



**ALEXANDRA PARK AND PALACE CHARITABLE TRUST BOARD**  
**14<sup>th</sup> January 2020**

**Report Title:** APPCT Financial Results with Annual Forecast  
**Report of:** Dorota Dominiczak, Director of Finance and Resources

**Purpose:** This paper sets out the financial position of Alexandra Park and Palace Charitable Trust for April 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 and the pressure on the Trust's 2019/20 budget.

**2. Executive Summary of 2019/20 Forecast**

- 2.1 The Statement of Incoming and Outgoing Resources (Table 1) illustrates the various activities undertaken by the Trust, including revenue and capital funded from unrestricted income, restricted grants and loans.
- 2.2 Whilst there is some necessary overspend forecast in some Trust activities (additional research carried out for the car parking project and essential unbudgeted building repairs) the overspend in those budget lines is fully funded from the available Gift Aid transferred to the Trust by its trading subsidiary. The provision of depreciation has no impact on cash funds. The West Yard storage project fees are met from dedicated loan funds (refer to 2.5). There are no concerns to report with regard to the unrestricted funds and the unrestricted cash flow in 2019-20.
- 2.3 The fundraising target was set at £400,000 for the current year. The focus is on raising money for strategic projects, capital repairs and improvements, and support for the Creative Learning Programme (progress reported in Table 3).
- 2.4 The East Wing Project final account was settled in May 2019. The final retention sum of £442,470 is payable subject to satisfactory completion of defects by the contractor (funds are allocated and available from the National Lottery Heritage Fund (NHLF) grant).
- 2.5 Dialogue continues with the contractor for completion of the West Yard Storage Building.

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

APPCT At Month Ending 31st October 2019	2018/19 Audited £	Year 2019/20 Budget £	Year 2019/20 Forecast £	Year 2019/20 Diff £
<b>Income</b>				
Unrestricted	3,648,273	3,680,790	3,776,817	96,027
Capital Fund	1,095,500	470,000	642,169	172,169
East Wing & Activity Plan	449,820	0	0	0
Fundraising target	616,253	400,000	85,838	(314,162)
<b>Total Incoming Resources</b>	<b>5,809,846</b>	<b>4,550,790</b>	<b>4,504,824</b>	<b>(45,965)</b>
<b>Charitable Expenditure:</b>				
Running and maintaining the Park	(591,618)	(644,275)	(638,168)	6,107
Running and maintaining the Palace	(1,859,754)	(1,926,881)	(2,024,197)	(97,316)
Capital Fund - Depreciation	(839,996)	(1,495,608)	(1,544,991)	(49,383)
Learning & Community	(27,992)	(32,110)	(38,300)	(6,190)
Strategic Projects	(221,315)	(143,376)	(143,844)	(468)
<b>Revenue expenditure</b>	<b>(3,540,675)</b>	<b>(4,242,250)</b>	<b>(4,389,500)</b>	<b>(147,250)</b>
West Yard Storage	40,163	(86,455)	(286,964)	(200,509)
East Wing and Creativity Pavilion	(1,277,132)	(1,041,144)	(1,016,319)	24,825
<b>Capital Projects</b>	<b>(1,236,969)</b>	<b>(1,127,599)</b>	<b>(1,303,283)</b>	<b>(175,684)</b>
<b>Charitable Exp - revenue and projects</b>	<b>(4,777,644)</b>	<b>(5,369,849)</b>	<b>(5,692,783)</b>	<b>(322,934)</b>
Raising funds	(99,763)	(125,877)	(125,476)	401
Strategic Leadership	(317,164)	(356,146)	(350,322)	5,824
Support Costs	(196,028)	(242,472)	(234,123)	8,349
<b>Total Outgoing Resources</b>	<b>(5,390,599)</b>	<b>(6,094,344)</b>	<b>(6,402,704)</b>	<b>(308,360)</b>
<b>Net Movement in Trust Funds</b>	<b>419,247</b>	<b>(1,543,554)</b>	<b>(1,897,880)</b>	<b>(354,326)</b>
<b>Reserves:</b>		<b>reserves bfw</b>	<b>movement</b>	<b>reserves cfw</b>
Unrestricted		-	-	-
Designated		25,356,000	(967,399)	24,388,601
Restricted		1,614,333	(930,481)	683,852
<b>Trust Reserves</b>		<b>26,970,333</b>	<b>(1,897,880)</b>	<b>25,072,453</b>

## 4. Incoming Funding

### 4.1 Table 2 – 2019-20 Income - breakdown

	2018/19	Year 2019/20		
	Audited £ Total Trust	Budget £ Total Trust	Forecast £	Diff £
<b>Unrestricted</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	1,070,000	1,165,000	1,194,653	29,653
4.5) Park Leases and Recharges	219,425	186,790	233,723	46,933
4.5) Palace Leases and Recharges	96,828	73,000	75,426	2,426
4.6) Creative Learning	12,020	6,000	23,015	17,015
	3,648,273	3,680,790	3,776,817	96,027
<b>Restricted</b>				
4.7) Capital grants and funds	1,095,500	470,000	642,169	172,169
4.8) East Wing and Activity Plan	449,820	-	-	-
4.9) Fundraising	616,253	400,000	85,838	(314,162)
	5,809,846	4,550,790	4,504,824	(45,965)

- 4.2 The Corporate Trustee has maintained the annual revenue grant of £1,950,000 to assist the Trust in delivering its charitable purposes. The grant has not increased in four years; however, having conducted a consultation exercise with the Trust Board and other stakeholders, the Corporate Trustee has notified the Trust of its intention to consider a proposal to cut the Grant by 10% for 2020/21
- 4.3 The APTL licence fee, received from the Trading Company (APTL), is set at £300,000 for 2019-20. The licence permits APTL's commercial use of the Park and Palace. The current licence (in place since 2008) has been reviewed and, following sealing by the Corporate Trustee's Legal section, the new licence agreement will be in place from April 2020 with a specified methodology for the licence fee calculation, developed by an independent valuer.
- 4.4 The Gift Aid from APTL is a critical source of unrestricted funding for the Trust. The 2018-19 Gift aid was budgeted at £1,165,000 and this figure has been revised in the reforecast to £1,194,653.
- 4.5 Park and Palace leases and recharges represent annual lease income from the tenancies 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. The Park leases report an uplift of £47,000 due to unbudgeted turnover related fees.
- 4.6 Creative Learning income represents fees received from Creative Learning activities. A positive projected variance of £17,000 is due to successful summer camp activities part funded by the NLHF activity programme (part of the East Wing Programme

funding) and part by the Trust, which was offset by a participation fee as income to unrestricted funds.

4.7 The Capital grant and funds (restricted) in 2019-20 from the Corporate Trustee is £470,000 and has been maintained at the previous year's level. The total forecast figure has been increased to £642,169 to reflect additional funds designated from the 2018-19 APTL Gift Aid to fund an overhaul of the Great Hall lift and works in the Park.

4.8 The East Wing and Activity Plan are restricted funds for the NLHF Project. The East Wing regeneration project has been completed and will no longer receive funding for construction works. The Activity Plan is funded from the accrued NLHF grant income and is therefore not recognised as incoming resources in 2019-20.

4.9 The fundraising target for 2019-20 is £400,000. The Table below summarises income received, pledged and applied for to reach this target.

4.10 Table 3 – 2019-20 Fundraising income tracker

	2019/20	Future Pledges	Total	Purpose
	£	£	£	
Donations - Restoration project	6,138		6,138	
Donations - general restricted	700		700	
Hewlett Packard	25,000		25,000	Towards Technology for the Creativity Pavilion
Match room Foundation	50,000	100,000	150,000	To take the Wild in the Park programme forward for young persons with emotional and behavioural difficulties (funding over three years)
John Thaw Foundation - Activity Plan	2,000		2,000	grant towards rock against racism 2019
Teale Charitable Trust	2,000		2,000	To fund young persons workshops and attendance at Midsummer Night Dream
Mayor's Tree Fund	15,540		15,540	
Historic England	70,000	180,000	250,000	Capital refurbishment of North East Office Building/Studio Capital restoration
<b>Total</b>	<b>171,378</b>	<b>280,000</b>	<b>451,378</b>	

The total amount of funding currently being actively applied for (bids submitted or about to be submitted) is £885,000.

## 5. Direct Charitable expenditure

5.1 Running and maintenance of the Park includes the Grounds Maintenance contract and maintenance and repairs of properties in the Park leased to tenants as well as other accidental repairs in the Park grounds. The total annual cost is budgeted at £644,000. A small variance is due to estimated costs recharged to tenants.

5.2 Palace running costs include the in-house maintenance team, third party contracts for maintenance of specialist areas for example the lifts, shutters, ice rink plant; it also covers the building insurance and rates. The annual cost is budgeted at £1,926,000 but in addition, funding of £97,000 has been allocated to meet urgent repair, including the trenches in the Ice Rink.

- 5.3 The annual depreciation charge is an accounting entry and has no impact on available resources and cash flow. The charge has increased on previous years due to capitalisation of the NLHF project.
- 5.4 Creative Learning costs represent a proportion of salaries paid to the staff delivering these activities; the majority of costs are funded by the NLHF Activity Plan grant. The budgeted costs of £32,000 have been exceeded by £6,000 to generate £17,000 of additional return from the summer camp activities.
- 5.5 Strategic Projects and Programmes spending represents the costs of supporting the East Wing Project not funded from the NLHF budget, a feasibility study of car park charging and the costs of early stage development of new projects; the spending is tracking on budget.
- 5.6 East Wing – The 2019-20 budgeted costs represent a provision for the construction cost retentions and also a provision for the Activity Plan supported by the NLHF grant until November 2020. An underspend of £24,000 is reported but these funds are restricted and can't be allocated to support other projects or expenditure.

## **6. Fundraising costs**

This covers the costs of fundraising activity to raise funds for the Trust. The budget of £141,000 is tracking on budget.

## **7. Strategic Leadership costs**

This represents the costs of non-departmental members of the leadership team and support costs; costs in relation to taking forward the governance improvement and governance change programmes and non-departmentally attributable costs of implementing the Strategic Vision. The current variance reflects a proportion of unbudgeted fees for crisis communication (a cost shared with APTL).

## **8. Support costs**

This represents the costs of running the office including: IT support, office administration and supplies. The variance reflects an increase in fees payable to the third-party IT support.

## **9. Annual Capital Expenditure**

- 9.1 Repair and maintenance Capital Projects are funded mainly from the Haringey Council's capital grant - 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. Table 4 below lists current projects – whether considered or in progress already:

Table 4 – current capital projects

Works Scheduled	Budgeted	Not Committed as at 13-11-19
<b>LBH Monies &amp; Grants</b>		
West Hall Ducts	14,724	-
Window Boxes	750	-
South / West Elevations	40,000	40,000
Space Frames Two Bays	85,000	85,000
Colonnades	39,000	39,000
Basement works	34,193	3,391
Glazing Works	108,008	-
West Yard Lift	189,560	87,858
Security Lodge	1,495	1,495
West Yard Shutters	74,100	-
Theatre Stage - Propping Works North	8,350	-
Theatre Stage - Propping Works South	5,000	5,000
Carpet	37,741	-
Fees relating to Capital	27,307	15,800
Equipment hire (installations)	13,617	-
Materials	392	-
	679,237	277,544

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 Table below lists projects considered for the current year which will be funded from 2018-19 Restoration Levy.

Table 5 – Restoration Levy

Works Scheduled	Budgeted	Not Committed as at 13-11-2019
<b>Restoration &amp; GA</b>		
Park Signage	19,000	-
Park Related	10,000	10,000
Theatre Bar Cooling	4,923	-
Furniture	20,000	20,000
Wire Access Points	3,279	-
Carpet	4,954	-
Great Hall Lift Works	149,110	-
Equipment hire (installations)	6,878	-
	218,144	30,000

## 10. Table 6 - Loan commitments

APPCT 2017-18 Budget	capital amount o/s at 1.4.2019	annual interest	annual repayment	remaining term of Loan	instalment payment due date
West Yard Loan	2,421,000	82,000	122,000	32 years	Paid August 2019
Ice Rink main loan	1,231,000	45,000	164,000	7 years	Paid March 2019
Lighting loan (SIF)	145,000	-	44,417	3 years	Paid March 2019
	3,797,000	127,000	330,417		

All Trust loan commitments are up to date.

## 11. Risks and financial considerations going forward

- 11.1 The unrestricted funds have no cash reserves as annually all incoming resources are allocated and spent on delivering our charitable objectives. The 2020-21 unrestricted budget is likely to be negatively impacted by the following pressures on funds:
- We have been notified of the Corporate Trustee's proposal to cut the operating grant by 10% (£195,000).
  - The security contract costs will increase from April 2020. This will enable the contractor to increase hourly rates to LLW and should help to retain and recruit staff and generate an improvement in service levels.
  - The Park maintenance contract has been re-negotiated from April 2020 with an incremental annual increase to maintain the required level of service and to enable the contractor to pay LLW.
- 11.2 The Trust is funded mainly from two sources: The Corporate Trustee grant and the income from the trading subsidiary. The proposed reduction in grant and the already known increases in the security contract and the park maintenance contract costs will put pressure on the trading subsidiary to deliver a higher level of gift aid.
- 11.3 The Car Park Charging project is underway. This is a potential new source of income to the Trust. The initial outlay on refurbishment of the existing car parks and the infrastructure has been estimated alongside income projections, but will be further examined and tested. The public feedback period on the proposals ended on December 31st.
- 11.4 A new tenancy is being negotiated for the office space in South East Pavilion. The costs of refurbishment to bring the space to use have been assessed. The annual rent has been assessed through an independent market valuation. Discussions are ongoing.

## 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 advises that the reduction in local authority funding continues and all parts of the Council need to play their part in ensuring that essential services are maintained. The Trust is facing a number of challenges, all of which give rise to financial implications. It is vital therefore that the Trustees continue with detailed budget monitoring and risk management.

### **14. Use of Appendices**

- Appendix 1 - Income and Expenditure – unrestricted funds
- Appendix 2 – Cash Projection unrestricted
- Appendix 3 – HLF Project Cash Projection



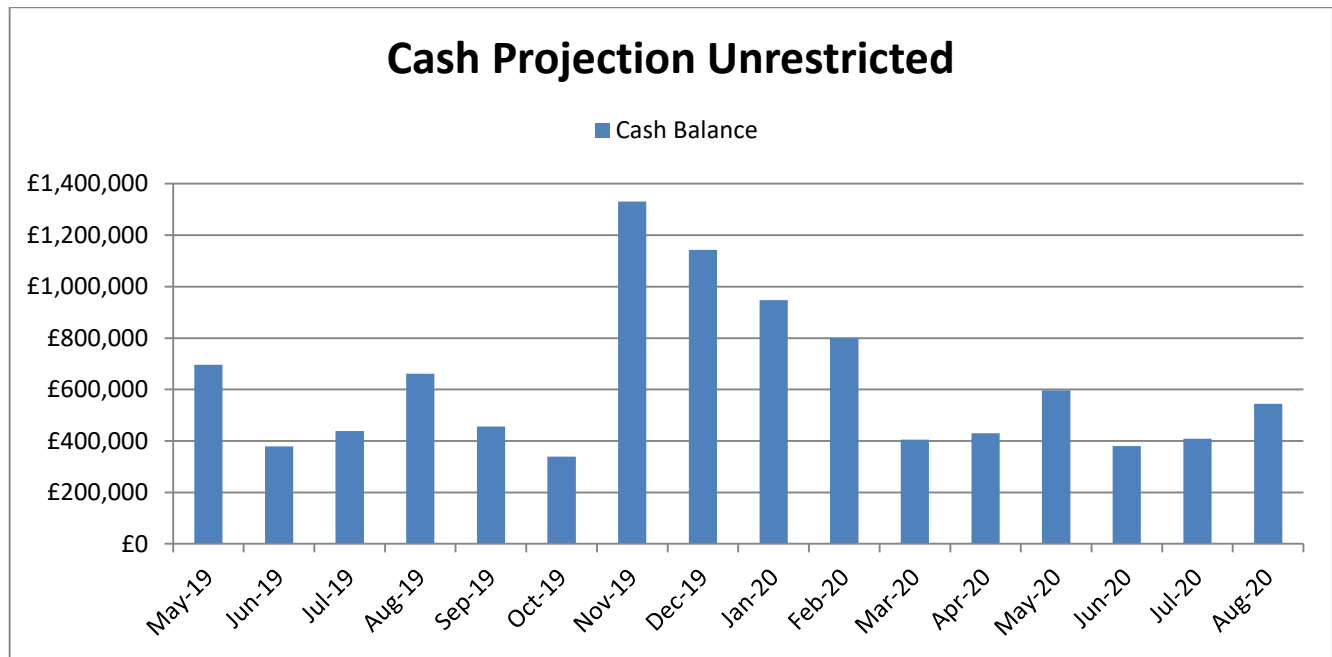
## Appendix 1 – Income and Expenditure – unrestricted funds only

	2018/19	Year 2019/20		
	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	96,828	73,000	75,426	2,426
Park Leases & Recharges	219,425	186,790	233,723	46,933
Learning & Community	12,021	6,000	23,015	17,015
Gift Aid	1,070,000	1,165,000	1,194,654	29,654
<b>Total Incoming Resources</b>	<b>3,648,274</b>	<b>3,680,790</b>	<b>3,776,817</b>	<b>96,027</b>
<b>Overheads</b>				
Cost of support projects and events	(4,267)	(29,000)	(19,610)	9,390
Wages & Salaries	(779,777)	(927,730)	(868,968)	58,762
Other staff Costs (Travel & Training & Recruitment)	(7,641)	(15,195)	(20,456)	(5,261)
Maintenance Contract Palace	(311,459)	(384,004)	(406,416)	(22,412)
Maintenance Contract Park	(330,217)	(329,556)	(329,554)	2
Repair & Maintenance Other	(227,291)	(217,710)	(263,380)	(45,670)
Security Control	(530,481)	(532,500)	(570,458)	(37,958)
Cleaning & Pest	(16,957)	(21,600)	(19,922)	1,678
Rates & Insurance	(404,737)	(370,200)	(377,162)	(6,962)
Office expenses and equipment hire	(119,223)	(80,948)	(90,377)	(9,429)
Utilities	(89,383)	(93,600)	(90,643)	2,957
Software & IT	(59,153)	(67,264)	(77,189)	(9,925)
Sundries, Meeting & Subscriptions	(14,365)	(24,830)	(21,988)	2,842
Marketing, Advertising & Design	(33,780)	(43,300)	(52,882)	(9,582)
Legal & Professional (Contains Construction)	(180,159)	(189,840)	(201,807)	(11,967)
Banking Costs	(1,057)	(1,500)	(1,257)	243
APTL Cost recharges	(78,060)	(22,056)	(22,056)	-
<b>Total Outgoing Resources</b>	<b>(3,188,005)</b>	<b>(3,350,833)</b>	<b>(3,434,125)</b>	<b>(83,292)</b>
<b>Result</b>	<b>460,269</b>	<b>329,957</b>	<b>342,692</b>	<b>12,735</b>

The current forecast of expenditure is reporting £83,000 overspend on budget which is being met from £96,000 of additional unrestricted funding allocated to cover the overspend. The overspend on budget represents a necessary expenditure unknown at the time of 2019-20 budget approval. Details of main expenditure variances are explained below:

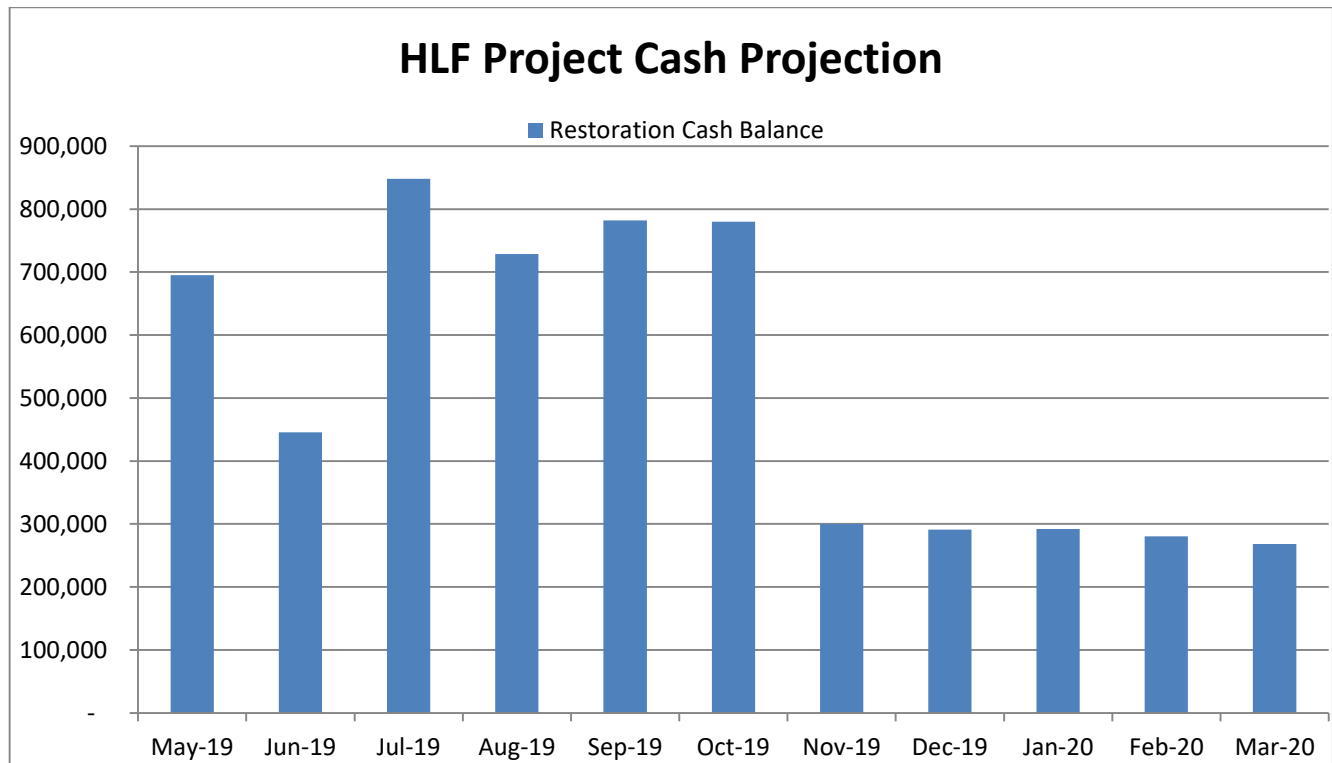
- Wages and salaries – a genuine saving due to a new engineering post not recruited.
- Palace maintenance – more costs on general maintenance of the Palace required
- Repair and maintenance – urgent repair to trenches in the Ice Rink
- Security Control – agreed to increase wages of security staff to LLW as impossible to recruit and maintain staff
- Office expenditure and equipment hire – increased costs of hire of cherry pickers
- Software and IT – third party provider increased monthly fixed fee from July 2019
- Marketing etc – new arrangement with external agency for crisis communication

## Appendix 2 – Cash Projection Unrestricted



This is a projection of unrestricted cash at bank per month in 2019-20 i.e. 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 2018-19 Gift Aid in cash (transfer in November/December 2019). Based on current budget and forecast there are sufficient cash funds available in 2019-20.

### Appendix 3 – NLHF Project Cash Projection



The East Wing Project is funded from a separate restricted bank account which is funded through monthly claims submitted to NLHF and accumulated restricted cash reserves.

The last payment to Wilmott Dixon the construction company will be in November 2019 when the final retention of £442,470 will be paid. From December 2019 the remaining NLHF funds will pay for the Activity Plan undertaken by our Creative Learning Team.

