



ALEXANDRA PARK AND PALACE CHARITABLE TRUST BOARD

13 December 2022

Report Title: FINANCE REPORT

Report of: Richard Paterson, Director of Finance and Resources

Purpose: This report seeks to inform the Trustee Board of the financial performance of the Trust and the impact of the energy crisis this and the following financial year.

1. Recommendations

- i. To note the year to date position of the Trust.
- ii. To note the full year forecast for the Trust and the impact of energy prices.
- iii. To consider the outline budget for the Trust for 2023/24.
- iv. To approve the 2021-22 Annual Report (Appendix 3) and Financial Statements (Exempt Appendix 4) as recommended by FRRAC, and;
- v. To delegate the signing of the Annual Report and Financial Statements to the Chair of the Trustee Board and the CEO, subject to written confirmation from the Corporate Trustee confirming funding and additional support for the year 2023-24.

2. Alexandra Park and Palace Charitable Trust

Full Year Forecast

- 2.1 Full year, the Trust is forecasting unrestricted revenue to be **£3,882,000** (Budget: £3,801,000), operating expenditure of £4,976,000 (Budget: £4,351,000) and an operating deficit of **£1,094,000**; £543,000 behind budget.
- 2.2 The reason behind this significant deterioration in the financial performance of the Trust is simply the significant increase in energy costs, with the Trust incurring a 132% increase in costs (£464,000 in real terms), despite the Energy Bills Support Scheme.
- 2.3 Other areas to note relate to the delay in the Car Parking Project as this has caused an unexpected funding gap. The Trust now expects car park charging to go live in Feb/Mar'23. Staffing costs are expected to come in better than Budget due to the Trust carrying vacancies whilst it works through the wider impact of the energy crisis.

Trust 2022/23 Full Year Forecast

	Full Year Forecast	Budget	Variance
Grants	1,755,000	1,755,000	0
Gift Aid	1,005,164	1,465,000	(459,836)
Leases	294,844	294,753	90
AP Licence	200,000	200,000	0
Other Income	441,708	85,655	356,052
<i>Additional Income Targets</i>	0		
Total Income	3,696,716	3,800,409	(103,693)
Sundry Income	185,006	0	185,006
Cost of Events (Learning / Fundraising)	(10,082)	0	(10,082)
Interest Receivable	0	0	0
Salaries & Wages (admin)	(939,908)	(1,002,950)	63,042
Other Admin Expenses	(3,208,853)	(2,995,470)	(213,383)
Energy Costs	(352,800)	(352,800)	0
- Energy Cost Uplift	(463,932)	0	(463,932)
<i>Cost Savings/Efficiencies</i>	0		
Total Overheads	(4,975,575)	(4,351,220)	(624,355)
Surplus / (Deficit)	(1,093,853)	(550,811)	(543,042)

Capital Spend

- 2.4 Since the beginning of the financial year £540,000 has been spent on a variety of projects including building works, improvements to infrastructure and IT.
- 2.5 As at October 2022 there is £626,000 of committed spending on projects that are to be delivered by 31st March 2023 with the possibility of an additional £331,000 Capital spending subject to contractor availability.
- 2.6 Of the £331,000 Capital, the following additional works will be tendered:
- £60,000 Great Hall Bridge Works
 - £40,000 South West Tower Roof Renewal
 - £31,000 Sprinkler System Survey and Service
 - £15,000 Central Battery System Replacement
 - £13,000 Zinc Roof Replacement above BBC Corridor.
- 2.7 £330,000 of regular funding will be available for any other unforeseen emergency repairs but the unspent amount of will be carried forward to 23/24 financial year.

APTL

- 2.8 APTL fundamentally impacts the financial position of the Trust and therefore its important to consider how its performing alongside the information provided above.
- 2.9 Full year, APTL will also feel the impact of rising energy costs and it will see a 73% increase in costs alone (£536,000 in real terms). At the start of the financial year,

APTL was expecting to make a profit excluding restoration levy but this has been completely absorbed with the increases in energy costs and it is now expecting to only make a profit when restoration levy is added back (£415,000).

2.10 Profits from APTL are transferred to the Trust via Gift Aid in the following financial year, but in 2023/24 they will be £1,000,000 less than in 2022/23, putting an additional financial pressure on the charity.

2.11 It should be noted that the wider economic conditions facing the UK economy will have an impact on the financial performance of APTL in the coming weeks and months. It is expected that any decline in consumer confidence will feed through and put further strain on trading.

3. **Energy Costs**

3.1 On the 29 October 2022, the Government announced a support package for all non-domestic customers called the Energy Bill Relief Scheme. This is designed to provide urgent energy bill relief for all non-domestic customers in Great Britain and discounts will be applied to energy usage initially between 1 October 2022 and 31 March 2023.

3.2 To calculate our discount, the estimated wholesale portion of the unit price we would be paying this winter will be compared to a baseline 'government supported price' which is lower than currently expected wholesale prices this winter.

3.3 AP's price reduction will depend on the difference between the monthly weighted average base price that is paid and the government supported price. The maximum support available per unit of energy will also be limited by a maximum discount. However, it looks like it could cost as much as an additional £1m this financial year, an increase of c85% and an additional £2m+ next financial year.

3.4 One of the main considerations is how this cost is allocated between entities as this will have a large bearing on the short to medium term viability of each.

3.5 After discussions with AP's Auditors, costs for both this financial year and the next are based on the Trust picking up the fixed costs associated with energy costs such as the standing charges in addition to a small fixed usage amount, with the balance being allocated to APTL as they are the main consumers of energy.

3.6 APTL will continue to pick up the majority of the energy costs for the group.

4. **2023/24 Outline Budget**

Trust

4.1 Unsurprisingly, energy costs are the major challenge facing Trust in the next financial year and it'll not be able to trade without additional grant funding support from the Corporate Trustee.

4.2 At present, with the reduction in Gift Aid payable by APTL in 23/24, Trust is forecasting total unrestricted revenue of **£3,299,000** and a deficit of **-£2,354,000**. Of this, £1,113,000 relates specifically to energy costs. The balance is driven from a lack of Gift Aid payable from APTL which is also a consequence of energy costs.

4.3 The budget below assumes that there will be no additional central government funding available to support with the energy crisis beyond 31 March 2023.

- 4.4 The full list of assumptions underpinning these draft budget figures for both Trust and APTL are provided in the exempt report at agenda item 16.

2023/24 Trust Outline Budget:

	2023/24 Draft Budget	2022/23 Forecast	Variance
Grants	1,755,000	1,755,000	0
Gift Aid	415,182	1,005,164	(589,982)
Leases	297,974	294,844	3,131
AP Licence	100,000	200,000	(100,000)
Other Income	681,540	441,708	239,832
<i>Additional Income Targets</i>	49,500	0	
Turnover	3,299,197	3,696,716	(447,019)
Sundry	2,575	185,006	(182,431)
Cost of Events (Learning / Fundraising)	0	(10,082)	10,082
Interest Receivable	0	0	0
Salaries & Wages (admin)	(1,149,098)	(939,908)	(209,190)
Other Admin Expenses	(3,127,793)	(3,208,853)	81,060
Energy Costs	(352,800)	(352,800)	0
- Energy Cost Uplift	(1,113,437)	(463,932)	(649,505)
<i>Cost Savings/Efficiencies</i>	87,500	0	
Total Overheads	(5,655,628)	(4,975,575)	(767,553)
Surplus / (Deficit)	(2,353,856)	(1,093,853)	(1,397,003)

Cashflow

- 4.5 The financial projections shown above have a consequential impact on cashflow.
- 4.6 Due to the energy crisis and the significant deficits in both this and next financial year, the Trust will need additional working capital in or around March 2023 of around £500,000 and an additional £2,000,000 again in September/October 2023. The outline cashflow is shown in Appendix 2 below.
- 4.7 The Trust will do everything it can to control costs and reduce energy consumption in the next 12 months to mitigate the need for the full £2,000,000 in 2023/24 and it will only request what is absolutely necessary for it to be able to meet its financial obligations.

5. **Going Concern**

- 5.1 It is the responsibility of the Trustees when preparing the accounts to carry out an assessment to ascertain whether the company is a 'going concern'. The assessment should take into account all available information about the future, covering at least 12 months from the date the accounts are approved and signed-off by the directors.

- 5.2 It is clear that any going concern test is a challenge for the Trust in the current economic circumstances.
- 5.3 Without any additional intervention, it does not look like the Trust can be considered as a going concern at this stage. The Trust continues to look for additional Emergency Grant funding to support with energy costs and will apply as and when schemes come online.
- 5.4 At the time of writing, Trust has made an informal request to the Corporate Trustee for additional grant funding in this financial year and in 2023/24 to support us through the difficult financial conditions in the next 18-24 months.

6. Legal Implications

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

7. Financial Implications

The Council's Chief Financial Officer has been consulted in the preparation of this report and has provided the following comments. The continued adverse energy environment continues to impact the Trust, APTL and the Council. The efforts of the management team to mitigate the effects of the energy cost environment so far have borne fruit and the proposed continuation of that approach is welcomed. Continued close management of cost and maximising income will be needed throughout 2023/24. At this stage it is anticipated that a shortfall of £2m will occur in September/October 2023. This sum is stated as gross of any government support package for the sector. The potential call on Council resources is noted.

8. Appendices

Appendix 1 – Budget Assumptions

Appendix 2 – Cashflow (Trust)

Appendix 3 – Trustees' Annual Report

Appendix 4 – Exempt 2021-22 Financial Statements (consolidated accounts) at agenda item 18

APPENDIX 1

Budget Assumptions

- All 21/22 Gift Aid and Restoration Levy will be payable to Trust in Dec'22
- Energy costs increase from 1 October 2022 at the end of the previous contract term. Both electricity and gas are subject to the energy cap
- Estimated impact of energy costs are £1m in 22/23 and £2m in 23/24.
 - No energy cap due from 1 April 2023
 - 23/24 energy premium is double 22/23 due to the phasing of energy consumption across the financial year with the majority being consumed in H2
- As previously, Trust will pick up all fixed energy costs (standing charges etc) plus some minor variable cost and APTL will pick up the balance. APTL will continue incur the majority of energy costs across the group
 - It is impossible to define how much energy Trust or APTL consumes specifically due to the metering currently in place
- Savings and additional income opportunities have been ignored in the modelling for 22/23, although this could amount to an additional £292,000 improvement to the bottom line across the group

23/24 Assumptions

- LBH core grant remains unchanged at £1,755,000
- AP license payable by APTL drops to £100,000 in the financial year due to lack of profits
- Car parking charges (yet to go live) deliver the financial returns included in the original business case
- Full Gift Aid and Restoration Levy will be paid over by APTL in 23/24 to Trust
- Savings and additional income opportunities identified only come online from the start of Q2

- Payroll costs increase by 3% in APTL and 2% in Trust from 1 Apr'23; 2% increase included in 22/23 figures for both APTL and Trust
- No staff reductions are included at this stage and current vacancies remain fully costed
- Non-staff costs, excluding energy, subject to a 5% inflationary increase in APTL
- Non-staff costs held flat in Trust with the expectation that budget holders and managers will work within budgets
- Energy costs included as above
- No additional income assumed from central government grants to support with the increased energy costs
- Trust will need additional funding support in both 22/23 and 23/24 to ensure it can continue to trade and meet its obligations.

APPENDIX 2

Cashflow for Trust (including energy uplift and pay award)

