



ALEXANDRA PARK AND PALACE CHARITABLE TRUST BOARD

30th April 2019

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

Report of: Dorota Dominiczak, Director of Finance and Resources

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

Purpose: This paper sets out the financial position of Alexandra Park and Palace Charitable Trust for the 11 months to February 2019, including the annual forecast of incoming and outgoing resources.

Local Government (Access to Information) Act 1985

N/A

1. Recommendation

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.
- 2.2 Unrestricted Reserves (Appendix 1) – There are no concerns with regard to the unrestricted funds and the unrestricted cash flow to report in 2018-19. The annual revenue expenditure of £3,240,000 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.
- 2.3 The Trust requires c£1,160,000 gift aid donation from its subsidiary to support its unrestricted activities. The 2018/19 APTL's profit is tracking at least at this required level giving a reassurance to achieve a balanced financial position in 2019-20 if other unrestricted sources of income remain unchanged.
- 2.4 The East Wing construction project concluded on the 1st December. The process of due diligence on the final account is underway.

2.5 The West Yard construction project has progressed with a number of issues including delays which will be addressed before the final completion is achieved.

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

APPCT Forecast based on 28 February 2019	2017/18 Audited £	Year 2018/19 Budget £	Year 2018/19 Forecast £	Year 2018/19 Diff £
Unrestricted	3,418,618	3,571,552	3,622,100	50,548
Capital Fund	470,000	470,000	1,103,000	633,000
East Wing & Activity Plan	348,518	1,116,254	551,292	(564,962)
Total Incoming Resources	4,237,135	5,157,806	5,276,391	118,586
Running and maintaining the Park	(534,493)	(560,125)	(602,437)	(42,311)
Running and maintaining the Palace	(2,210,772)	(2,304,648)	(2,338,993)	(34,345)
Learning & Community	(15,076)	(25,025)	(28,287)	(3,263)
Regeneration	(230,921)	(251,629)	(222,590)	29,039
West Yard Storage	(744,380)	(782,632)	(633,361)	149,271
East Wing & Activity Plan	(13,827,518)	(7,959,776)	(7,476,549)	483,227
Direct Charitable Expenditure	(17,563,160)	(11,883,835)	(11,302,217)	581,618
Raising funds	(97,287)	(132,700)	(101,171)	31,529
Strategic Leadership	(380,803)	(352,041)	(351,974)	67
Support Costs	(189,772)	(214,701)	(199,921)	14,780
Total Outgoing Resources	(18,231,022)	(12,583,276)	(11,955,283)	627,993
Net Movement in Trust Funds	(13,993,887)	(7,425,470)	(6,678,892)	746,578
Balance Sheet extract:		1 April 2018	28 Feb 2019	
		£	£	
Resources available as total Reserves		26,551,086	21,235,521	
Represented by:		£	£	
HLF Grant Claims due		7,264,569	1,293,449	
Cash at bank:				
Main account - unrestricted		39,301	555,101	
HLF Project account - restricted		1,466,671	815,243	
West Yard Project account - restricted		765,036	443,049	
HC Capital Grant account - restricted		514,521	477,926	
Fixed assets/liabilities		16,500,988	17,650,753	
Resources available as total Reserves		26,551,086	21,235,521	

4. Incoming Funding

4.1 Table 2 – 2018-19 Income - breakdown

APPCT	2017/18	Year 2018/19		
	Audited £	Budget £	Forecast £	Diff £
Unrestricted	Total Trust	Total Trust		
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	193,222	20,670
4.5) Palace Leases and Recharges	78,659	73,000	96,759	23,759
4.6) Creative Learning	7,419	6,000	12,118	6,118
	3,418,617	3,571,552	3,622,100	50,547
Restricted				
4.7) Capital funds	470,000	470,000	1,103,000	633,000
4.8) Grants and Other: East Wing & Activity	268,050	1,116,254	465,819	(650,435)
4.8) Donation HLF Project	80,468	-	85,472	85,472
	4,237,135	5,157,806	5,276,391	256,767

- 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. A review of the licence, which permits APTL's commercial use of the Palace is underway and will include an independent valuation.
- 4.4 The Gift Aid due from APTL is a critical source of unrestricted funding for the Trust. The 2018-19 Gift aid budgeted as £1,070,000 was transferred by APTL to the Trust in November 2018 as planned.
- 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 (CL) income represents fees receivable from events as well as fees charged to schools for workshops and educational activities, to cover the costs of delivery. The positive income variance relates to increased food and beverage sales at the CL events.
- 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. During 2018-19 the Trust designated additional funds of £633,000 (mainly from Restoration Levy) to the East Court project for

the purchases of the necessary capital items for the Theatre which were not funded by the HLF grant.

- 4.8 Donations and grants (East Wing, Activity Plan and Learning Centre) are a restricted income for the Regeneration Project. The 2018-19 budget included a delivery of Creativity Pavilion and as this project has been further delayed to 2019-20 this has been reflected in the accounts as a reduction in incoming and outgoing resources 'East Wing and Activity Plan'. Individual donations received to date for this period amount to £85,472 and were from the Theatre seat campaign.

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 and currently tracking £42k over budget; c£30,000 of this amount was spent on legal and security costs incurred to remove the trespassers in the park.
- 5.2 Palace running costs include the in-house maintenance team, third party contracts for maintenance in specialist areas for example lifts, shutters, catering equipment, Ice Rink plant; it also covers the building insurance and rates. The annual cost is budgeted at £2,300,000 and currently tracking £34,000 over budget; £23,000 of this is attributable to costs of repairing of an accidental damage in the theatre subsequently reimbursed by our client.
- 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 budgeted at £250,000 and currently showing £29,000 due to savings from phased out positions as elements of the project have been completed.

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 but underspent by £31,000 due to delays in various activities in 2018-19.

7. Strategic Leadership costs

This represents the costs of the senior 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. Saving in costs is due to rolling out new photocopiers and savings achieved in running costs.

9. Annual Capital Expenditure

- 9.1 Capital Projects (outside the East Wing Project and the West Yard Project) are mainly 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 Trustee Board will receive an update on detailed capital works in a separate report at the Board meeting.

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 of the 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.

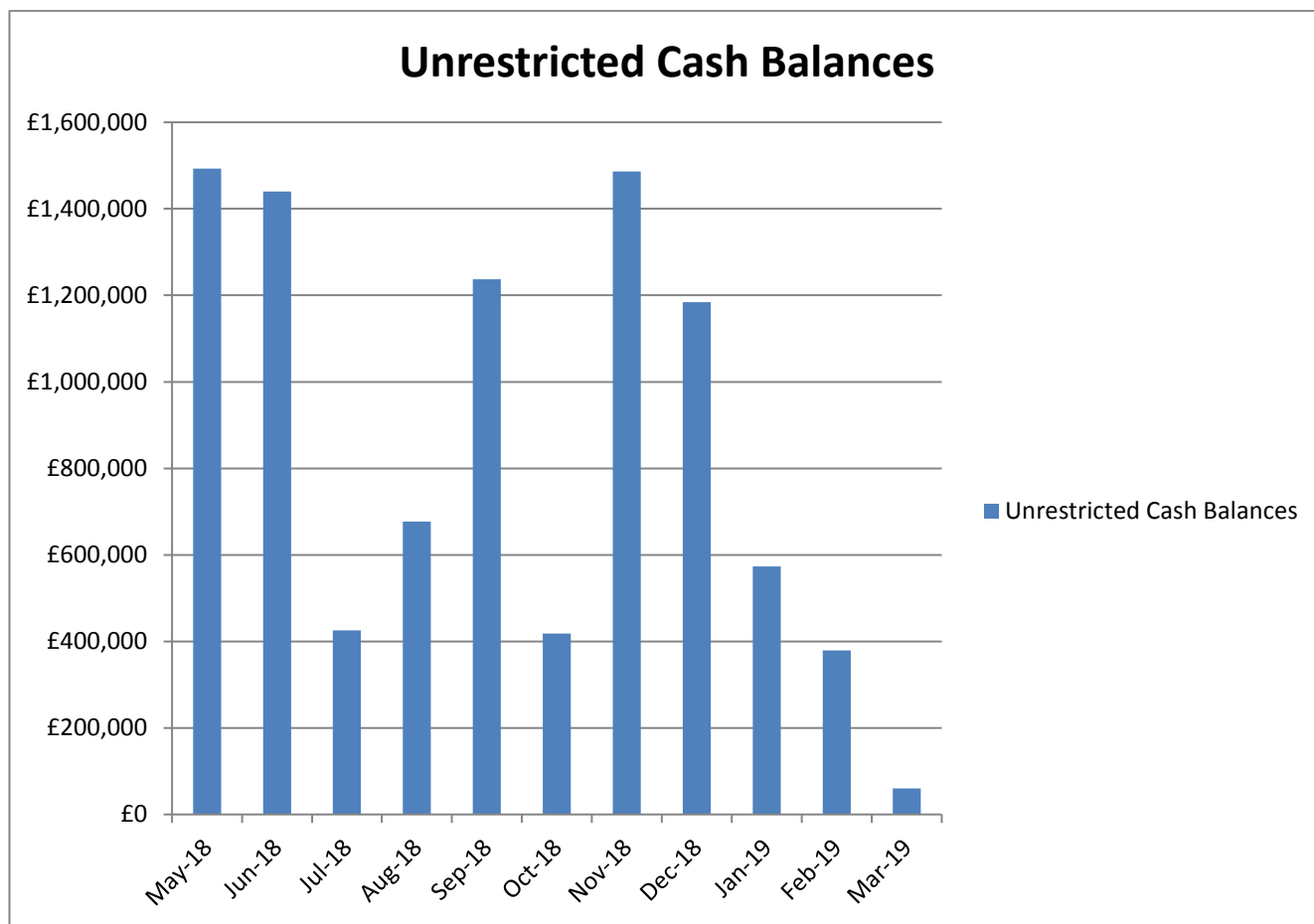
12. Use of Appendices

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

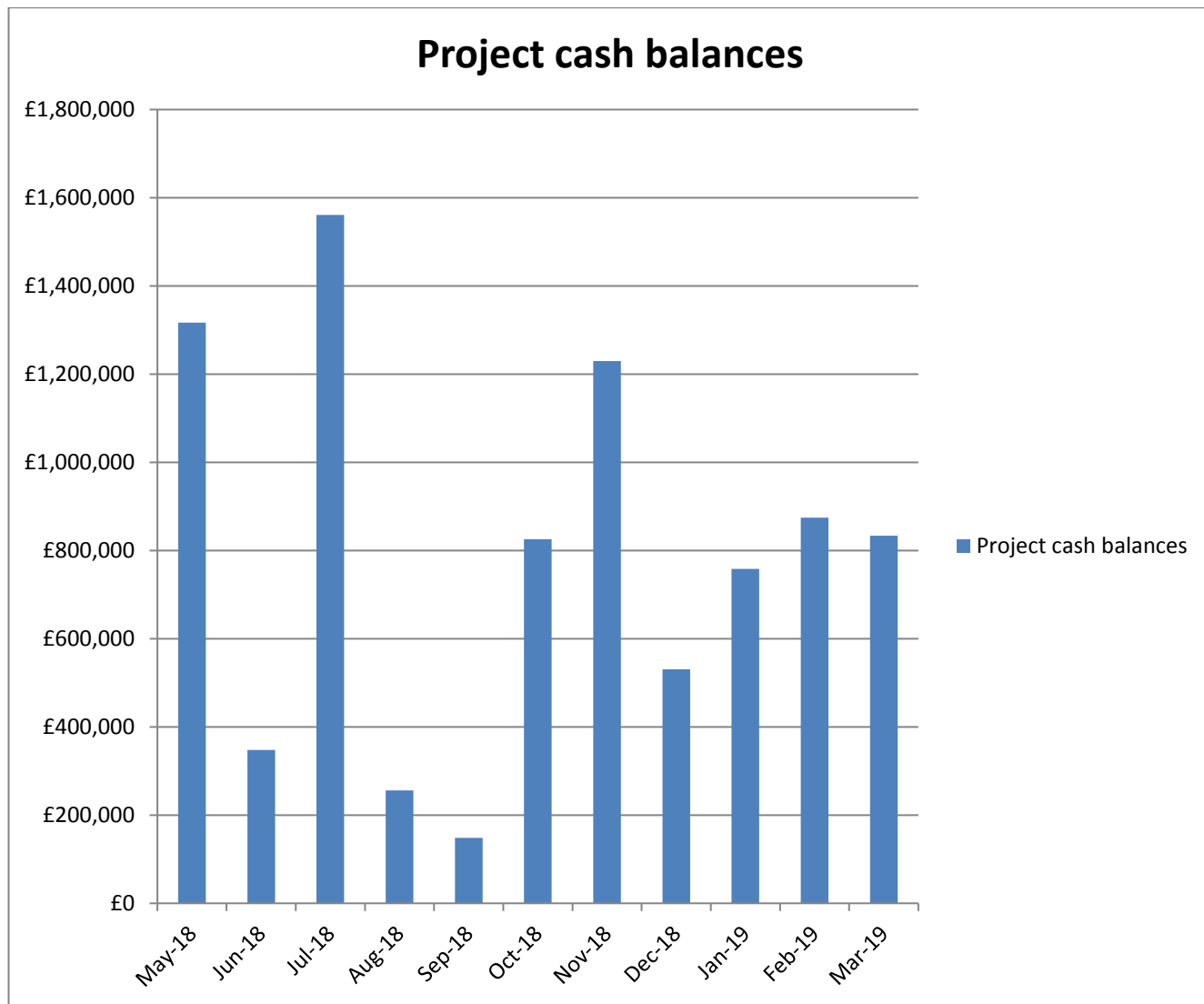
	2017/18	Year 2018/19		
	Audited	Budget	Forecast	Diff
	Unrestricted	Unrestricted		
Incoming Resources	£	£	£	£
HC Grant - Operational	1,950,000	1,950,000	1,950,000	-
Palace APTL Licence	300,000	300,000	300,000	-
Palace Leases & Recharges	78,659	73,000	96,759	23,759
Park Leases & Recharges	162,540	172,552	193,222	20,670
Learning & Community	7,419	6,000	12,118	6,118
Gift Aid	920,000	1,070,000	1,070,000	-
Total Incoming Resources	3,418,617	3,571,552	3,622,100	50,548
Overheads				
Cost of Events including Learning and Fundraising	(4,965)	(26,000)	(4,008)	21,992
Wages & Salaries (inc Ni Agency & Welfare)	(675,075)	(771,007)	(779,621)	(8,614)
Other Wage Costs (Travel & Training & Recruitment)	(12,785)	(17,595)	(8,525)	9,070
Maintenance Contract Palace	(330,147)	(329,004)	(322,272)	6,732
Maintenance Contract Park	(331,418)	(329,556)	(330,216)	(660)
Repair & Maintenance Other	(147,344)	(199,610)	(230,102)	(30,492)
Security Control	(503,516)	(507,800)	(531,499)	(23,699)
Cleaning & Pest	(7,533)	(6,000)	(15,720)	(9,720)
Rates & Insurance	(372,352)	(398,071)	(394,180)	3,891
Office expenses (Hire,stationery)	(120,164)	(118,140)	(117,699)	441
Utilities	(88,064)	(86,596)	(90,033)	(3,437)
Software & IT	(47,146)	(51,370)	(62,508)	(11,138)
Sundries, Meeting & Subscriptions	(11,967)	(19,930)	(14,156)	5,774
Marketing, Advertising & Design	(35,825)	(31,300)	(34,164)	(2,864)
Legal & Professional (Contains Construction)	(204,438)	(268,100)	(224,579)	43,521
Banking Costs	(628)	(1,500)	(1,102)	398
APTL Cost recharges	(78,060)	(78,060)	(78,060)	-
Total Outgoing Resources	(2,971,425)	(3,239,639)	(3,238,444)	1,196
Result	447,193	331,913	383,656	51,743
<u>Loan Commitments</u>				
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



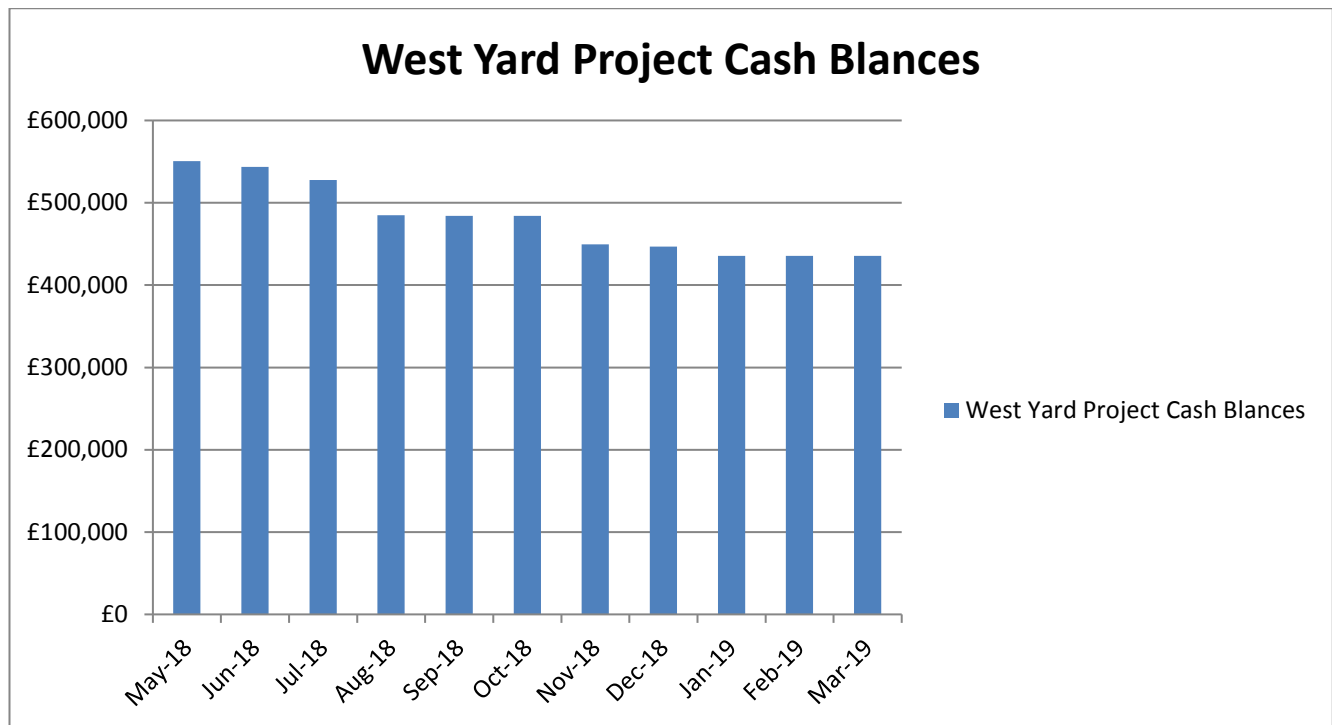
The above chart is a projection of unrestricted cash in the bank per month in 2018-19 i.e. cash funding the daily operations of the Trust. The Corporate Trustee grant cash flows the first 3 quarters of the year; the last quarter of the year is funded by a transfer of the 2017-18 Gift Aid in cash. Based on the current budget and forecast sufficient funds are expected to be available in 2018-19.

Appendix 3 – East Wing Project cash flow



A separate, restricted bank account serves the East Wing Project, which is funded through monthly claims submitted to HLF and accumulated restricted cash reserves.

Appendix 4 – West Yard Project cash flow



The cash funds which pay for the construction works are kept in a dedicated loan bank account to ensure separation of funds from the Trust's other activities.