

# Alexandra Palace

## **ALEXANDRA PARK AND PALACE CHARITABLE TRUST** **(APPCT) BOARD MEETING** **6<sup>th</sup> NOVEMBER 2018**

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

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

**Report Authorised by:** Louise Stewart, Chief Executive Officer

Contact: Natalie Layton, Executive Assistant and Charity Secretary, APPCT  
Email: [Natalie.layton@alexandrapalace.com](mailto:Natalie.layton@alexandrapalace.com) , Telephone: 020 8365 4335

**Purpose:** This report sets out the financial position of Alexandra Park and Palace Charitable Trust for the 5 months to August 2018 including the annual forecast of incoming and outgoing resources.

### **Local Government (Access to Information) Act 1985**

N/A

#### **1. Recommendations**

1.1 To note the financial performance of the Trust and the pressure on the 2019/20 Trust budget.

#### **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

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. There are no concerns with regard to the unrestricted funds and the unrestricted cash flow to report in 2018-19.

2.3 In order to cash-flow the unrestricted activities in 2019-20 the Trust requires a gift aid amount from its subsidiary of at least £1m annually. APTL profit is currently

tracking below this level which might have cash flow implications for the Trust in 2019-20 based on the current projection.

- 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, Corporate Trustee grant and the restoration levy). Both projects are due for completion in 2018-19.
- 2.5 The East Wing Restoration Project construction works are due to finish in November with an estimated cost of £17.7m. This is currently tracking approximately £300,000 above the current year's construction budget and £1.1m above the total budget, subject to the final account being agreed with the contractor. The Trust has the available funds to meet approximately £950,000 of the estimated over-spend. This has been achieved by revision of the project cash flow and £300k allocated from the restoration levy fund.

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

APPCT Forecast based on 31 <sup>st</sup> July 2018	2017/18 Audited £	Year 2018/19 Budget £	Year 2018/19 Forecast £	Year 2018/19 Diff £
Unrestricted	3,418,618	3,571,552	3,585,199	13,647
Capital Fund	470,000	470,000	470,000	0
East Wing & Activity Plan	348,518	1,116,254	1,127,815	11,561
West Yard Storage Claims	243,244	-	138,182	138,182
<b>Total Incoming Resources</b>	<b>4,480,379</b>	<b>5,157,806</b>	<b>5,321,195</b>	<b>163,389</b>
Running and maintaining the Park	(534,493)	(560,125)	(557,507)	2,618
Running and maintaining the Palace	(2,210,772)	(2,304,648)	(2,291,101)	13,547
Learning & Community	(15,076)	(25,025)	(30,329)	(5,305)
Regeneration	(230,921)	(251,629)	(256,175)	(4,546)
West Yard Storage	(987,624)	(782,632)	(765,179)	17,453
East Wing & Activity Plan	(13,827,518)	(7,959,776)	(8,256,652)	(296,875)
<b>Direct Charitable Expenditure</b>	<b>(17,806,404)</b>	<b>(11,883,835)</b>	<b>(12,156,942)</b>	<b>(273,107)</b>
Raising funds	(97,287)	(132,700)	(132,697)	3
Strategic Leadership	(380,803)	(352,041)	(352,118)	(77)
Support Costs	(189,772)	(214,701)	(212,132)	2,569
<b>Total Outgoing Resources</b>	<b>(18,474,266)</b>	<b>(12,583,276)</b>	<b>(12,853,889)</b>	<b>(270,613)</b>
<b>Net Movement in Trust Funds</b>	<b>(13,993,887)</b>	<b>(7,425,470)</b>	<b>(7,532,694)</b>	<b>(107,224)</b>
<b>Balance Sheet extract:</b>		<b>1 April 2018</b>	<b>31 August 2018</b>	
		£	£	
<b>Resources available as total Reserves</b>		<b>26,551,086</b>	<b>21,543,481</b>	
<b>Represented by:</b>		£	£	
HLF Grant Claims due		7,264,569	2,832,398	
Cash at bank:				
Main account - unrestricted		39,301	676,668	
HLF Project account - restricted		1,466,671	256,026	
West Yard Project account - restricted		765,036	484,965	
HC Capital Grant account - restricted		514,521	575,962	
<b>Fixed assets/liabilities</b>		<b>16,500,988</b>	<b>16,717,462</b>	
<b>Resources available as total Reserves</b>		<b>26,551,086</b>	<b>21,543,481</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	180,151	7,599
4.5) Palace Leases and Recharges	78,659	73,000	73,744	744
4.6) Creative Learning	7,419	6,000	11,304	5,304
	3,418,617	3,571,552	3,585,199	13,647
<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	-	11,561	11,561
<b>Exceptional income:</b>	243,244	-	138,182	138,182
<b>4.9) West Yard Contract Provision</b>				
	4,480,379	5,157,806	5,321,195	163,389

- 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 current licence, which permits APTL's commercial use of the Palace, was drafted in 2008 and is currently being reviewed to ensure that it is fit for purpose.
- 4.4 The Gift Aid due from APTL is a critical 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 shortly after APTL Board's expected approval of transfer on 25 October 2018 to take full advantage of the corporation tax exemption within this financial year.
- 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 for this period amount to £11,500.

## **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 (the small variance of £13,000 is due to the timing of expenditure).
- 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 the costs for directly supporting the East Wing Project which are 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. The storage area is already in use but the official completion is scheduled for October.
- 5.6 East Wing main construction works of £7,960,000 are budgeted for 2018-19. The total cost of construction works is currently tracking approximately £300,000 above the current year's cost budget, subject to the final settlement agreement with the contractor.

## 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 collected by the Trading Subsidiary on sales of tickets to concerts and exhibitions.

9.2 The following projects are scheduled in 2018-19, funded from the Corporate Trustee grant:

West Hall duct works	£	14,000
Roof access installation	£	132,518
Basement works	£	147,318
Area 7 Roof	£	175,000
Emergency Lighting	£	12,382
Diesel Fire	£	36,693
Fire Networks	£	17,194
North Service Yard Paint Store	£	70,582
Theatre items	£	52,870
Critical Fire Systems	£	105,228
	£	<u>763,785</u>

9.3 On 11<sup>th</sup> September the Board approved the Fabric Maintenance Plan priorities, which would focus on upgrading some of the organisation's critical safety systems. This includes from the table above:

West Hall duct works – The raising and reinstatement of the ventilation trunking to facilitate roof repairs shall be carried out later this year to the west end of the roof over the West Corridor, with the eastern end planned for 2019/20.

West Hall duct works – The permanent roof access installations, roof and glazing repairs and redecoration of the external space frames has been partially deferred, and will now commence in February 2019 and span over two financial years, with £132,518 in 2018/19 and the remainder in 2019/20. The non-compliant hooped ladder to the Theatre Foyer roof is also being renewed as part of this work to link to the enhanced roof access elsewhere to the Theatre. Priority will be given to the Great Hall roof access and repairs to isolated areas of corrosion to the external space frames/part redecoration in November 2018, with a contribution of £20,000 towards the roof access from the Rose Foundation.

Basement Works - The basement investigations, opening up and structural works, enhancements to ventilation and drainage, and damp proofing works, were awarded to Coniston Limited and commenced on 17<sup>th</sup> September 2018, with completion due during November 2018. The major clearance has gone well and revealed some historic finds and is allowing the basement to dry out more effectively. Structural opening up has confirmed that the massive cast iron beams are in relatively good condition considering the age and extent of saturation due to water ingress and condensation, but the smaller steel beams are poor and require renewal as anticipated. The bearing ends to the beams also need repair in the longer term and in the event that a new building is founded on them. Drainage works are in progress and renewal of the tarmac hardstanding with asphalt damp proofing, together with enhancement ventilation, is due to be completed shortly.

Area 7 Roof – The renewal of the Area 7 roof coverings, with the addition of tapered insulation, has been completed by Willmott Dixon Construction, as a variation to the EWRP (funded from the Capital Budget). This has significantly improved the thermal value of this roof and negated the problem of condensation within the new dressing rooms below, as well as enhancing the drainage of rainwater from this roof, which was previously flat. . The extensive plant and equipment for the Theatre is also now installed over this roof as part of the EWRP. Minor associated alterations to existing vents and extract are also nearing completion.

Emergency Lighting – The current central battery systems (CBS) units are operational and will work in case of emergency, but if discharged may not be able to recharge. 6 CBS units have already been replaced and 5 will be replaced this year in: the west hall (x2), the ice rink, roman bar, kitchen corridor.

Diesel Fire System – the pump that backs up the fire sprinkler system for the whole building, which has been replaced.

Fire Networks – New fire alarm panels have been installed and the transfer over from the older panels is scheduled for October/November 2018 to conclude this project.

North Service Yard Paint Store – works to convert the old paint store into a new security control room has not yet commenced.

#### Theatre Items

- The disposal of non-historic items and cataloguing and storage of theatre items has been completed, costing £6,345.

- The propping of the front of the theatre stage with temporary scaffolding was completed prior to the BBC Prom event, by Millcroft Services in the sum of £19,525, plus fees from structural engineer, SFK consulting. The front area of the stage(6m deep x 11m wide) can now be safely loaded to 6kN/m2, which is adequate for most situations, although below the industry wide 7.5kN/m2. The scaffold propping has been carefully positioned in between the historic theatre traps and cages, to facilitate their future restoration, and the supporting structures are completely freestanding and reversible.
- The proposed propping of the north side of the theatre stage (to provide a route for event build-up) is designed to achieve 7.5kN/m2, this work will cost in the region of £20,000 and is due for installation in late October/early November 2018 and similarly will be reversible. This will give a supported route to the new platform lift, located in the auditorium orchestra pit, to allow build and derig from Area 7 to auditorium, via the stage in between.

Critical Fire Systems – The order to renew all of the smoke vent cabinets has been issued to Brakel Airvents in the sum of £105,228 and these works will be phased over December 2018 to February 2019 to suit operational requirements.

#### 9.4 Additional Theatre Items

The following projects are scheduled for completion before December 2018 and are fully funded by the restoration levy. These are essential for the opening for the East Wing and the Theatre but are not funded by the Heritage Lottery Fund:

<u>Already committed by the end of September 2018</u>	
Theatre Lighting	168,018.00
Power Distribution	14,804.00
Sound Desk	43,616.00
Microphone Package	6,499.00
PA System	174,569.00
Back of house comms	29,552.00
	<u>437,058.00</u>
<u>Remaining to commit before December 2018</u>	
Stage Rig	31,073.00
Stage Mic	7,210.00
Playback	2,682.00
Pallet Stacker chairs	3,806.00
Stage legs	3,660.00
Others	4,773.00
	<u>53,204.00</u>
Total	490,262.00



## 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. Legal Implications

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

## 12. Financial Implications

- 12.1 The Council's Chief Financial Officer 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

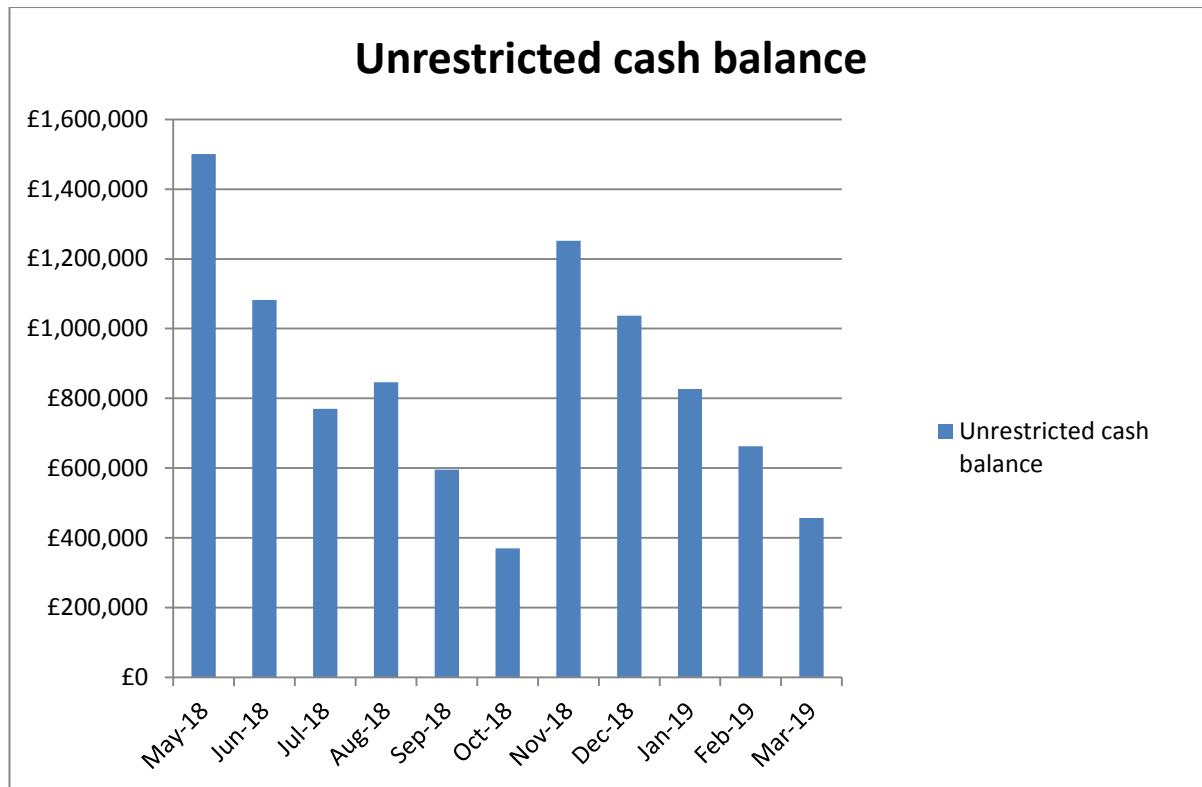
Appendix 3 - East Wing Project cash flow

Appendix 4 - West Yard Project cash flow

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

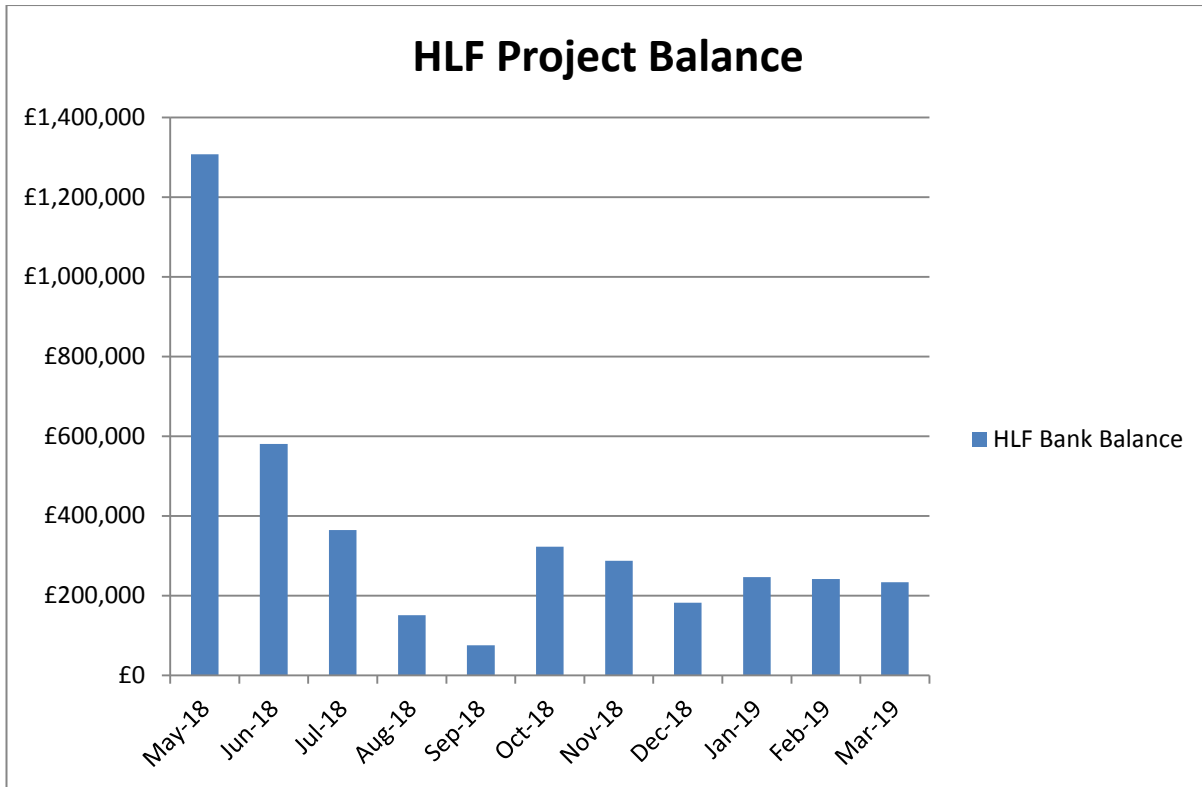
	2017/18	Year 2018/19		
	Audited	Budget	Forecast	Diff
	Unrestricted	Unrestricted		
<b>Incoming Resources</b>	£	£	£	£
HC Grant - Operational	1,950,000	1,950,000	1,950,000	-
Palace APTL Licence	300,000	300,000	300,000	-
Palace Leases & Recharges	78,659	73,000	73,744	744
Park Leases & Recharges	162,540	172,552	180,151	7,599
Learning & Community	7,419	6,000	11,304	5,304
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>3,585,199</b>	<b>13,647</b>
Overheads				
Cost of Events including Learning and Fundraising	(4,965)	(26,000)	(29,542)	(3,542)
Wages & Salaries (inc Ni Agency & Welfare)	(675,075)	(771,007)	(780,238)	(9,230)
Other Wage Costs (Travel & Training & Recruitment)	(12,785)	(17,595)	(17,580)	15
Maintenance Contract Palace	(330,147)	(329,004)	(329,004)	-
Maintenance Contract Park	(331,418)	(329,556)	(329,555)	1
Repair & Maintenance Other	(147,344)	(199,610)	(198,442)	1,168
Security Control	(503,516)	(507,800)	(507,844)	(44)
Cleaning & Pest	(7,533)	(6,000)	(9,564)	(3,564)
Rates & Insurance	(372,352)	(398,071)	(394,188)	3,884
Office expenses (Hire,stationery)	(120,164)	(118,140)	(116,779)	1,361
Utilities	(88,064)	(86,596)	(83,754)	2,842
Software & IT	(47,146)	(51,370)	(51,370)	0
Sundries, Meeting & Subscriptions	(11,967)	(19,930)	(17,794)	2,136
Marketing, Advertising & Design	(35,825)	(31,300)	(30,594)	706
Legal & Professional (Contains Construction)	(204,438)	(268,100)	(273,570)	(5,470)
Banking Costs	(628)	(1,500)	(1,515)	(15)
APTL Cost recharges	(78,060)	(78,060)	(78,060)	-
Total Outgoing Resources	(2,971,425)	(3,239,639)	(3,249,393)	(9,753)
<b>Result</b>	<b>447,193</b>	<b>331,913</b>	<b>335,806</b>	<b>3,894</b>
<b><u>Loan Commitments</u></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)	0	0	n/a
Lighting SIF loan	(44,417)	(44,417)	(44,417)	n/a
	(343,417)	(330,417)	(330,417)	n/a

## Appendix 2 – Unrestricted Funds cash flow



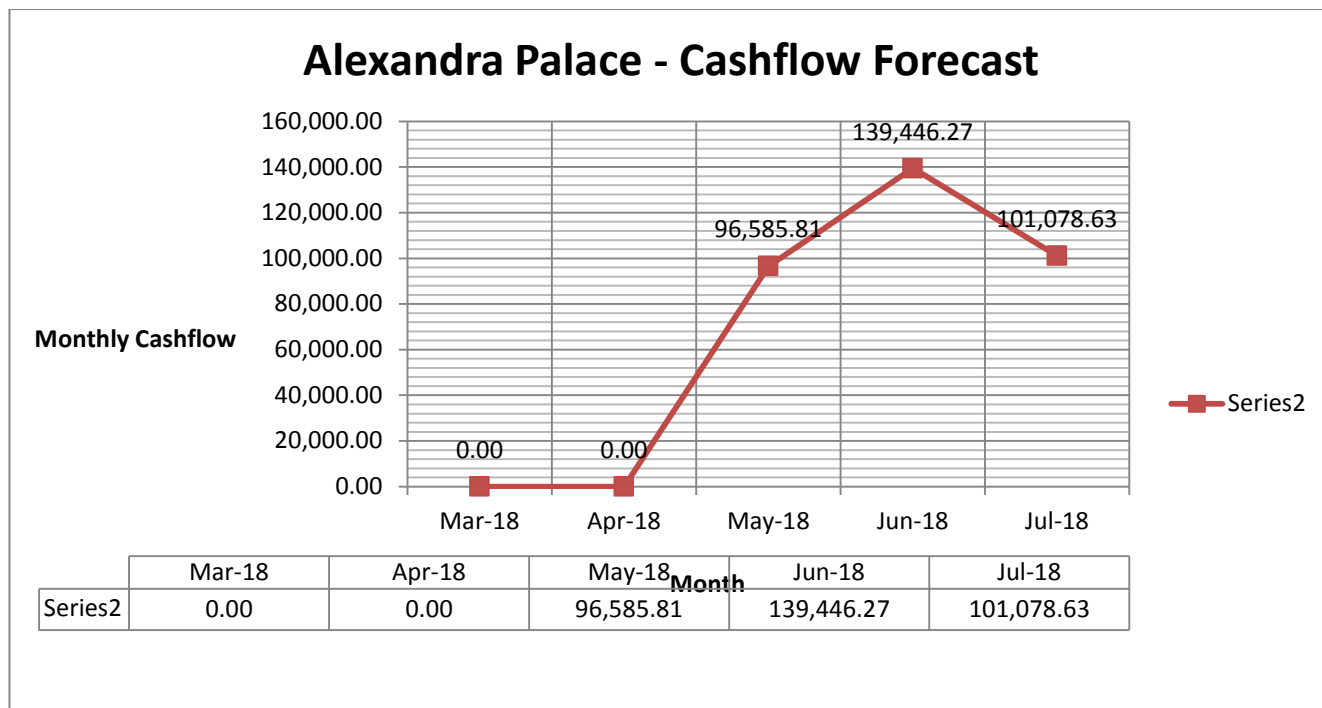
This is a projection of unrestricted cash at bank per month in 2018-19 ie cash funding daily operations of the Trust. The Corporate Trustee grant cash flows the first 3 quarters of the year and the last quarter of the year is funded by a transfer of the 2017-18 Gift Aid in cash (transfer in November/December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

## 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.