



ALEXANDRA PARK AND PALACE CHARITABLE TRUST BOARD

30th April 2019

Report Title: 2019/20 Budget
Report of: Dorota Dominiczak, Director of Finance and Resources
Report authorised by Louise Stewart, CEO

Contact: Natalie Layton, Executive Assistant and Charity Secretary
Email: Natalie.layton@alexandrapalace.com, Telephone: 020 8365 4335

Purpose: This paper sets out the draft 2019-20 Budget for Alexandra Park and Palace Charitable Trust.

Local Government (Access to Information) Act 1985 N/A

1. Recommendations

To approve the Trust Budget for financial year 2019/20.

2. Executive Summary of 2019/20 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 2019-20 total incoming resources are £5,046,000 (Table 1). Included in this amount are: unrestricted funds of £3,676,000, restricted funds of £470,000 (for capital maintenance of the Palace and Park). The designated funding of £500,000 for the construction of the East Court Creativity Pavilion is a result of our own fundraising efforts. We will continue our fundraising campaign for the Theatre and HLF project as well as for new Strategic Vision projects which will be undertaken when funds become available. The total fundraising target is set at £400,000
- 2.3 The 2019-20 total outgoing resources (Table 1) – restricted and unrestricted – are £5,908,000. They will be met from the 2019-20 incoming resources of £5,046,000 as well as from a remaining balance from the HLF grant of £1,500,000 available for drawdowns until November 2021.
- 2.4 The 2019-20 Budget is prepared on a break-even basis but with sufficient resources to fund its budgeted activities.

- 2.5 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 leaving the Trust with no free reserves for any emergencies.

3. Table 1 - Statement of Incoming and Outgoing Resources – 2019-20 Budget

APPCT	Year 2018/19 Budget £	Year 2018/19 Forecast £	Year 2019/20 Budget £
Income			
Unrestricted	3,571,552	3,606,458	3,675,789
Capital Fund	470,000	1,103,000	470,000
East Wing and Activity Plan	1,116,254	531,166	500,000
Fundraising - restricted	-	-	400,000
Total Incoming Resources	5,157,806	5,240,623	5,045,789
Direct Charitable Expenditure			
Running and maintaining the Park	(560,125)	(575,847)	(641,622)
Running and maintaining the Palace	(1,829,049)	(1,859,298)	(1,926,881)
Depreciation	(475,599)	(512,387)	(1,493,688)
Learning & Community	(25,025)	(29,113)	(32,110)
Regeneration	(251,629)	(232,123)	(143,376)
West Yard Storage	(782,632)	(620,349)	(50,000)
East Wing and Activity Plan	(7,959,776)	(7,700,481)	(897,734)
Direct Charitable Expenditure	(11,883,835)	(11,529,598)	(5,184,711)
Raising funds	(132,700)	(132,704)	(143,077)
Strategic Leadership	(352,041)	(350,658)	(341,146)
Support Costs	(214,701)	(211,022)	(238,492)
Total Outgoing Resources	(12,583,276)	(12,223,982)	(5,908,126)
Net Movement in Trust Funds	(7,425,470)	(6,983,359)	(861,637)
Balance Sheet extract:	1 April 2018	31 December 2018	
Resources available as total Reserves	£26,551,086	£22,062,720	
Represented by:	£	£	
HLF Grant Claims due	7,264,569	1,501,927	
Cash at bank:			
Main account - unrestricted	39,301	1,207,267	
HLF Project account - restricted	1,466,671	527,439	
West Yard Project account - restricted	765,036	446,649	
HC Capital Grant account - restricted	514,521	637,925	
Fixed assets/liabilities	16,500,988	17,741,514	
Resources available as total Reserves	£26,551,086	£22,062,720	

4. Incoming, Funding and Loans

4.1 Table 2 – 2019-20 Income - breakdown

	Year 2018/19	Year 2018/19	Year 2019/20	Note
	Budget	Forecast	Budget	
	£	£	£	
Trust total income				
Incoming Resources	£	£	£	
HC Grant - Operational	1,950,000	1,950,000	1,950,000	(a)
Capital income – Grants and Restoration Levy	470,000	1,103,000	470,000	(b)
Palace APTL Licence	300,000	300,000	300,000	(c)
Palace Leases & Recharges	73,000	99,819	73,000	(d)
Park Leases & Recharges	172,552	177,382	186,789	(e)
Learning & Community	6,000	9,256	6,000	(f)
Donations and Grants - Regeneration project	616,254	455,819	-	(g)
Donations and Grants - Creativity Pavilion	500,000	-	500,000	(g)
Donations and Grants - HLF Project	-	75,347	-	(h)
Fundraising target - new projects	-	-	400,000	(i)
Gift Aid	1,070,000	1,070,000	1,160,000	(j)
Total Incoming Resources	5,157,806	5,240,624	5,045,789	

- (a) The 2019/20 annual operational grant (unrestricted) from our Corporate Trustee is £1,950,000 (confirmed).
- (b) The 2019/20 Capital grant (restricted) from our Corporate Trustee is £470,000 (confirmed). In 2018-19 an additional amount of £633,000 was designated to fund the capital purchases for the Theatre which were necessary to make the space operational before the opening season. These funds came from the 2017-18 Gift Aid as well as the 2018-19 Restoration Levy transferred to the Trust in advance of receiving the 2018-19 Gift Aid in December 2019.
- (c) The APTL licence fee is receivable from the Trading Company (APTL) and is set at £300,000 for 2019-20. The licence permits APTL's commercial use of the Palace. It should be noted that the total budgeted income to the Trust from APTL Activities is £1,882,000 from the Licence Fee, Restoration Levy and Gift Aid combined; 37% of the Trusts income.
- (d) and (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 2019/20 annual income from this source (unrestricted) is budgeted at £260,000. £11,000 increase on 2018/19 in Park leases income is due to a rental income from Go Ape (turnover rent). The income from Palace leases remains flat at £73,000 (2018-19 income included a one-off repair recharged to tenant)
- (f) Creative Learning income represents fees receivable from events and fees charged to schools for workshops and educational activities. The Creative Learning programme is funded part by HLF and contribution from the Trust's funds. (See 5.3).

- (g) Donations and grants for the Regeneration Project represent the funds allocated for the settlement of the final construction account. The £500,000 for the Creativity Pavilion represents the grant available to us for creating a learning space in the East Court.
- (h) In 2018-19 the amount of £75,000 was generated through our public campaign for the Theatre. With the opening of the Theatre the seat campaign has been relaunched. However our fundraising efforts will be targeted towards critical capital expenditure and infrastructure. As the outcome is uncertain the budget does not carry any provision for income generated from donations.
- (i) The fundraising target has been set at £400,000 to fund charitable purpose projects and potential new projects aimed at delivering the Strategic Vision.
- (j) The APTL's profits of £1,160,000 are available to be transferred to the trust as Gift Aid to fund its unrestricted activities in 2019-20.

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 £639,000; this is 10% higher on 2018/19 spend because of: 1) provision for emergency park repairs outside the contracted works, 2) provision for legal works in obtaining a super injunction against trespassers and costs associated with cleaning and securing the park in case of incidents occurring.

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 £1.9m and is £67,000 up on 2018-19 to cover the cost of an additional maintenance post and incidental expenditure relating to maintaining the newly opened East Court and the Theatre.

Depreciation of the Palace has been previously shown as part of the Palace running costs. However following the opening of the East side of the building newly capitalised costs of £20m are being depreciated over 25 years as required by APPCT's accounting policy and FRS 102 (accounting standards). The total annual depreciation charge of the Palace is now £1.5 m (previously circa £0.5m) and for transparency it is shown separately from other running costs of the Palace. In accounting terms the depreciation will be written off against a value of a separate designated building fund and as such it will have no impact on any available unrestricted resources of the Trust.

- 5.3 Creative Learning costs represent a proportion of salaries of 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 of supporting the East Wing Project not funded from the HLF budget and the costs of the Strategic Vision projects, for example the work to explore car park charging and the usage of the new spaces in the Palace. Following the opening of the East Side we have terminated two posts directly supporting the Project.
- 5.5 West Yard Project construction works started in 2016/17 and progressed with delays. The final completion and costs are subject to current negotiations with Kier Construction. A provision for legal and advisory costs have been made in the budget.

5.6 The East Wing project has been completed and the side welcomed its first visitors in December 2018. The 2019-20 budgeted costs represent a provision for the construction cost retentions and also a provision for the Activity Plan supported by the HLF fund until November 2021.

6. Fundraising costs

This covers the costs of fundraising activities to raise funds for Alexandra Palace to support its restricted and unrestricted projects. The budget includes a provision for additional support to professionally target funders for grants and sponsorship as new sources of income are critical to the future of the Charity.

7. Strategic Leadership costs

This represents salaries and on-costs of the leadership team and the estimated initial costs of implementation of governance improvements. The costs remain at the previous years' level.

8. Support costs

This represents the office running costs including IT support, postage, printing and office administration and supplies. The increase is represented by a new recharge of HR and Finance costs previously borne by APTL but representing support to the Trust.

9. Annual Capital Expenditure

9.1 Capital Projects (outside the East Wing Project and the West yard Project) are funded mainly from the Haringey Council's capital grant. The 2019/20 capital grant agreed by the Council is £470,000. The money is being spent on critical maintenance projects and projects relating to health and safety of the visitors on site. The Trust retains a level of flexibility in the programming of these works to provide for unforeseen urgent works during the year.

The Trust also manages cash resources from the Restoration Levy collected by APTL on a sale of tickets to its events. The funds from this source of income are estimated at c£400,000 pa. The 2018-19 allocation has already been advanced to the Trust and spent prior to the opening of the Theatre to enable the completion of works not paid by the HLF grant. The 2019-20 funds will not be available until December 2020 (as part of the 2019-20 Gift Aid) unless the APTL Board approves an earlier transfer to fund a critical project if no other funds are made available to the Trust.

10. Loan commitments

APPCT 2019-20 Budget	capital amount due	annual repayment	remaining term of loan	instalment payment due date
West Yard Loan	2,500,000	122,000	32 years	Due August 2019
Ice Rink main loan	1,576,000	164,000	7 years	Due April 2019
Lighting loan (SIF)	233,583	44,417	4 years	Due April 2019
	4,322,583	330,417		

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

11. Conclusion

- 11.1 We are grateful to the Corporate Trustee for maintaining their financial support for the Trust for 2019/20 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 conserve the Palace building for future generations.
- 11.2 The East Wing Project has been challenging throughout the duration of the project. The project has been funded by the Corporate Trustee as well as the HLF grant. It was completed in December 2018 and it is a great success story for the Trust and its funders.
- 11.3 The fundraising efforts have been successful and rewarded with gaining support from some external funders including a grant for our Creativity Pavilion in the East Court. The building works will start in 2019-20.
- 11.4 The West Yard Project, although not fully completed yet, provides a critical storage space required for the activities generating income for the Trust.
- 11.5 The Trust has the annual loan commitments of £330,417 which are being met from the unrestricted resources available.

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. Financial Implications

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

14. Use of Appendices

Appendix 1 – Income and Expenditure – unrestricted funds
Appendix 2 – Notes supporting Table 1 (in Appendix 1)

Appendix 1:

Table 1 - Unrestricted – Budget 2019-20

APPCT 2018-19 Budget	Unrestricted Income and Expenditure			Notes
	Budget	Forecast	Budget	
	2018-19	2018-19	2019-20	
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	73,000	99,819	73,000	(a)
Park Leases	172,552	177,382	186,789	(b)
Creative Learning	6,000	9,256	6,000	(c)
Gift Aid	1,070,000	1,070,000	1,160,000	(d)
Total Incoming Resources	3,571,552	3,606,458	3,675,789	
Overheads				
Cost of Sales	26,000	27,399	29,000	
Wages & Salaries (including pension & Ni)	771,007	779,624	925,569	(e)
Other Wage Costs (Agency,Welfare,Travel)	17,595	13,986	14,703	(f)
Maintenance and Repairs - Palace	329,004	323,004	384,004	(g)
Maintenance Contract Park	329,556	329,555	329,556	(h)
Maintenance and Repairs - Park	199,610	221,561	217,710	(i)
Security Control Contract	507,800	522,877	532,500	(j)
Pest Control	6,000	13,980	21,600	(k)
Rates & Insurance	398,071	394,182	370,200	(l)
Office costs (tel, postage, stationery, copiers)	118,140	119,346	80,946	(m)
Utilities (15% allocation)	86,596	84,620	93,600	(n)
Software & IT	51,370	55,517	63,286	(o)
Sundries, Meeting & Subscriptions	19,930	15,307	24,830	
Marketing and Fundraising	31,300	30,966	41,300	(p)
Legal & Professional	268,100	253,897	194,040	(r)
Banking Costs	1,500	1,256	1,500	
APTL Cost recharges	78,060	78,060	22,056	(s)
Total Outgoing Resources	3,239,639	3,265,136	3,346,400	
Unrestricted Result (cash reserve)	331,913	341,322	329,389	
Loan commitments:				
West Yard loan	122,000	122,000	122,000	
Ice Rink main loan	164,000	164,000	164,000	
Lighting SIF loan	44,417	44,417	44,417	
Unallocated 2018-19 cash reserve	1,496	10,905	(1,028)	

Exempt Appendix 2

Notes to Table 1:

(a) Palace leases

Palace leases and facilities income represents lease income from two leases: Arquiva (National Grid) of £45,000 and Cornerstone Communications of £22,000. As per lease agreements we also have a right to recharge for certain utilities, insurance etc. but they are not going to be material and so no provision is made for this recoverable amount.

(b) Park leases

property ref no	Lease dates	Rent 2019-20	Notes
APP1	2016-2021 2 years remaining	£10,000	Lease renewed in March 2016
APP2	2010-2024 5 years remaining	£5,688	Index linked review next due 2020
APP3	2016-2024 5 years remaining	£16,789	Market Rate Rent review agreed 2015. New lease of 8 years from 2016
APP4	2007-2027 8 years remaining	£2,895	Market Rate rent review underway
APP5	2013-2024 5 years remaining	£28,670 Plus turnover rent for boats	Index linked rent review every 2 years
APP6	2008-2020 1 years remaining	£3,810 Plus turnover rent	Annual Index linked review
APP7	2003-2023 4 years remaining	£6,250 Plus £500 sub-letting licence for school use	Rent review every 5 years, next due 2018
APP8	2005-2026 7 years remaining	£27,500	Rent review based on turnover assessment 2014: no change. Next due 2019
APP9	2015-2025 6 years remaining	£15,000 25% discounted rate	Stepped rent for years 1-3, market rate rent review year 5.
APP10	2016-2038 19 years remaining	£24,000 Plus turnover rent	Stepped rent for years 1-4 then turnover arrangement
SUBTOTALS		Fixed rent £140,602 Plus Turnover rent Sub-letting £500	
TOTAL LEASE INCOME		Potentially £155,000	

We also charge four fitness groups for using the Park for their activities. These are £800 per annum per group.

Depending on the terms of a lease, for some tenants we have a right to recharge the cost of insurance, utilities and repairs. These recharges are on average £30,000pa

(c) Learning and Participation events

Income projection is modest at £6,000 and is for charging schools for educational sessions, families for daily activities and adults for tours with no allocation of costs as we aim to get a sponsor for such events.

(d) Gift Aid / Trading profit from APTL

The APTL's profits of £1,160,000 will be transferred to the trust as Gift Aid to fund its unrestricted activities in 2019-20.

TRUST OVERHEADS:

(e) Wages and salaries

These include:

Communications Manager	£29,000
Maintenance team	£292,000
Park management	£57,000
Trust Leadership team	£176,000
Fundraising office	£113,000
Office administration	£25,000
HR and Finance support	£110,000
Learning and Participation (partially funded by HLF Project)	£25,000
Regeneration team (partially funded by HLF Project)	<u>£98,000</u>
Total	£925,000

The costs of salaries, employer National Insurance and pension are £150,000 higher on previous year because of two new positions: a fundraising manager and a new maintenance post, and also because of a recharge of estimated HR and Finance support (previously borne by APTL only).

(f) Other wages costs (agency, welfare, travel)

This budget is £14,700 in total and includes: £8,000 for contractual private health insurance for the maintenance team, £4,000 for Trust's hospitality and £2,000 for training.

(g) Maintenance Palace - costs

This represents the costs of contracts for services provided by third parties – see table below, as well as costs of supplies of materials and equipment used by our own maintenance team to perform their daily duties of the Palace maintenance and repairs. (Salaries of maintenance team are included in Wages and Salaries costs)

Third Party Services:

The annual contracts commitment is £144,000 and includes specialist maintenance areas such as lifts, boilers, emergency systems and ice rink plant equipment.

Third party contracts	£144,000
Supplies to materials for maintenance of the Palace	<u>£240,000</u>
Total	£388,000

Details of contract expenditure in exempt table (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))

The allowance for materials has been increased in this budget by £50,000 to enable most critical works in the building.

(h) Maintenance Contract – Park

The contract with John O'Conner for the Park maintenance is at a contracted annual cost of cost of £330,000.

Details of the Contract are: a four year contract started in May 2016, at a core cost of £1,253,410, (£313,000 pa) with the optional use of additional provisional items (up to £64,816.80). Note: provisional items below at the Trust's discretion.

- 1) Cleaning, including: Litter collection and rubbish removal; Graffiti Removal; Herbicides to Hard Areas
- 2) Maintenance of grass areas; including Mowing; Preparation; Seed sowing; Leaf Clearance; Edging
- 3) Trees, shrubs and hedges; including Pruning; Planting
- 4) Bedding and herbaceous areas,
- 5) Conservation area
- 6) Winter duties
- 7) Play area; to be kept clean & tidy at all times.
- 8) Water features (lake, ponds and ditches)
- 9) Pitch and putt course; maintain greens, bunkers etc.
- 10) General items including eradication of knotweed; Gulley & drain clearance; maintenance of notice boards & benches.
- 11) Pest control operations

i) Maintenance and Repairs - Park

This budget reflects the projection of works not covered by the Maintenance Contract –i.e. outside the scope of contract and works that can't be completed by the in-house maintenance team. Examples include: maintenance and repairs of premises leased in the Park, paths and roads repairs, road and gully cleaning, playground maintenance. The annual spend varies year on year but 2019-20 is set at £217,000 (2018-19 £221,000, 2017-18 178,000; 2016-17 £162,000, 2015-16 £194,000).

(j) Security Control

The annual cost of security including car park guarding is £32,000

This includes provision of round the clock security services to the buildings and grounds on the estate of Alexandra Palace, N22 7AY, including: Security: CCTV / Alarm Monitoring, Control of Access & Security Passes, Emergency Response, Enhanced Security Requirements, Guarding Service, Key Holding, Lock up / Open Up of Affected Property, Patrols (Fixed Guarding), Patrols(Mobile), Reactive Guarding.

The 2019-20 budget has been increased by £25,000 on previous years to allow for incidental expenditure like security of North Yard when gates are broken, security of Park in case of trespassing etc.

(k) Pest control

The budget has been reduced in the previous years but the budget made available was unrealistic – hence a higher allocation in 2019-20 to cover the basic needs of pest control

(l) Rates and Insurance

The total cost of Rates and Insurance are as follows:

Insurance:

Property combined (rebuild and terrorism)	£250,000
Fidelity Guarantee	£6,000
Engineering (damage and inspections)	£5,000
Trustees indemnity	£500
Directors and Officers liability	£1,000
Employer and Public liability (shared with APTL)	<u>£25,500</u>
	£288,000
Rates	<u>£82,000</u>
Total insurance and rates Trust	£370,000

The Property rebuild Insurance and Terrorism cover were both re-tendered in autumn 2018 as the previous five year contract is due to end on 31 March 2019. As part of the tender process we have undertaken a professional revaluation of the Palace and its dwellings to ensure that the asset has not been undervalued for the insurance purposes. The rebuilt valuation of the Palace and dwellings has been assessed at £344m. The tender process was also supported by a professional property risk survey. A new five year insurance contract has been agreed to insure a significantly higher value of the property of £344m (vs currently insured £230m) together with a terrorism cover at a very similar annual premium overall.

(m) Office costs including equipment hire

These costs include provisions for: office costs £25,000 (stationery and postage); equipment hire (£10,000 for office photocopiers repairs and maintenance under contract), £40,000 for a reactive maintenance (example: hire of a crane to inspect a storm damage), £18,000 for hire of equipment for periodic inspections of the building. The costs are lower on previous year as there is a new recharge introduce to APTL to reflect their use of telephones and stationery.

(n) Utilities

The utilities costs (water, electricity and gas) have increased on average 15% during 2018-19. The combined bills for utilities for Park and Palace of £770,000 previously are now estimated to be around £1m in 2019-20. The Trust recharges around 90% of this cost to APTL – but overall for Alexandra Palace the cost of utilities has not reached a level which we can't manage without assessing how we can reduce these costs. We are currently reassessing the infrastructure and our contracted prices through the Crown Commercial framework – further decisions will be communicated during 2019-20 to the Board.

(o) Software and IT

These costs include £25,000 provision for Internet access to the building, £18,000 for IT support contract with Technica (provided by a 3rd party) and £9,000 annual licence for FixIt (software used by the maintenance team). The increase represents higher charges agreed for Technica support to Alexandra Palace to reflect a volume and complexity of our IT requirements.

(p) Marketing and Fundraising

2019-20 budget for fundraising remains at £15,000 while the marketing/communications budget has been increased by £10,000 to £25,000.

(r) Legal and Professional

These costs include:

Legal fees – governance advice	£30,000
Legal fees – grants applications	£10,000
Professional fees - general	£25,000
Professional fees – strategic vision	£50,000
Procurement legal advice	£10,000
Car Parking – professional support	£50,000
Audit fees	<u>£20,000</u>
	£194,000

(s) APTL cost recharges

This represents a provision for a cleaning of the building allocated to the Trust from APTL. Previously there was also a provision of £56,000 for a support of finance and HR now replaced with an allocation of actual costs.