

## **ALEXANDRA PARK AND PALACE** **CHARITABLE TRUST BOARD** **19 JULY 2018**

**Report Title:** Alexandra Park and Palace Charitable Trust Financial Results with annual forecast

**Report of:** Dorota Dominiczak, Director of Finance and Resources

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**Purpose:** This paper sets out the results for Alexandra Park and Palace Charitable Trust for April 2018 including the annual forecast of Incoming and Outgoing resources.

### **1. Recommendations**

- 1.1 To note the financial performance of the Trust and the detailed consideration of the report by the Finance, Risk and Audit Committee on 19<sup>th</sup> June 2018 (minutes included at agenda item 24;
- 1.2 To agree the recommendation of the Finance Risk and Audit Committee, that the Trust's Reserves Policy be revised as part of the governance work

### **2. Executive Summary of 2018-19 Forecast**

- 2.1 The Statement of Incoming and Outgoing Resources (Table 1) illustrates various activities undertaken by the Trust, including revenue and capital, funded from unrestricted income, restricted grants and loans. No concerns with regard to finances and cash flow are being reported to the Board based on current forecast and budget.
- 2.2 Unrestricted Reserves (refer to Appendix 1). The annual revenue expenditure of £3,240,000 to maintain the Park and Palace is met from the Corporate Trustee grant, Trust's own generated income and Gift Aid from the trading subsidiary. The unrestricted reserves also support the annual repayment of the Trust's loans of £340,000. The unrestricted cash reserves show a balanced position based on current budget and forecast.
- 2.3 The Trust's cash reserves – both restricted and unrestricted – are sufficient to continue delivering the revenue activities and capital projects in 2018-19.
- 2.4 Capital Projects (West Yard and East Wing, Theatre) are progressing further as planned and are being funded from the restricted Trust's reserves (HLF grant and Corporate Trustee grant). Both projects are due for completion in 2018-19.
- 2.5 Agenda items 13 and 19 update Trustees on the progress of the Learning Centre project, which is funded through a successful grant application.

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

APPCT At Month Ending 30th April 2018	2017/18 Audited £	Year 2018/19 Budget £	Year 2018/19 Forecast £	Year 2018/19 Diff £
<b>Income</b>				
Unrestricted	3,418,618	3,571,552	3,577,219	5,667
Capital Fund	470,000	470,000	470,000	-
East Wing & Activity Plan	348,518	966,254	966,548	294
West Yard Storage Damages Claims	243,244	-	-	-
<b>Total Incoming Resources</b>	<b>4,480,379</b>	<b>5,007,806</b>	<b>5,013,767</b>	<b>5,961</b>
<b>Direct Charitable Expenditure</b>				
Running and maintaining the Park	(534,493)	(560,125)	(560,585)	(459)
Running and maintaining the Palace	(2,225,772)	(2,304,648)	(2,309,963)	(5,315)
Creative Learning	(15,076)	(25,025)	(25,024)	1
Regeneration	(230,921)	(251,629)	(251,625)	3
West Yard Storage	(987,624)	(982,632)	(982,632)	0
East Wing & Activity Plan	(13,827,518)	(7,959,776)	(7,960,509)	(733)
<b>Direct Charitable Expenditure</b>	<b>(17,831,404)</b>	<b>(12,083,835)</b>	<b>(12,090,338)</b>	<b>(6,503)</b>
Raising funds	(97,287)	(132,700)	(132,698)	2
Strategic Leadership	(364,303)	(352,041)	(352,038)	3
Support Costs	(191,272)	(214,701)	(214,702)	(1)
<b>Total Outgoing Resources</b>	<b>(18,474,266)</b>	<b>(12,783,276)</b>	<b>(12,789,776)</b>	<b>(6,500)</b>
<b>Net Movement in Trust Funds</b>	<b>(13,993,887)</b>	<b>(7,775,470)</b>	<b>(7,776,009)</b>	<b>(539)</b>
<b>Balance Sheet extract:</b>				
		<b>1 April 2018</b>	<b>1 May 2018</b>	
		£	£	
<b>Resources available as total Reserves</b>		<b>26,701,086</b>	<b>26,356,918</b>	
<b>Represented by:</b>		£	£	
HLF Grant Claims due		7,264,569	5,817,737	
<u>Cash at bank:</u>				
Main account - unrestricted		39,301	1,011,786	
HLF Project account - restricted		1,466,671	2,331,350	
West Yard Project account - restricted		765,036	650,541	
HC Capital Grant account - restricted		514,521	897,779	
<b>Fixed assets/liabilities</b>		16,650,988	15,647,725	
<b>Resources available as total Reserves</b>		<b>26,701,086</b>	<b>26,356,918</b>	

## 4. Incoming Funding

### 4.1 Table 2 – 2018-19 Income - breakdown

APPCT	2017/18	Year 2018/19		
	Audited	Budget	Forecast	Diff
	£	£	£	£
<b>Unrestricted</b>	<b>Total Trust</b>	<b>Total Trust</b>		
4.2) Unrestricted Grants	1,950,000	1,950,000	1,950,000	-
4.3) Palace APTL Licence	300,000	300,000	300,000	-
4.4) Gift Aid	920,000	1,070,000	1,070,000	-
4.5) Park Leases and Recharges	162,540	172,552	175,525	2,973
4.5) Palace Leases and Recharges	78,659	73,000	73,000	-
4.6) Creative Learning	7,419	6,000	8,694	2,694
	3,418,617	3,571,552	3,577,219	5,667
<b>Restricted</b>				
4.7) HC Capital Grant	470,000	470,000	470,000	-
4.8) Donations and grants: East Wing & Activity	348,518	966,254	966,548	294
Exceptional income:	243,244	-	-	-
4.9) West Yard Penalties (contractual)				
	4,480,379	5,007,806	5,013,767	5,961

- 4.2 The Corporate Trustee has maintained the annual revenue grant at the previous year's level (£1,950,000) and this enables the Trust to maintain and repair the Palace and Park for future generations. As in Corporate Trustee before the start of the year to cash flow daily running of the Trust.
- 4.3 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.
- 4.4 The trading company Gift Aid remains the only other source of major unrestricted funding which – if the financial performance of the company delivers more Gift Aid – enables both the Trust and Trading to invest in additional projects to further the charitable purposes. The 2018-19 Gift Aid to support unrestricted revenue expenditure is £1,070,000 and is up by £150,000 on previous year. This increase will support next steps on Governance and Strategic Vision work (£30,000), it will also fund a post of a consultant curator (£30,000), it will cover the a £25,000 increase in in property rates and insurance, it will enable us to spend additional £50,000 on revenue repairs of the building infrastructure and it will allow a small fundraising campaign budget of £26,000.
- 4.5 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 £245,000.

- 4.6 Creative Learning income represents fees receivable from events and fees charged to schools for workshops and educational activities, to cover the costs of delivery.
- 4.7 The Capital grant (restricted) in 2018-19 from our Corporate Trustee is £470,000 and has been maintained at the previous year's level.
- 4.8 Donations and grants (East Wing, Activity Plan and Learning Centre) are a restricted income for the Regeneration Project. The budget represents a balance of £350,000 receivable from a grant application and funds allocated to Extension of Time on the East Wing Project of £616,000.
- 4.9 West Yard Project.- To date the original programme had been significantly delayed; this resulted in quantified contractual damages of £243,000 due from the contractor.

## **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 £560,000 with no significant variance reported.
- 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 £2,300,000 with no significant variance reported.
- 5.3 Creative Learning costs represent a proportion of salaries paid to the staff delivering these activities; the remainder are funded by the HLF Activity Plan grant.
- 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 partly the salaries of the team and also various project marketing and PR expenditure. The annual cost is £250,000 with no significant variance reported.
- 5.5 The West Yard Project costs of £982,000 represent the costs to completion of the construction works budgeted for 2018-19. (Total cost of the West Yard is £2.7m over the three years of construction works). The contract is to be delivered within budget or all risks of additional costs are passed on to the contractor.
- 5.6 The East Wing project is fully funded by the HLF grant and the Corporate Trustee's grant. The main construction works cost of £7,960,000 are budgeted for 2018-19.

## **6. Fundraising costs**

This covers the costs of fundraising activity to raise funds for the East Wing Project. The budget of £132,000 has been allocated to fundraising with no significant variance reported.

**7. Strategic Leadership costs**

This represents the costs of the leadership team as well as expected costs to take the recommendations of the Governance Review forward as well as undertake next steps on the Strategic Vision work; no significant cost variance is reported.

**8. Support costs**

This represents the costs of running the office including: IT support, 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 the Corporate Trustee's capital grant. The 2018-19 capital grant is £470,000 and after a commitment to the West Yard and Regeneration Projects the available monies for capital works in 2018-19 is £663,785.

Main projects under way:

West Hall Ductwork – Prices received for raising and reinstatement of ductwork serving West Hall ventilation system and to allow access to roofs below for essential repairs, but only sufficient to deal with eastern end in 2018/19. Further allowance of £13,300 for the western end is required in 2019/20 unless any reserve from 2018/19 can be utilized.

Permanent Roof Access, Glazing Repairs and Redecoration of Spaceframes – Three tenders were received and analysed and an appointment was made for a phased delivery:

- Priority 1 Roof Access works (includes a grant contribution of £20,000 from Rose Foundation) in August 2018
- Priority 2 Roof Access, Glazing Repairs and Spaceframe Redecoration in September/October 2018
- Priority 3 Remainder of Roof Access to West Service Hall and Great Hall (subject to deferment into 2019/20 to release capital in 2018/19 for higher priority projects)

Basement Works – Three tenders received on 29<sup>th</sup> May, and are currently being evaluated. Capital Budget allocation for 2018/19 would cover major clearance of basements and investigations, but structural works and enhancements to waterproofing and ventilation would need allocation in 2019/20 to complete the project or could take precedence over the Priority 3 Remaining Roof Access works above.

**Table – capital works**

Balance of funds available at 1/4/2018	428,785
2018-19 HC capital grant	470,000
	898,785
Allocated to the West Yard Project	- 200,000
Allocated to Regeneration Project	- 35,000
<b>Funds available 2018-19</b>	<b>663,785</b>
Works schedules in 2018-19:	
West Hall Duct	
Roof access installation	
Basement works	
Roof Area 7	
Emergency Lighting	
Diesel Fire System	
Fire Network	
Goods Yard Entrance	
<b>Capital works against available budget</b>	<b>663,785</b>

**Table will be amended so only total figure show (done – DD)**

## **10. Loan commitments**

All Trust's loan commitments are up to date and there are sufficient cash funds to make a repayment of the West Yard Loan when it falls due in August 2018.

## **11. Financial Implications**

- 11.1 The Council's Chief Financial Officer has been consulted in the preparation of this report, and has no comments.

## **12. Legal Implications**

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

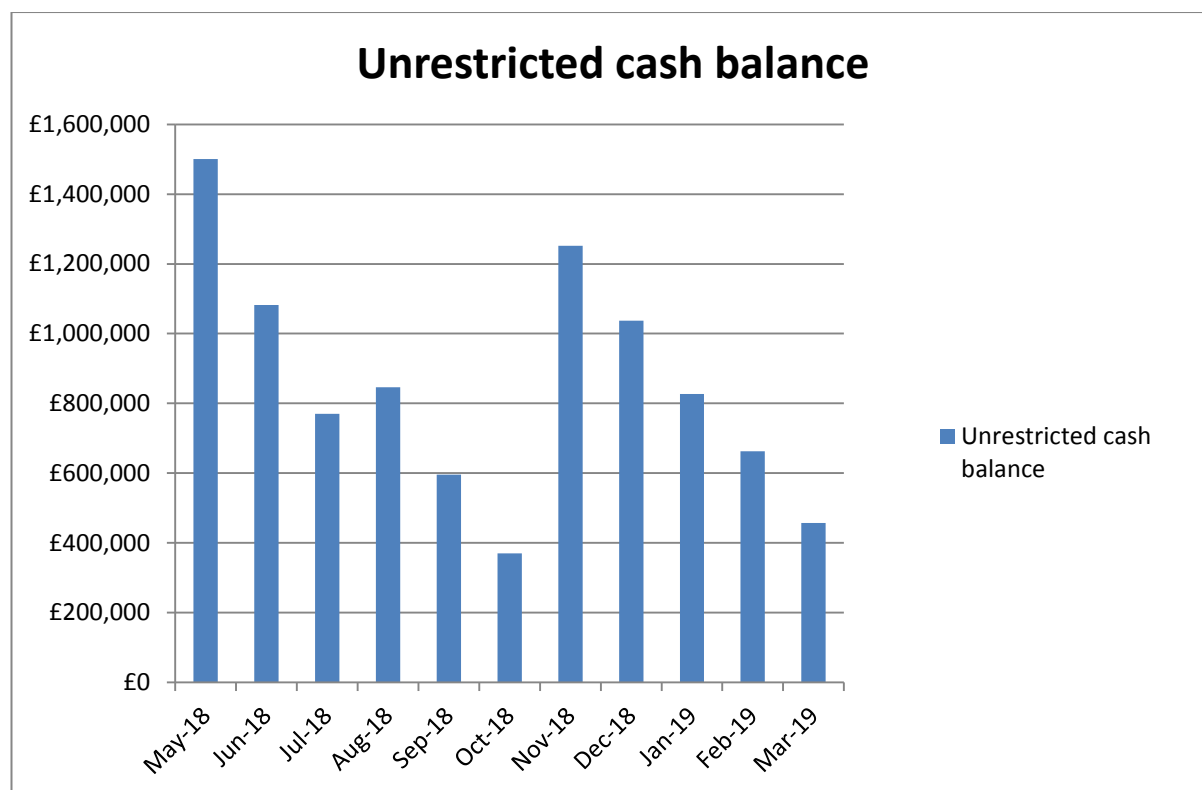
## **13. Use of Appendices**

Appendix 1 - Income and Expenditure – unrestricted funds  
Appendix 2 - Unrestricted funds cash flow  
Appendix 3 - East Wing Project cash flow  
Appendix 4 - West Yard Project cash flow

## Appendix 1 – Income and Expenditure – unrestricted funds only

APPCT	2017/18	Year 2018/19		
	Audited	Budget	Forecast	Diff
	Unrestricted	Unrestricted		
Incoming Resources	£	£	£	£
HC Grant - Operational	1,950,000	1,950,000	1,950,000	-
Palace APTL Licence	300,000	300,000	300,000	-
Palace Leases & Recharges	78,659	73,000	73,000	-
Park Leases & Recharges	162,540	172,552	175,525	2,973
Creative Learning	7,419	6,000	8,694	2,694
Gift Aid	920,000	1,070,000	1,070,000	-
<b>Total Incoming Resources</b>	<b>3,418,617</b>	<b>3,571,552</b>	<b>3,577,219</b>	<b>5,667</b>
Overheads				
Cost of Events including Learning and Fundraising	(4,965)	(26,000)	(26,000)	-
Wages & Salaries (inc Ni Agency & Welfare)	(675,075)	(771,007)	(774,923)	(3,916)
Other Wage Costs (Travel & Training & Recruitment)	(12,785)	(17,595)	(17,595)	(0)
Maintenance Contract Palace	(330,147)	(329,004)	(329,004)	-
Maintenance Contract Park	(331,418)	(329,556)	(329,556)	(0)
Repair & Maintenance Other	(147,344)	(199,610)	(198,821)	789
Security Control	(503,516)	(507,800)	(507,800)	(0)
Cleaning & Pest	(7,533)	(6,000)	(6,000)	-
Rates & Insurance	(372,352)	(398,071)	(394,193)	3,878
Office expenses	(120,164)	(118,140)	(118,141)	(1)
Utilities	(88,064)	(86,596)	(86,894)	(298)
Software & IT	(47,146)	(51,370)	(51,370)	(0)
Sundries, Meeting & Subscriptions	(11,967)	(19,930)	(19,926)	4
Marketing, Advertising & Design	(35,825)	(31,300)	(31,400)	(100)
Legal & Professional (Contains Construction)	(204,438)	(268,100)	(268,826)	(726)
Banking Costs	(628)	(1,500)	(1,500)	-
APTL Cost recharges	(78,060)	(78,060)	(78,060)	-
Total Outgoing Resources	(2,971,425)	(3,239,639)	(3,240,009)	(370)
<b>Forecast Cash Result</b>	<b>447,193</b>	<b>331,913</b>	<b>337,210</b>	<b>5,297</b>
Loan commitments:				
West Yard loan	(122,000)	(122,000)	(122,000)	n/a
Ice Rink main loan	(164,000)	(164,000)	(164,000)	n/a
Ice rink SIF loan	(13,000)	repaid	repaid	n/a
Lighting SIF loan	(44,417)	(44,417)	(44,416)	n/a
<b>Unallocated 2018-19 cash reserve</b>	<b>103,776</b>	<b>1,496</b>	<b>6,794</b>	<b>n/a</b>

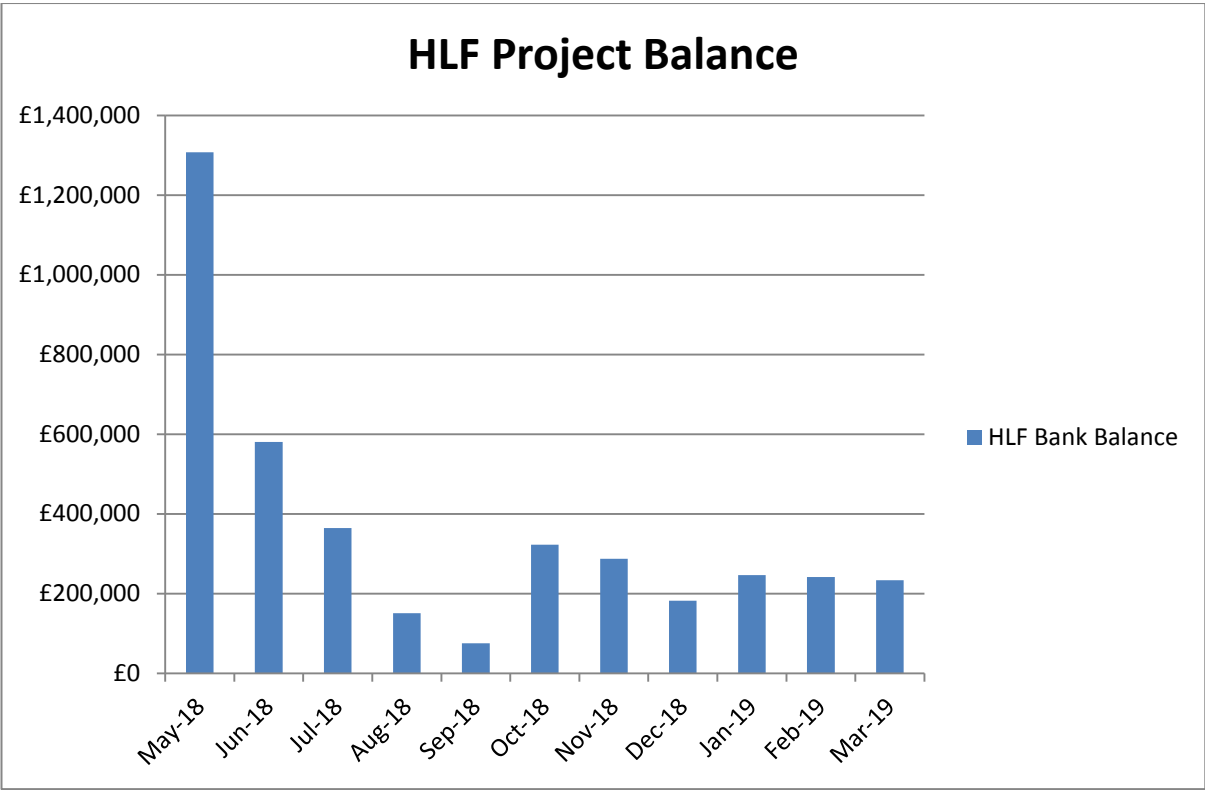
## Appendix 2 – Unrestricted Funds cash flow



This is a projection of unrestricted cash at bank per month in 2018-19 ie cash funding daily operations of the Trust. The Corporate Trustee grant cash flows the first 3 quarters of the year and the last quarter of the year is funded by a transfer of the 2017-18 Gift Aid in cash (transfer in November/December 2018). Based on current budget and forecast there are sufficient cash funds available in 2018-19.

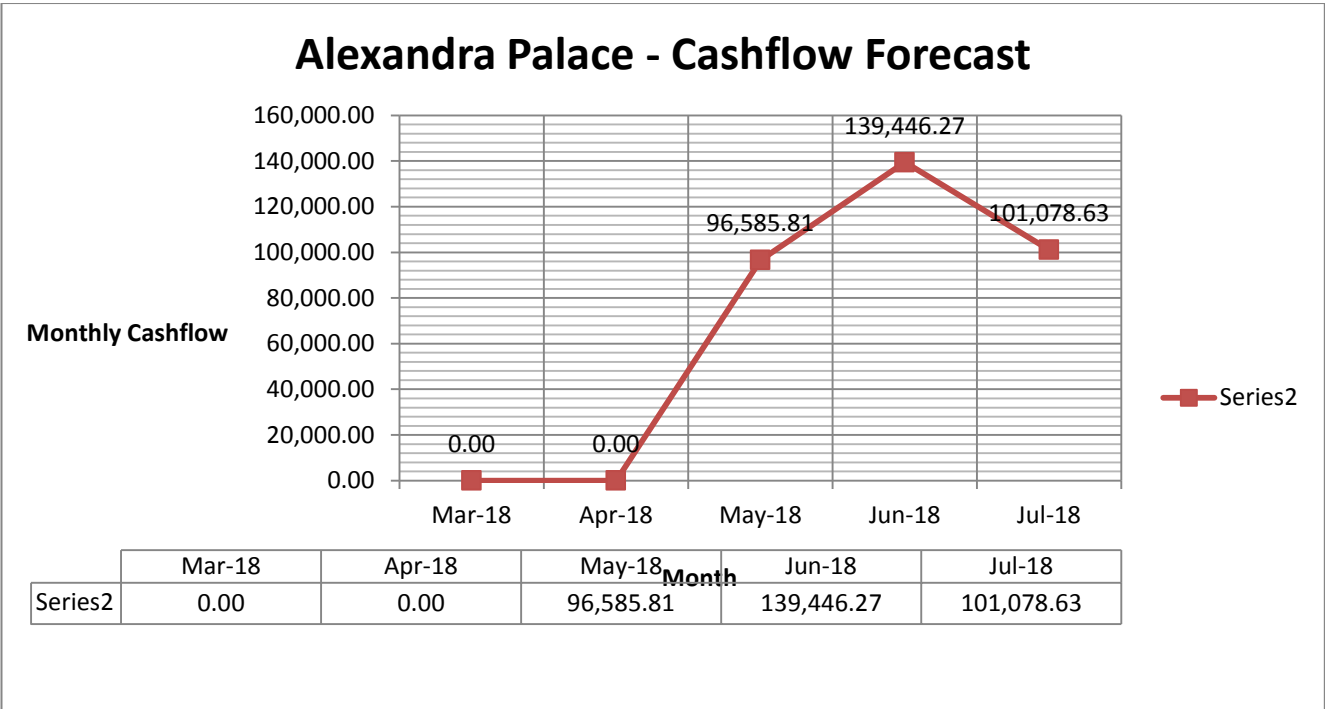


Appendix 3 – East Wing Project cash flow



The East Wing Project is funded from a separate restricted bank account which is funded from monthly claims submitted to HLF and accumulated restricted cash reserves. Based on current budget and forecast there are sufficient cash funds available in 2018-19.

Appendix 4 – West Yard Project cash flow



The latest Project cash flow prepared by Kier Construction – this project carries very limited risk of overspending as contractual risks are passed on to the contractor. The cash funds which pay for the construction works are kept on a dedicated loan bank account to ensure separation of funds from other activities of the Trust.