



## **ALEXANDRA PARK AND PALACE CHARITABLE TRUST BOARD MEETING**

**13 DECEMBER 2021**

**Report Title:** Financial Position of APPCT and APTL

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

**Purpose:** To update the Trustee Board on Q2 performance and the revised 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). The deficit is attributable to zero contribution from the trading subsidiary due to a significant reduction in operations during the pandemic.
- 2.2 The Trust's cash projection is positive throughout 2021/22. The cash balance at the beginning of April 2021 was just under £1.3m, achieved following the Culture Recovery Fund grant, which supported last year's expenditure and enabled the Trust to accumulate cash resources to fund 2021/22 expenditure. We are currently reviewing available options to improve Trust's liquidity beyond September 2022 (Table 3).
- 2.3 The 2020/21 Trustees' Annual Report and Accounts were signed and filed with the Charity Commission following approval on 11 October 2021.

### 3. APPCT Funds

**Table 1 - Unrestricted Funds forecast**

APPCT At Month Ending 30th September 2021	Year 2021/22 Budget £	Year 2021/22 Quarter 1 Forecast £	Year 2021/22 Quarter 2 Forecast £	Year 2021/22 Quarter 2 Forecast vs Budget £
<b>Income</b>				
Unrestricted	2,527,318	2,543,830	2,597,359	70,040
<b>Total Income</b>	<b>2,527,318</b>	<b>2,543,830</b>	<b>2,597,359</b>	<b>70,040</b>
<b>Expenses</b>				
Running and maintaining the Park	(571,228)	(580,653)	(624,919)	(53,691)
Running and maintaining the Palace	(2,582,104)	(2,582,792)	(2,608,107)	(26,003)
Creative Learning	(4,710)	(11,120)	(12,526)	(7,816)
Strategic Projects	(241,877)	(241,867)	(241,834)	43
Fundraising	(120,422)	(125,681)	(122,143)	(1,721)
Strategic Leadership	(266,092)	(255,849)	(262,542)	3,550
Support Costs	(187,674)	(187,780)	(192,596)	(4,923)
<b>Total Expenses</b>	<b>(3,974,107)</b>	<b>(3,985,742)</b>	<b>(4,064,667)</b>	<b>(90,561)</b>
<b>Net Movement in Unrestricted Trust Funds</b>	<b>(1,446,788)</b>	<b>(1,441,912)</b>	<b>(1,467,308)</b>	<b>(20,520)</b>
<b>Unrestricted Funds Brought Forward 1st April x</b>	<b>24,477,069</b>	<b>24,477,069</b>	<b>24,477,069</b>	
<b>Movement</b>	<b>(1,446,788)</b>	<b>(1,441,912)</b>	<b>(1,467,308)</b>	
<b>Unrestricted Funds Brought Carried Forward 31st March x</b>	<b>23,030,281</b>	<b>23,035,157</b>	<b>23,009,761</b>	

- 3.1 The control mechanism is in place to ensure no over-spending occurs unless an additional income source becomes available to cover the costs and the expenditure is necessary to protect the Park and Palace.
- 3.2 The additional spending in the park relates to the emergency repairs to the path which otherwise would have been a health and safety hazard to the public. The uplift in Park expenditure was funded from additional income generated by a Park tenant and a contribution from the Restoration Levy fund. The additional spending on Palace maintenance was due to some outstanding repairs to the West Yard shutters, covered by the property insurance policy.
- 3.3 The overall net increase in the forecast movement in funds is explained by additional audit fees relating to 2020/21 and 2021/22 to cover the pandemic assessments and also fees relating to the termination and change-over of the IT contract which will reduce the costs of IT support going forward.

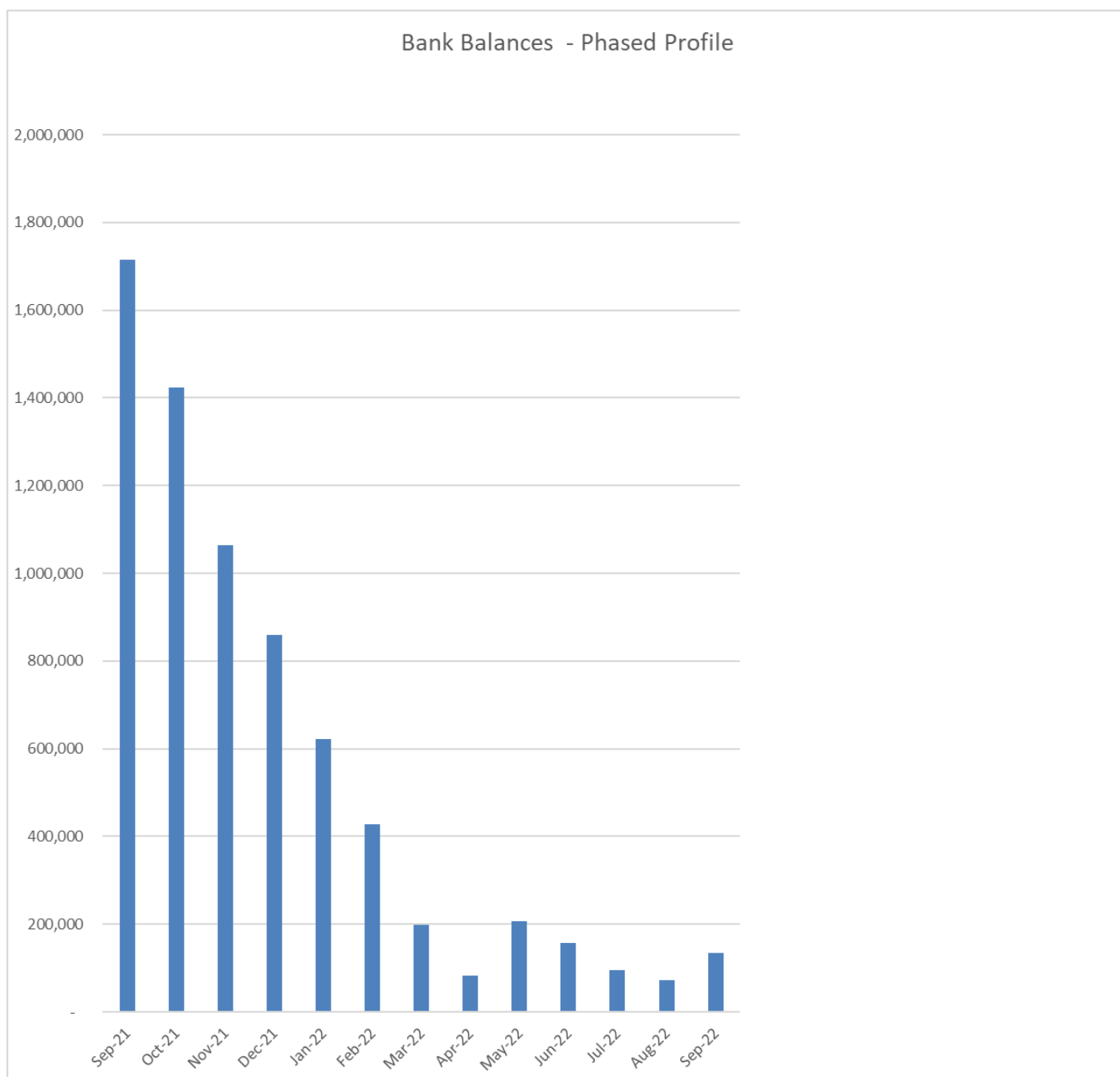
**Table 2 Restricted Funds forecast**

Funds & Expenditure	Total of Creative Learning Funds	Ice Rink Screens	NHLF remaining funds to support salaries	English Heritage grant - remaining funds	Creative Learning Zone remaining funds	Organs Repair and Maintenance	Total Restricted Funds
	£	£	£	£	£	£	£
Funds as at 01.04.2021	394,028	15,000	26,383	1,382	3,243	-	440,035
Results Summary	Total	Total	Total	Total	Total	Total	Total
	£	£	£	£	£	£	£
Incoming Funds	52,060	(15,000)	-	-	-	29,779	66,839
Expenses	(179,358)	0	(26,382)	0	0	(29,779)	(235,518)
	(127,298)	(15,000)	(26,382)	0	0	0	(168,679)
Funds remaining at 31.3.2022	266,730	0	0	1,382	3,243	0	271,356

- 3.3 The Trust has a limited number of restricted funds, namely the remaining NLHF grant for the Activity Plan and the NHLF Project funds to cover salaries. A further £15,000 represents funding towards the Ice Rink screens, however, as the campaign did not achieve its £95k target, the donation has been returned (in accordance with fundraising regulations).
- 3.4 In 2021/22 £179,000 of restricted funds will be used to support salaries and activities in 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 Trust's resources, or ceasing some activities 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 contributes to repairs and maintenance.

**Table 3 Cash Flow projection to September 2022 – current projection**

Month	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Bank Balance	1,714,882	1,422,895	1,065,032	859,116	621,113	427,457	197,969	82,845	206,043	157,696	96,119	72,807	134,148



The current cash flow projection is based on the revenue and expenditure forecast as summarised in Table 1. It is expected that the unrestricted cash balance at 31 March 2022 Trust will be c£200k and that the cash flow will remain positive until September 2022.

We are considering all available options to improve the Trust's liquidity beyond September 2022. These options include approaching the Corporate Trustee as well as external funders. In October the Trust submitted an application for the CRF Round 3 grant for £702,000 and we are in discussions with the Corporate Trustee regarding the capital and revenue funding for 2022/23.

#### **4. APPCT - Risks and considerations**

- 4.1 The pandemic has made a significant and long-lasting impact on the Trust and its trading subsidiary. The Trust's Five-Year forecast is assuming that it will take at least several years for APTL to recover to its full profitability at its pre-pandemic level. The gift aid transfer and other contributions from APTL is a critical source of income for the Trust each year. The current cash flow forecast assumes no gift aid transfer in 2021/22 and 2022/23 and therefore it remains positive only until September 2022.
- 4.2 The other critical source of income is the annual grant from the Corporate Trustee. The financial outlook assumes no changes to the funding level but no formal Funding Agreement in place makes the longer-term planning difficult and uncertain. The Corporate Trustee has confirmed that the planned reduction in funding for next financial year will not take place. We are currently in discussions with the Corporate Trustee regarding the increased level of capital and revenue funding to protect the asset and charitable activities while the trading company recovers from the pandemic.
- 4.3 It has been clear for several years that the level of capital funding available to the trust is insufficient to keep up with required critical repairs and maintenance. This year the Corporate Trustee provided 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 Corporate Trustee allowed a period of no loan repayments until April 2022 and a further deferment period is being discussed. In 2021/22 a new interest free loan of £500k has been taken from Salix to support the sustainable lighting project mentioned above. Over the past few years, the Trust has taken loans to invest in the building capital repairs and for the 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. We have taken advantage of the CRF Round 3 and applied for £702,000 which will cover salaries and security costs during the allowed period from October 2021 to January 2022.

#### **5. Legal Implications**

- 5.1 The Council's Head of Legal & Governance has been consulted in the preparation of this report and has no comments.

#### **6. Financial Implications**

- 6.1 The Council's Chief Financial Officer has been consulted in the preparation of this report. The financial situation that the Trust faces is extremely serious. A continued focus on cost reduction, income maximisation, and cash retention must be maintained. The financial position as described in the report reflects a certain set of assumptions at a certain point in time. Any of the assumptions used in the preparation of the financial position can and probably will change. Given the seriousness of the situation the Corporate Trustee will be engaging with the Trust on a regular basis to review the

financial position. The Corporate Trustee has provided financial support to the Trust over the pandemic period and will consider any requests for further support should the need arise during the next financial year.

**7. Use of Appendices - None**

**8. Background Papers:** Trustees Information Pack documents.