



ALEXANDRA PARK AND PALACE CHARITABLE TRUST BOARD MEETING

11 October 2021

Report Title: Financial Position of APPCT and APTL

Report of: Dorota Dominiczak, Director of Finance & Resources

Purpose: To update the Trustee Board on the revised forecasts for the Trust for Q1 together with annual forecast.

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

1. Recommendations

To note the report.

2. Executive Summary

- 2.1 The Trust emerged from the pandemic with surplus reserves of £1.4m, which are being utilised during 2021/22 to cover its budgeted operating deficit of £1.4m (Table 1). Income and expenditure are tracking on target with a small variance of £5k overall.
- 2.2 The Trust's cash projection is positive throughout 2021/22 (Table 3 and 4). A balance of just under £1.3m was brought forward in April 2021 from the previous year following the Culture Recovery Fund grant, which supported last year's expenditure and allowed the Trust to accumulate cash resources to fund 2021/22 expenditure.

3. APPCT Funds

Table 1 - Unrestricted Funds forecast

APPCT At Month Ending 30th June 2021	2020/21 Audited £	Year 2020/21 Budget £	Year 2020/21 Forecast £	Year 2020/21 Diff £
Income				
Unrestricted	5,355,216	2,527,318	2,543,830	16,512
Total Income	5,355,216	2,527,318	2,543,830	16,512
Expenses				
Running and maintaining the Park	(478,856)	(571,228)	(580,653)	(9,425)
Running and maintaining the Palace	(2,656,473)	(2,582,104)	(2,582,792)	(688)
Creative Learning	(21,966)	(4,710)	(11,120)	(6,410)
Strategic Projects	(184,879)	(241,877)	(241,867)	10
Fundraising	(124,817)	(120,422)	(125,681)	(5,259)
Strategic Leadership	(188,405)	(266,092)	(255,849)	10,243
Support Costs	(212,462)	(187,674)	(187,780)	(107)
Total Expenses	(3,867,858)	(3,974,107)	(3,985,742)	(11,636)
Transfers	6,342	0	0	0
Net Movement in Unrestricted Trust Funds	1,493,699	(1,446,788)	(1,441,912)	4,876
Unrestricted Funds Brought Forward 1st April x	22,983,370	24,477,069	24,477,069	
Movement	1,493,699	(1,446,788)	(1,441,912)	
Unrestricted Funds Brought Carried Forward 31st March x	24,477,069	23,030,281	23,035,157	

- 3.1 The current projection of unrestricted income shows a positive variance of £16,000, which represents income from park tenants provided for but recovered after the year end.
- 3.2 The unrestricted expenditure is tracking mainly on budget and showing £11,000 variance which is caused by the timing of incurring expenditure across all cost centres.

Table 2 Restricted Funds forecast

Funds & Expenditure	Total of Creative Learning Funds	Ice Rink Screens	NHLF remaining funds to support Project salaries	English Heritage grant - remaining funds	Creative Learning Zone - remaining Sacler grant	Organ repair and maintenance fund	Total
		Pledges					
	£	£	£	£	£	£	£
B forward funds as at 01.04.21	394,028	15,000	26,383	1,382	3,243	-	440,035
	Total	Total	Total	Total	Total	Total	Total
	£	£	£	£	£	£	£
Incoming Funds	30	-	-	-	-	29,779	29,809
Expenditure	(173,231)	0	(26,382)	0	0	(29,779)	(229,392)
	(173,201)	0	(26,382)	0	0	0	(199,583)
Funds remaining	220,826	15,000	1	1,382	3,243	0	240,452

- 3.3 The Trust has a limited number of restricted funds and they are mainly funded by the remaining NHLF grant for the Activity Plan and the Project funds brought forward (b/f £420,000). A further £15,000 represents funding towards the Ice Rink screens, however, as the campaign did not achieve its £95k target, the donor will be contacted and offered a refund (in accordance with fundraising regulation).
- 3.4 During 2021/22 £200,000 of the restricted funds will be expended on supporting salaries and activities of the Creative Learning team. Our fundraising efforts continue to explore funding options to support this team post 2021/22. We are also modelling self-funding options as otherwise these costs will have to be met from unrestricted funds in the future putting more pressure on the main activities of the trust, or cease altogether
- 3.5 Organ restoration is funded by the Friends of the Organ and the Trust delivers this function on their behalf (cost neutral to the trust). The Trust is responsible for repairs and maintenance. No repairs or maintenance have taken place this year.
- 3.6 The Trustees' Information Pack provides a fuller report presented to FRRAC in August along with the Five Year Medium Term Financial Plan.

4. Risks and considerations

- 4.1 The pandemic has made a significant and long-lasting impact on the Trust and its trading subsidiary. The Trust relies on the annual gift aid transfer from APTL and this is a critical income stream for the Trust to undertake its work and balance its books. We have re-modelled the Trust's Five Year forecast assuming that it will take at least a number of years for APTL to recover to its full profitability at its pre-pandemic level.
- 4.2 The Trust is grateful for continuing support of its Corporate Trustee, albeit with no formal Funding Agreement in place. The annual conformation of the grant makes longer term

planning difficult and uncertain. Although we are grateful for the information provided by the Corporate Trustee about its medium term financial plan which gives an indication of future funding levels.

- 4.3 It has been clear for a number of years that the level of capital funding available to the trust is insufficient to keep up with required critical repairs and maintenance. Earlier this year the Corporate Trustee agreed to provide a special grant funding of £858k to support the rewiring of West Hall and the replacement of Fire Alarms project, both of which became urgent. We also appreciate the facilitation provided to secure the Salix lighting loan, to replace discharge lighting with LEDs in two of our main spaces. These projects are critical to ensure that the palace provides a safe and sustainable space for its income generating activities to take place. The annual capital grant of £470k ensures a basic but insufficient maintenance of the Place and Park, which is likely to result in more emergency situations in the future.
- 4.4 The Trust is grateful that the Corporate Trustee allowed a period of no loan repayments until April 2022. This allowed us to keep funds to pay for the revenue expenditure whilst the Group coped with the impact of the pandemic. A further £500k interest free loan has been taken from Salix to support the sustainable lighting project mentioned above. Over the past few years, the Trust has undertaken loans to invest in the building capital repairs and development of the spaces to support its activities, but it is becoming difficult to plan for the repayments whilst income sources remain uncertain.
- 4.5 The fundraising efforts secured a significant amount of emergency grant funding including Culture Recovery Fund grant last year to support unrestricted expenditure. It is a concern that fundraising is becoming more difficult than before the pandemic. FRRAC are reminded that funders are likely to support a specific project or a restricted activity rather than regular revenue expenditure.

5. Legal Implications

- 5.1 The Council's Head of Legal & Governance has been consulted in the preparation of this report, and in noting that a re-modelled Five Year forecast has taken place – in the context of the statutory duty placed on the Council to keep the Palace and Park open free use and recreation of the public forever - has no comment.

6. Financial Implications

- 6.1 The Council's Chief Financial Officer has been consulted in the preparation of this report and has no comments.

7. Use of Appendices

None

8. Background Papers:

Trustees Information Pack documents: FRRAC Minutes, Group Financial Position Report, Five Year Medium Term Plan.