	(214,701)
Total Outgoing Resources	(21,242,708)	(21,150,196)	(12,220,219)
Net Movement in Trust Funds	(17,363,491)	(17,113,833)	(6,838,913)
Balance Sheet extract:	1 April 2017	30 Nov 2017	31 Mar 2018
	£	£	£
Resources available as total Reserves	27,052,451	20,464,620	
Including:	£	£	
HLF Grant Claims due	18,674,168	13,529,891	
Estimated Reserves at 31 March 2018			£9,938,618

4. Incoming, Funding and Loans

4.1 Table 2 – 2018-19 Income - breakdown

APPCT	Trust's total income			Note
	Budget	Forecast	Budget	
	2017-18	2017-18	2018-19	
Trust Income	£	£	£	
HC Grant - Operational	1,950,000	1,950,000	1,950,000	(a)
HC Grant - Capital	470,000	470,000	470,000	(b)
Palace APTL Licence	300,000	300,000	300,000	(c)
Palace Leases and recharges	67,000	67,577	67,000	(d)
Park Leases and recharges	160,517	167,634	172,052	(e)
Creative Learning	11,700	8,086	6,000	(f)
Donations and grants -Regeneration Project	0	153,066	750,756	(g)
Regeneration Project – additional funds	0	0	615,498	(h)
Gift Aid	920,000	920,000	1,050,000	(i)
	3,879,217	4,036,363	5,381,306	

- (a) The 2018/19 annual operational grant (unrestricted) from our Corporate Trustee is £1,950,000 (confirmed).
- (b) The 2018/19 Capital grant (restricted) from our Corporate Trustee is £470,000 (confirmed).
- (c) The APTL licence fee is receivable from the Trading Company (APTL) and is set at £300,000 for 2018-19. The licence permits APTL's commercial use of the Palace.
- (d)&(e) Park and Palace leases and recharges represent annual lease income receivable from the tenants and recharged facilities costs as well as accidental repairs, if the Trust is entitled to recharge these costs under the terms of the lease. The 2018/19 annual income from this source (unrestricted) is budgeted at £239,000. The increase on 2017/18 is due to renegotiated lease from CUFOS and rental income from Go Ape.
- (f) Creative Learning income represents fees receivable from events and fees charged to schools for workshops and educational activities and such activities are not expected to break even. The Creative Learning programme is funded part by HLF and contribution from the Trust's funds. (See 5.3).
- (g) Donations and grants are a restricted source of income for The Regeneration Project. The fundraising target of £1,094,000 has not been achieved leaving a shortfall of £751,000 underwritten by the Corporate Trustee.
- (h) On 28 February 2018 Wilmott Dixon Construction Ltd has issued 3 Extension of Time delays which means that at present the value assigned to the Extension of Time is £615,498. At the time of approving the 2018/19 Budget it is prudent to incorporate this amount into the total of funds required by the Trust to complete the East Wing and Theatre Project.

- (i) The forecast for 2017/18 trading profit on commercial activities of APTL is £1,050,000 and this amount will fund the Trust in 2018/19. The amount is sufficient for the Trust to have a balanced unrestricted funds position in 2018/19.

5. Direct Charitable expenditure

- 5.1 Running and maintenance of the Park includes the Park maintenance contract and its management as well as maintenance and repairs of properties in the Park leased to the tenants and accidental other repairs in the Park area. The total annual cost is budgeted at £556,000; this is £22,000 higher on 2017/18 because of an additional provision for Park security (for example on New Year's Eve) and a provision for legal costs on various tenancy matters (rents reviews, lease re-negotiations), cost recovery depends on the type of negotiation.
- 5.2 Palace running costs include the in-house maintenance team, third party contracts for maintenance of specialist areas for example the lifts, shutters, catering equipment, Ice Rink plant; it also covers the building insurance and rates. The annual cost is budgeted at £2.2m.
- 5.3 Creative Learning costs represent a proportion of salaries paid to the staff delivering these activities that are not funded by the HLF. The total annual cost is budgeted at £25,000.
- 5.4 Regeneration spending represents costs for directly supporting the East Wing Project but not funded from the HLF budget, for example the Project Director fees and a percentage of the salaries and on-costs of the team. The 2018/19 cost is £251,000 and is higher on previous year as it now includes a provision for professional fees of a Curator (a cost not supported by the HLF funding).
- 5.5 West Yard Project construction works started in 2016/17 and progressed slowly throughout 2017/18. The Project's completion is now anticipated in 2018-19. The remaining budget for construction works is £982,632 (contracted to Kier Constructions).
- 5.6 The East Wing project started in 2015-16 and progressed to the main construction works in 2017-18 at a budgeted cost of £15.8m. The Project is progressing towards completion – East Court in summer 2018 and the Theatre in November/December 2018. The 2018/19 costs are £7.5m (this includes the budgeted construction costs and the value of Extension of Time as known in March 2018).

6. Fundraising costs

This covers the costs of fundraising activities to raise funds for the Regeneration Project. The budget of £132,000 (£17,000 increase on 2017/18) has been allocated for fundraising costs as the Trust remains committed to fundraising and a need to invest in this activity for the future.

7. Strategic Leadership costs

This represents salaries and on-costs of the leadership team, the estimated initial costs of implementation of governance improvements and the Strategic Vision work; in total £352,000; both projects started in 2016/17.

8. Support costs

This represents the office running costs including IT support, postage, printing and office administration and supplies.

9. Annual Capital Expenditure

- 9.1 Capital Projects (outside the East Wing Project and the West yard Project) are funded from Haringey Council's capital grant. The 2018/19 capital grant agreed by the Council is £470,000. The projects planned for 2018/19 are detailed in the table below. These works include projects already approved to progress to procurement (the four named projects); and an amount of as yet to be finalised projects. The Trust retains a level of flexibility in the programming of these works to provide for unforeseen urgent works during the year.

Balance of funds available at 1/4/2018		408,176
2018-19 HC capital grant		470,000
		878,176
Allocated to the West Yard Project		- 200,000
Allocated to Regeneration Project		- 35,000
Funds available till 1/4/2018		643,176
Works schedules in 2018-19:		
West Hall Duct	14,000	
Roof access installation	278,230	
Basement works	52,946	
Roof Area 7	170,000	
Not approved for procurement (March 2018)	128,000	
	643,176	
Capital works against available budget 2018-19		643,176

10. Loan commitments

APPCT 2018-19 Budget	capital amount due	annual repayment	remaining term of loan	instalment payment due date
West Yard Loan	2,500,000	122,000	33 years	Due August 2018
Ice Rink main loan	1,576,000	164,000	8 years	Due April 2018
Lighting loan (SIF)	233,583	44,417	5 years	Due April 2018
	4,322,583	330,417		

The Trust has annual loan commitments of £330,417, which are fully funded from unrestricted available cash reserves.

11. Conclusion

- 11.1 We are grateful to the Corporate Trustee for maintaining their financial support for the Trust for 2018/19 at the previous year's level. This enables us to achieve Trust's charitable objectives of maintaining and running of the Park and Palace and to enable the public to enjoy the facilities at Alexandra Palace, despite the increasing costs of delivery, goods, and services. It also enables us to carry on with the capital maintenance and repairs to preserve the Palace building for future generations.
- 11.2 The East Wing Project has been challenging. A number of matters have had to be addressed to progress to completion. The main construction works are scheduled to finish in September 2018. Although the costs of the construction works have been kept under control and within a given budget, additional costs have been recently quantified for Extension of Time. The 2018/19 Budget has been prepared on the assumption that the funding for these additional costs will be secured (different options are being currently considered).
- 11.3 The fundraising target of £1,094,000 has not been achieved, leaving a shortfall of £751,000 to fund the construction costs. The 2018/19 Budget is prepared based on the assumption that the remaining balance is underwritten by the Corporate Trustee, as agreed by the Trustee in their letter to HLF on 15th February 2015. However fundraising activity will continue.
- 11.4 The West Yard Project completion is anticipated in 2018-19 and the construction works costs are budgeted within the contracted amount of £2.5m.
- 11.5 The Trust has loan commitments of £330,417 in 2018/19 and the unrestricted cash resources are budgeted to ensure that these commitments are met when due (April 2018 and August 2018).

12. Legal Implications

- 12.1. The Council's Assistant Director of Corporate Governance has been consulted in preparation of this report and has no comments.

13. Financial Implications

- 13.1 The Council's Chief Financial Officer has been consulted in the preparation of this report. The budget presented to Trustees contains the normal suite of income and expenditure assumptions that would be expected for an organisation of this nature, size and complexity.
- 13.2 However, there are two risks that are outside the normal run of business for the trust that need to be addressed.
- 13.3 Firstly, the opening and operation of the Theatre is a significant event and with it there are risks. These risks flow from understandable incomplete knowledge of the costs of operation of the venue and the performance of ticket sales.
- 13.4 Secondly, the East Wing Restoration project is reporting a significant overspend. A range of actions are proposed to meet the overspend and for the purposes of this budget they are assumed to be successful. However, there is a risk that the actions

will not be successful in either driving the final account outturn down, maintaining it at its current projected level or realising the income assumed to meet the additional cost.

- 13.5 Given these two factors it would be prudent at this stage in the financial cycle to review all contractually uncommitted discretionary expenditure with a view to curtailing it to provide a buffer so that should the assumptions underpinning the opening of the theatre and/or the recovery plan for the East Wing Restoration Project not be realised there is financial capacity to absorb this variance.

14. Use of Appendices

Appendix 1

Income and Expenditure – unrestricted funds

Appendix 2 – EXEMPT (in Part 2 of agenda pack) - Notes supporting Table 1
(Appendix 1)

Appendix 1:

Table 1 - Unrestricted – Budget 2018-19

APPCT 2018-19 Budget	Unrestricted Income and Expenditure			Notes
	Budget	Forecast	Budget	
	2017-18	2017-18	2018-19	
Trust Income	£	£	£	
HC Grant - Operational	1,950,000	1,950,000	1,950,000	
Palace APTL Licence	300,000	300,000	300,000	
Palace Leases	67,000	67,577	67,000	(a)
Park Leases	160,517	167,634	172,052	(b)
Creative Learning	11,700	8,086	6,000	(c)
Gift Aid	920,000	920,000	1,050,000	(d)
Total Incoming Resources	3,409,217	3,413,297	3,545,052	
Overheads				
Cost of Sales	0	4,715	0	
Wages & Salaries (including pension & Ni)	749,756	736,590	771,007	(e)
Other Wage Costs (Agency,Welfare,Travel)	5,916	12,609	17,595	(f)
Maintenance and Repairs - Palace	329,004	327,248	329,004	(g)
Maintenance Contract Park	329,550	329,555	329,556	(h)
Maintenance and Repairs - Park	178,794	189,231	195,860	(i)
Security Control Contract	488,100	500,677	507,800	(j)
Pest Control	9,000	9,000	6,000	(k)
Rates & Insurance	381,891	372,350	375,356	(l)
Office costs (tel, postage, stationery, copiers)	96,150	112,837	120,000	(m)
Utilities (15% allocation)	80,556	80,573	86,596	(n)
Software & IT	48,842	47,854	51,910	(o)
Sundries, Meeting & Subscriptions	35,725	35,709	45,930	
Marketing, Advertising & Design	26,868	26,441	28,900	(p)
Legal & Professional	199,096	197,947	267,850	(r)
Banking Costs	600	267	1,500	
APTL Cost recharges	78,060	78,060	78,060	(s)
Total Outgoing Resources	3,037,908	3,061,663	3,212,924	
Unrestricted Result (cash reserve)	371,309	351,634	332,128	
Loan commitments:				
West Yard loan	122,000	122,000	122,000	
Ice Rink main loan	164,000	164,000	164,000	
Ice rink SIF loan	13,000	13,000	repaid	
Lighting SIF loan	44,417	44,417	44,417	
Unallocated 2018-19 cash reserve	27,892	8,217	1,711	