

# Alexandra Palace

## **ALEXANDRA PARK AND PALACE CHARITABLE TRUST**

### **BOARD MEETING**

**11<sup>th</sup> September 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 July 2018 including the annual forecast of incoming and outgoing resources.

#### **1. Recommendation**

1.1 To note the financial performance of the Trust.

#### **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. There are no concerns with regard to the finances and cash flow being reported to the Board based on forecasts to date i.e. to the end of July 2018 actualised performance. The next detailed review of capital projects will be undertaken in late August 2018 including any revisions to available cash flow.

2.2 Unrestricted Reserves (refer to Appendix 1). The annual revenue expenditure of £3,240,000 (budget) to maintain the Park and Palace is met from: the Corporate Trustee grant, the 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 subject to detailed revisions that will take place in late August 2018.

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.

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

<b>APPCT</b> <b>Forecast based on 31<sup>st</sup> July 2018</b>	<b>2017/18</b> <b>Audited</b> £	<b>Year</b> <b>2018/19</b> Budget £	<b>Year</b> <b>2018/19</b> Forecast £	<b>Year</b> <b>2018/19</b> Diff £
Unrestricted	3,418,618	3,571,552	3,585,605	14,053
Capital Fund	470,000	470,000	470,000	0
East Wing & Activity Plan	348,518	1,116,254	1,125,259	9,005
West Yard Storage Claims	243,244	-	100,045	100,045
<b>Total Incoming Resources</b>	<b>4,480,379</b>	<b>5,157,806</b>	<b>5,280,910</b>	<b>123,104</b>
Running and maintaining the Park	(534,493)	(560,125)	(560,603)	(478)
Running and maintaining the Palace	(2,210,772)	(2,304,648)	(2,301,167)	3,480
Learning & Community	(15,076)	(25,025)	(31,149)	(6,125)
Regeneration	(230,921)	(251,629)	(258,361)	(6,733)
West Yard Storage	(987,624)	(782,632)	(776,476)	6,156
East Wing & Activity Plan	(13,827,518)	(7,959,776)	(7,960,492)	(715)
<b>Direct Charitable Expenditure</b>	<b>(17,806,404)</b>	<b>(11,883,835)</b>	<b>(11,888,249)</b>	<b>(4,414)</b>
Raising funds	(97,287)	(132,700)	(132,700)	-
Strategic Leadership	(380,803)	(352,041)	(352,789)	(748)
Support Costs	(189,772)	(214,701)	(214,701)	-
<b>Total Outgoing Resources</b>	<b>(18,474,266)</b>	<b>(12,583,276)</b>	<b>(12,588,438)</b>	<b>(5,162)</b>
<b>Net Movement in Trust Funds</b>	<b>(13,993,887)</b>	<b>(7,425,470)</b>	<b>(7,307,529)</b>	<b>117,972</b>
<b>Balance Sheet extract:</b>				
	<b>1 April 2018</b>	<b>31 July 2018</b>		
	£	£		
<b>Resources available as total Reserves</b>	<b>26,551,086</b>	<b>21,645,550</b>		
<b>Represented by:</b>	£	£		
HLF Grant Claims due	7,264,569	2,832,398		
Cash at bank:				
Main account - unrestricted	39,301	425,458		
HLF Project account - restricted	1,466,671	1,561,138		
West Yard Project account - restricted	765,036	527,567		
HC Capital Grant account - restricted	514,521	597,398		
<b>Fixed assets/liabilities</b>	<b>16,500,988</b>	<b>15,701,590</b>		
<b>Resources available as total Reserves</b>	<b>26,551,086</b>	<b>21,645,550</b>		

## 4. Incoming Funding

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

APPCT	2017/18 Audited £  Total Trust	Year 2018/19		
		Budget £	Forecast £	Diff £
<b>Unrestricted</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	180,381	7,829
4.5) Palace Leases and Recharges	78,659	73,000	73,100	100
4.6) Creative Learning	7,419	6,000	12,124	6,124
	3,418,617	3,571,552	3,585,605	14,053
<b>Restricted</b>				
<b>4.7) HC Capital Grant</b>	470,000	470,000	470,000	-
<b>4.8) Grants and Other: East Wing &amp; Activity</b>	268,050	1,116,254	1,116,254	-
<b>4.8) Donation</b>	80,468	-	9,005	9,005
<b>Exceptional income: 4.9) West Yard Penalties (contractual)</b>	243,244	-	100,045	100,045
	4,480,379	5,157,806	5,280,910	123,104

- 4.2 The Corporate Trustee has maintained the annual revenue grant of £1,950,000 and this enables the Trust to deliver its charitable purposes.
- 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 Gift Aid due from APTL is a significant source of unrestricted funding for the Trust. The 2018-19 Gift aid is budgeted as £1,070,000 and will be transferred in cash to the Trust before the end of December 2018 to take full advantage of the corporation tax exemption.
- 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. The positive variance is due to an uplift in expected rechargeable expenditure to tenants.

- 4.6 Creative Learning income represents fees receivable from events as well as fees charged to schools for workshops and educational activities, to cover the costs of delivery. To date a small increase on budgeted income has been achieved with a corresponding increase in costs of delivering events. This relates to sales of food and beverage at the Kid's BAFTA.
- 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 restricted income for the Regeneration Project. The budget represents funds allocated to Extension of Time on the East Wing Project of £616,000 and £500,000 receivable from the grant application. Individual donations received to date amount to £9,000.

## **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 £782,000 represent the costs to completion of the construction works budgeted for 2018-19.
- 5.6 East Wing 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 and support costs expected to take the recommendations of the Governance Review forward and 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 either the Corporate Trustee annual capital grant or from the Restoration Levy.

9.2 Main projects funded from the Corporate Trustee grant under way:

West Hall Ductwork – Prices have been 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. A further allowance of £13,300 for the western end is required in 2019/20.

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.

9.3 The Restoration Levy - A number of projects are already committed and a list of potential investments is covered under a separate exempt agenda item.

## 10. Loan commitments

APPCT 2017-18 Budget	capital amount o/s 1.4.2018	annual interest	annual repayment	remaining term of loan	instalment payment due date
West Yard Loan	2,461,000	82,000	122,000	33 years	Paid 13 Aug 2018
Ice Rink main loan	1,350,000	45,000	164,000	8 years	Paid 10 May 2018
Lighting loan (SIF)	189,500	-	44,417	5 years	Paid 10 May 2018
	4,000,500	127,000	330,417		

All Trust's loan commitments are up to date.

## 11. Financial Implications

- 11.1 The Council's Chief Financial Officer has been consulted in the preparation of this report, and in noting the lack of concern over finances and cash flow, 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.

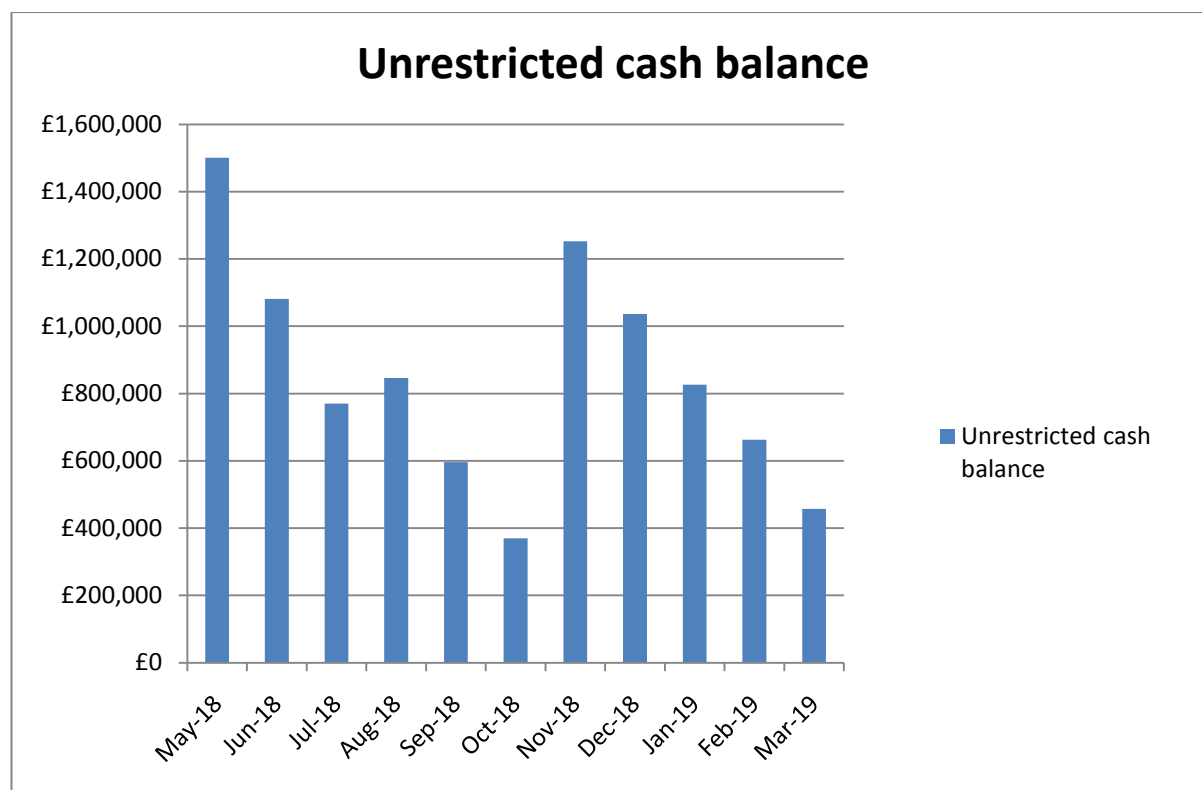
## 13. Use of Appendices

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

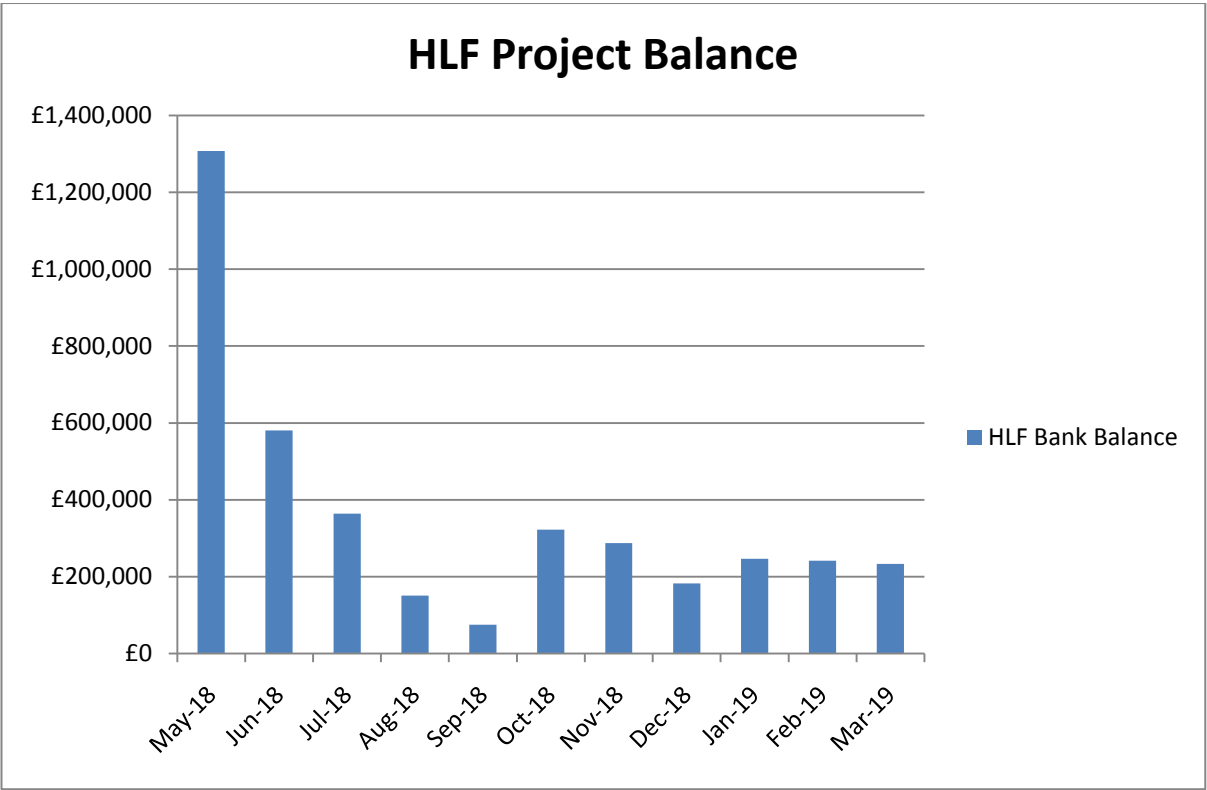
APPCT	2017/18	Year 2018/19		
	Audited	Budget	Forecast	Diff
	Unrestricted	Unrestricted		
Incoming Resources	£	£	£	£
HC Grant - Operational	1,950,000	1,950,000	1,950,000	-
Palace APTL Licence	300,000	300,000	300,000	-
Palace Leases & Recharges	78,659	73,000	73,100	100
Park Leases & Recharges	162,540	172,552	180,381	7,829
Creative Learning	7,419	6,000	12,124	6,124
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>3,585,605</b>	<b>14,053</b>
<b>Overheads</b>				
Cost of Events including Learning and Fundraising	(4,965)	(26,000)	(30,440)	(4,440)
Wages & Salaries (inc Ni Agency & Welfare)	(675,075)	(771,007)	(776,979)	(5,968)
Other Wage Costs (Travel & Training & Recruitment)	(12,785)	(17,595)	(17,595)	-
Maintenance Contract Palace	(330,147)	(329,004)	(329,004)	-
Maintenance Contract Park	(331,418)	(329,556)	(329,556)	-
Repair & Maintenance Other	(147,344)	(199,610)	(207,147)	(7,537)
Security Control	(503,516)	(507,800)	(506,992)	808
Cleaning & Pest	(7,533)	(6,000)	(8,820)	(2,820)
Rates & Insurance	(372,352)	(398,071)	(394,189)	3,882
Office expenses	(120,164)	(118,140)	(117,095)	1,045
Utilities	(88,064)	(86,596)	(86,596)	-
Software & IT	(47,146)	(51,370)	(51,370)	-
Sundries, Meeting & Subscriptions	(11,967)	(19,930)	(17,700)	2,230
Marketing, Advertising & Design	(35,825)	(31,300)	(30,839)	461
Legal & Professional (Contains Construction)	(204,438)	(268,100)	(275,842)	(7,742)
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)	(3,259,721)	(20,081)
<b>Forecast Cash Result</b>	<b>447,193</b>	<b>331,913</b>	<b>325,884</b>	<b>(6,028)</b>
<b>Loan commitments:</b>				
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>(4,532)</b>	<b>n/a</b>

## Appendix 2 – Unrestricted Funds cash flow



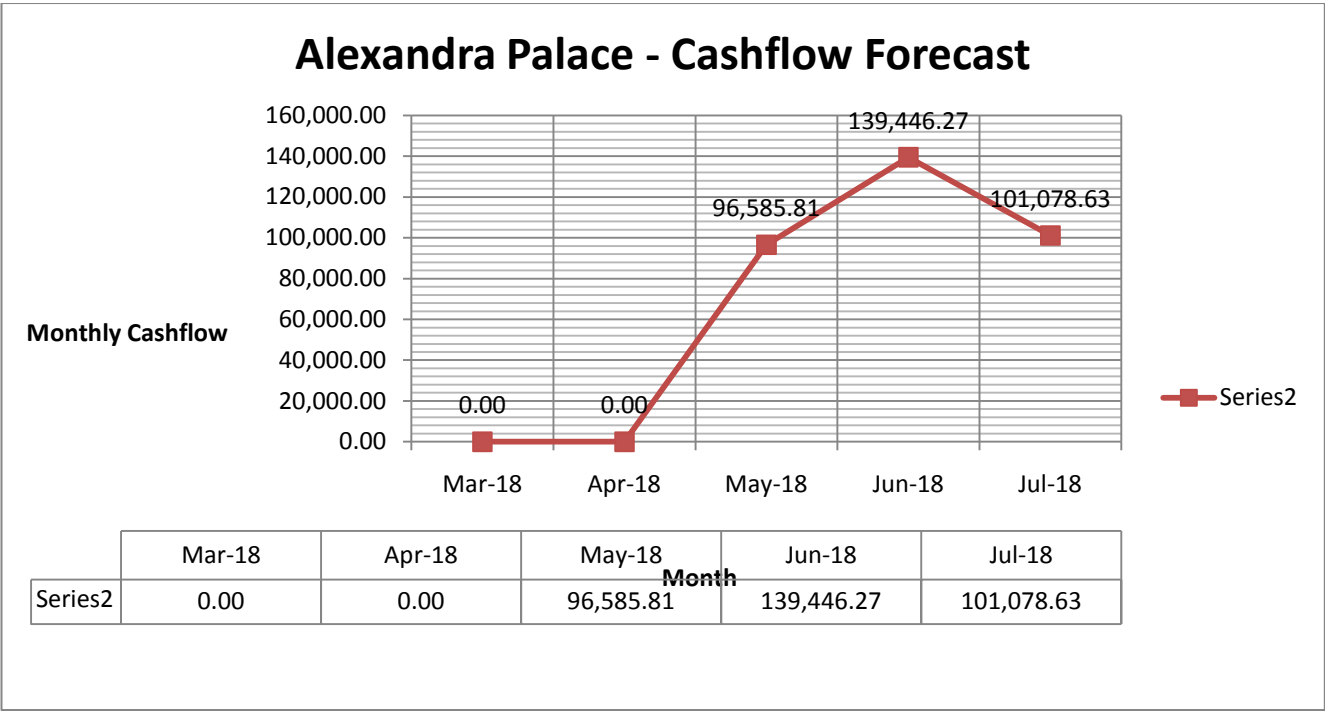
This is a projection of unrestricted cash at bank per month in 2018-19 ie cash funding daily operations of the Trust. The Corporate Trustee grant cash flows the first 3 quarters of the year and the last quarter of the year is funded by a transfer of the 2017-18 Gift Aid in cash (transfer in November/December 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 through monthly claims submitted to HLF and accumulated restricted cash reserves. We are currently awaiting the HLF agreement to approve a revised profile of funding claims. The cash flow will be revised following the outcome of this decision.

Appendix 4 – West Yard Project cash flow



The Project cash flow prepared by Kier Construction (May 2018) – 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.