



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

**15 March 2022**

**Report Title:** FINANCE REPORT

**Report of:** Richard Paterson, Director of Finance and Resources

**Purpose:** This report seeks to inform the Board of the Trust's current financial outlook for the next Financial Year.

### **1. Recommendations**

- 1.1 To note the year to date position of the Trust;
- 1.2 To consider any feedback from the Finance, Risk, Resource & Audit Committee included at Agenda Item 8, and;
- 1.3 To approve the draft Budget.

### **2. Q3 ACTUALS and FORECAST**

- 2.1 At the end of December 2021, the Trust was forecasting to finish the year with unrestricted revenue of £3,299,358 (Budget: £2,527,318) with expenditure of £4,181,667 (Budget: £3,974,107) and an operating unrestricted deficit of £882,309 (Budget: £1,446,789); an improvement of £564,480 that is largely because of the impact of the 3<sup>rd</sup> Round of the Culture Recovery Funding received this year.
- 2.2 This funding was aimed specifically at underpinning operational staff costs and security, but also allowing the Trust to invest in key infrastructure like a new Time and Attendance System, a new HR and Payroll system together with making improvements around the park such as the new paths that will improve the overall safety and the visitor experience. These investments simply would not have been possible without this funding.
- 2.3 As has been discussed previously with the Trustee Board, trading conditions have been challenging this year and it is still uncertain whether any Gift Aid will be generated in the financial year.
- 2.4 In respect to the relatively modest Restricted Funding within the Trust, there are no major risks to make the Trustee Board aware of at this stage.

2.5 Capital funding is as ever, challenging. This year, the Corporate Trustee has provided special grant funding of £858,000 to support the rewiring of the West Hall and the replacement of Fire Alarms. In addition, they also supported the Trust in securing a Salix loan to invest in energy efficient lighting that will prove to be a critical investment in the Palace as it looks to generate increased revenue and profits in APTL.

**Table 1 – 2021/22 Forecasted Income and Expenditure Summary**

	<b>Year 2021/22 Budget £</b>	<b>Year 2021/22 Forecast £</b>	<b>Variance to Forecast £</b>
<b>Income</b>			
HC Grant - Operational	1,755,000	1,755,000	0
HC Grant - Additional	0	0	0
CRF Round 1	84,210	83,895	(315)
CRF Round 3	0	702,000	702,000
Palace APTL Licence	100,000	100,000	0
Donations via fundraising platforms	24,100	23,898	(202)
Carparking	297,840	286,674	(11,166)
Park Leases and Recharges	193,693	243,654	49,961
Palace Leases and Recharges	72,475	94,086	21,611
Creative Learning	0	10,151	10,151
<b>Total Income</b>	<b>2,527,318</b>	<b>3,299,358</b>	<b>772,040</b>
<b>Expenses</b>			
Running and maintaining the Park	(571,228)	(741,919)	(170,691)
Running and maintaining the Palace	(2,582,104)	(2,608,107)	(26,003)
Creative Learning	(4,710)	(12,526)	(7,816)
Strategic Projects	(241,877)	(241,834)	43
Fundraising	(120,422)	(122,143)	(1,721)
Strategic Leadership	(266,092)	(262,542)	3,550
Support Costs	(187,674)	(192,596)	(4,922)
<b>Total Expenses</b>	<b>(3,974,107)</b>	<b>(4,181,667)</b>	<b>(207,560)</b>
<b>Surplus/Deficit</b>	<b>(1,446,789)</b>	<b>(882,309)</b>	<b>564,480</b>

2.6 Although finishing the financial year with an unrestricted deficit of £882,309 is far from ideal, the Trustee Board should be reassured that the cash balance as at the end of the financial year is still predicted to be £450,000.

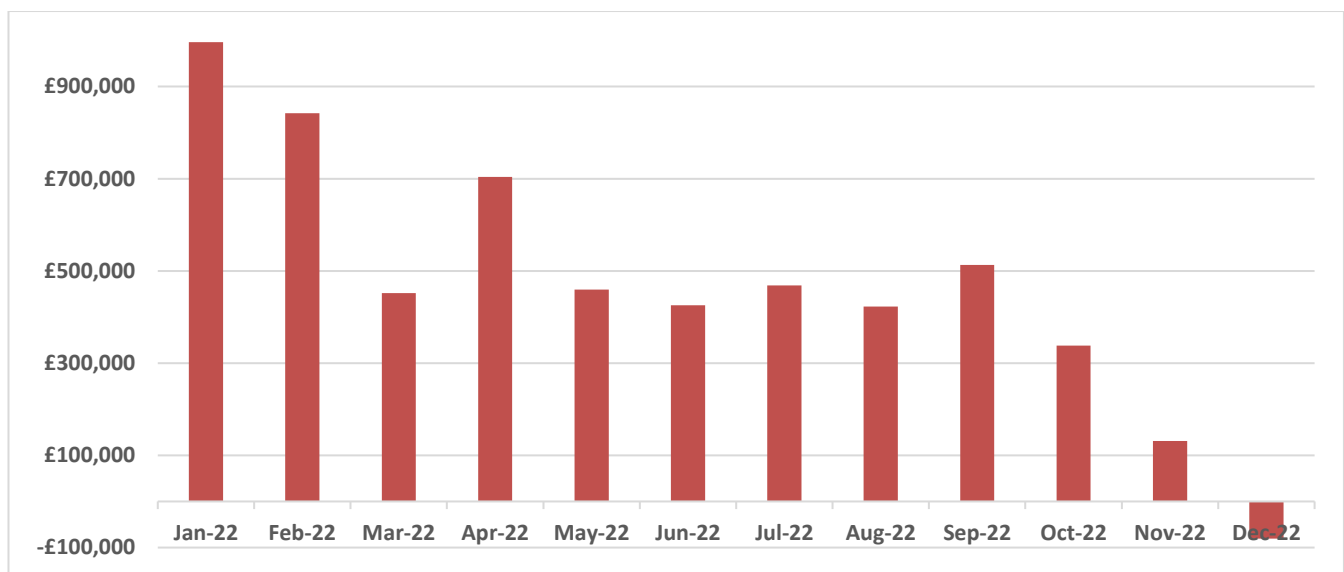
2.7 The major variance highlights are as follows:

- **Running and maintenance of the Park** – the majority of the overspend is for the Park path repairs, funded by Culture Recovery Fund.
- **Palace running** – overspend due to additional cleaning of the West and Great Halls ahead of capital works
- **Creative Learning** – overspend due to additional, fully funded, programme costs

### 3. CASHFLOW

- 3.1 Cashflow remains difficult. The Executive Team are working at ways to improve the situation and find creative ways to stretch resources. However, at the time of writing, thanks to the CRF3 funding, the Trust looks like it does not have a short-term cash need, but it will need additional working capital around October/November and it may need the Corporate Trustee to provide this additional support.
- 3.2 At the end of March'22, the Trust should have a cash surplus of between £400,000 and £500,000; but this will have dropped to around £100,000 by November'22.

**Table 2 – Cashflow Projection**



- 3.3 The cashflow shows that the Trust will have a £80,500 cash deficit in December'22 with this position deteriorating throughout the rest of Q4. The cash position, without additional funding support from the Corporate Trustee, through Q4 is estimated to be as follows:

Dec'22	-£80,500
Jan'23	-£260,500
Feb'23	-£537,000
Mar'23	-£806,500

### 4. 2022/23 BUDGET

- 4.1 The Executive Team has been through their normal budgeting exercise and present below the draft outturn position for the 2022/23 Financial Year.
- 4.2 With income for the year of £3,699,841 and expenditure of £4,082,418; the Trust is currently budgeting an operating deficit of £382,577.
- 4.3 The Trust continues to operate with no free reserves to cater for any emergencies or unexpected costs. This needs to be resolved in the medium to long term as it exposes the Corporate Trustee to significant financial risk.

4.4 The key assumptions included in the 2022-23 budget are as follows:

- a) The Corporate Trustee revenue grant remains at £1,755,000
- b) An additional £800,000 grant from the Corporate Trustee is included, although this will not be paid to the Trust if the financial position has improved, and it's not required
- c) The implementation of car park charging is included and is assumed to return £215,000 in the first year as per the business case approved by the Board of Trustees.
- d) The APTL licence fee, permitting the commercial use of the Palace, is included at £300,000, an increase of £200,000 from 2020/21.
- e) Due to the ongoing challenge and recovery from Covid-19 in 2021/22, no Gift Aid is payable by APTL to the Trust in the financial year.
- f) There is no significant increase in insurance or business rates.
- g) Salaries include the 1% uplift awarded to staff in February 2022 and all existing posts are fully funded even if currently vacant.
- h) Inflation has been applied to the cost base where possible although that will have an inevitable knock-on impact on service delivery.
- i) There is no significant weather event that impacts the maintenance plans for the Park and Palace.
- j) Cutting security and reactive maintenance does not put the Palace at further risk of decay
- k) All Capital, Depreciation and Restricted spending is excluded as they do not form part of unrestricted accounting.
- l) The cashflow is based on the latest accounts and forecast.

**Table 3 – Budget Income and Expenditure Summary**

	<b>Year 2021/22 Budget £</b>	<b>Year 2021/22 Forecast £</b>	<b>Year 2022/23 Budget £</b>	<b>Variance to Forecast £</b>
<b>Income</b>				
HC Grant - Operational	1,755,000	1,755,000	1,755,000	0
HC Grant - Additional	0	0	800,000	800,000
CRF Round 1	84,210	83,895	0	-83,895
CRF Round 3	-	702,000	0	-702,000
Palace APTL Licence	100,000	100,000	300,000	200,000
Donations via fundraising platforms	24,100	23,898	40,000	16,102
Carparking	297,840	286,674	525,000	238,326
Park Leases and Recharges	193,693	243,654	208,173	-35,481
Palace Leases and Recharges	72,475	94,086	71,668	-22,418
Creative Learning	0	10,151	0	-10,151
<b>Total Income</b>	<b>2,527,318</b>	<b>3,299,358</b>	<b>3,699,841</b>	<b>400,483</b>
<b>Expenses</b>				
Running and maintaining the Park	-571,228	-741,919	-581,451	160,468
Running and maintaining the Palace	-2,582,104	-2,608,107	-2,596,738	11,369
Creative Learning	-4,710	-12,526	-75,399	-62,873
Strategic Projects	-241,877	-241,834	-246,900	-5,066
Fundraising	-120,422	-122,143	-121,573	570
Strategic Leadership	-266,092	-262,542	-276,486	-13,944
Support Costs	-187,674	-192,596	-183,871	8,725
<b>Total Expenses</b>	<b>-3,974,107</b>	<b>-4,181,667</b>	<b>-4,082,418</b>	<b>99,249</b>
<b>Surplus/Deficit</b>	<b>-1,446,789</b>	<b>-882,309</b>	<b>-382,577</b>	<b>499,732</b>

See Appendix 1 for a more detailed breakdown of Expenditure.

#### **4. OTHER CONSIDERATIONS**

- 4.1 It is not desirable to enter the financial year with a deficit budget and the Executive Team continue to look for ways to mitigate this outturn position.
- 4.2 The Trust has a range of options available to it to bridge the funding gap and hopefully take some funding pressure off the Corporate Trustee.
- a) *There could be further rounds of Cultural Recovery Funding (CRF) in 2022/23* - although many cultural and heritage sites have been the beneficiary of CRF rounds to date, there is an acknowledgement from Central Government that the impact of Covid-19 is not yet over and organisations such as APPCT may still need further financial help.
  - b) *Better than anticipated trading environment, post Covid-19* – it is simply too early to tell how the market and public will respond. Although the trading forecasts in place are realistic, there could be upside should visitor numbers far exceed those predicted at present. The team continues to work at ways of improving spend per head and maximise any income opportunities.
  - c) *Review the payment phasing of the Restoration Levy* – at present, the levy is paid by APTL to the Trust the year after it is earned. This is an understandable position to take if APTL is unsure of its financial position and ongoing financial sustainability, but there is a logic that suggests that this should be paid over in the year it's earned.
  - d) *Phasing of Expenditure* – APPCT will review the phasing of its expenditure. Although it's not desirable to delay essential works, it may be possible to rephase some of these works.
  - e) *Better procurement* – APPCT has a sizable cost base and there are opportunities to review and improve costs and contract terms across all service areas.

#### **5. Budget Risks**

- 5.1 The fundamental budget risks are energy prices, inflation and the ongoing uncertainty created by the pandemic.

#### **6. Legal Implications**

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

#### **7. Financial Implications**

- 7.1 The Council's Chief Financial Officer has been consulted in the preparation of this report. The continued effects of the pandemic are adversely impacting on the trust and the Corporate Trustee. To address the effect of the pandemic the Trust will need to

review all expenditure decisions to ensure that they are necessary; review all income opportunities to increase actual income; and where possible defer works/schemes to assist with the cash flow position. As is stated in the report, the Trust is entering the 2022/23 financial year with a budgeted deficit and a cash flow that turns negative around November 2022. An assumption within the Trust budget is that the Corporate Trustee will make that good. That support would be in addition to the agreement to the loan deferrals for 2021/22 and 2022/23.

- 7.2 Given the financial position of the Trust and the impact that that has on the Corporate Trustee, it is vital that regular monthly engagement between the parties is maintained with early notification of financial issues being a priority.

## **8. Use of Appendices**

Appendix 1 – Budget Expenditure

## Appendix 1 – Budget Expenditure (APPCT)

Categories of spending	R&M Park £	R&M Palace £	Creative Learning £	Strategic Projects £	Fundraising £	Strategic Leadership £	Support £	Total £
Salaries & Wages	60,720	326,656	75,399	157,246	113,243	178,286	111,054	1,022,604
Agency Staff							6,000	6,000
Staff Welfare		10,450						10,450
Travel Expenses	300			180		1,800		2,280
Training	2,445	3,000					5,000	10,445
Contract Maintenance & PPM	387,894	306,916						694,810
Variable Repairs - Park & Palace	83,060	14,000		12,000				109,060
Security Contract		888,000						888,000
Refuse Removal & Pest Control	5,000	59,704						64,704
General Rates & Insurance		515,435						515,435
Equipment Hire	610	64,497		26,600	300		7,800	99,807
Utilities	24,000	328,800						352,800
Office Costs	200	1,402					6,600	8,202
IT		10,225		4,950			46,266	61,441
Subs & Membership	1,022	953		1,824	530	900	751	5,980
PR & Marketing	1,700	23,800			4,800			30,300
Design & Publications					1,500			1,500
Legal & Professional	14,500	20,400		44,100		95,500		174,500
Bank Charges		22,500			1,200		400	24,100
<b>Expenditure</b>	<b>581,451</b>	<b>2,596,738</b>	<b>75,399</b>	<b>246,900</b>	<b>121,573</b>	<b>276,486</b>	<b>183,871</b>	<b>4,082,418</b>

**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.

**Palace running** - 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.

**Creative Learning** - represent a proportion of salaries paid to the staff delivering these activities that are not funded by the HLF grant which is expected to be exhausted in 2022-23. Costs of programmes are met from restricted funds.

**Strategic Projects** - represents costs of developing Strategic Vision projects. The salaried posts are Strategic Projects Manager, Interpretations Manager and the Building Surveyor.

**Fundraising** - covers the costs of fundraising activities to raise funds for Alexandra Palace to support its restricted and unrestricted projects.

**Strategic Leadership** - represents salaries and on-costs of the leadership team charged to the Trust. Costs of Legal and Governance work for asset protection and the annual audit fee are charged here.

**Support** - represents the office running costs including IT support, postage, printing and office administration and supplies.