



ALEXANDRA PARK AND PALACE CHARITABLE TRUST
BOARD MEETING
14 DECEMBER 2023

Report Title: FINANCE REPORT

Report of: Richard Paterson, Director of Finance and Resources

Purpose: This report seeks to inform Trustees of the likely outturn position of the Trust in 2023/24

1. Recommendations

1.1 To note the full year position of both the Trust.

1.2 To approve the drafting of a loan agreement to provide a mechanism for short term capital loans between the entities, following approval in principle by FRRAC and the APTL Board.

2. Alexandra Park and Palace Charitable Trust

2.1 For the financial year to March 2024, the Trust is forecasting unrestricted revenue of **£5,277,000** (Budget: £5,150,000) with operating expenditure of £5,545,000 (Budget: £5,689,000) and an operating deficit of **£268,000** (Budget: £539,000); £271,000 better than budget.

2.2 Running a deficit is not sustainable and therefore work needs to be done to find new income streams and cost savings/efficiencies across the site to start to fill the gap. This work is ongoing and has been shared with Trustees in various other forums.

2.3 In terms of the numbers themselves, the financial position is improving as the year progresses and the predicted deficit is forecasted to reduce.

2.4 The biggest income variance came from Gift Aid (paid to the Trust in 2023/24 for FY 2022/23). APTL produced a much improved financial performance in 2022/23 that delivered more in Gift Aid than was originally anticipated.

2.5 As in previous years, Car Park charges have also caused the Trust a financial challenge. Although car park charging is now live and operationally has been a smooth implementation, the project was delayed until August which has caused a funding gap in this financial year. Income in the year is down £179,000.

2.6 Salary and wages costs are expected to be £142,000 below forecasted as recruitment has either been delayed or postponed.

- 2.7 In addition to salaries, energy costs have come down and the Trust is now paying a lower unit price per kilowatt hour than it was at the start of the financial year. This price is locked in until April'24 where the rate will be revised once more. It is hoped that the price will continue to drop although the market has yet to react to the Israel/Hamas conflict which could have an adverse impact once again. The overall saving in this financial year is forecasted to be £69,000.
- 2.8 Energy consumption continues to be managed and additional interventions will be rolled out over the next 12 to 18 months to reduce this still further.
- 2.9 Additional savings have been seen across departments as the Trust looks to minimise the deficit position.

Table 1 – Trust 2023/24 Full Year Forecast

	2023/24 Budget	2023/24 Forecast	Variance
Grants	1,755,000	1,836,461	81,461
Gift Aid	2,200,000	2,357,000	157,000
Leases	315,325	311,287	(4,038)
AP Licence	300,000	300,000	0
Other Income	44,175	115,755	71,580
Turnover	4,614,500	4,920,503	306,003
Carparking and Donations	535,000	356,486	(178,514)
Cost of Events (Learning / Fundraising)	(6,000)	(4,656)	1,344
Interest Receivable	0	0	0
Salaries & Wages (admin)	(1,134,881)	(992,456)	142,425
Other Admin Expenses	(3,414,937)	(3,484,256)	(69,319)
Energy Costs	(1,132,850)	(1,064,077)	68,773
Total Overheads	(5,688,668)	(5,545,445)	143,223
Surplus / (Deficit)	(539,168)	(268,457)	270,711

3. Capital Expenditure

- 3.1 During the financial year the Corporate Trustee provided the Trust with £470,000.
- 3.2 Notable expenditure in the year includes:
- Works to the Bedford Road wall
 - Works to smoke vents
 - Various CCTV upgrades
 - Numerous glazing repairs across the Palace roof

3.3 A new Head of Property and Facilities joined the organisation at the start of August and he is starting to work his way through what the priorities and demands will be for the next 18-24 months in respect to capital expenditure.

3.4 In addition to the above, the Trust recently submitted an application to the Corporate Trustee for Capital Expenditure for the financial year 2024/25. This covers expenditure on security measures, critical expenditure where there is a risk to life, injury and compliance.

4. **2024/25 Budget**

4.1 The budgeting cycle for 2024/25 has just begun and the organisation is in the process of working through this process.

4.2 Some of the planning assumptions being included in the Trust's 2024/25 Budget are as follows:

- The Corporate Trustee revenue grant remains at £1,755,000.
- The expected Gift Aid from the Trading Company is £1,600,000¹.
- The Licence Fee payable from the Trading Company is £300,000.
- No unrestricted fundraising income will be recognised in 2024/25 as the strategic priority remains capital projects.
- Car Parking income continues to grow and the 2nd year of the contract will generate additional revenue.
- Inflationary increases are expected in insurance, Estate Guarding, Park Maintenance and Core Cleaning.
- Utility Costs (excluding tenants) are likely to drop further, although pricing estimates from 1 April'24 has yet to be released.
- Further wage increases against inflation may also be required.
- Additional posts will be included where there is a clear business case and rationale to do so.
- Costs are held at their 2023/24 prices and that inflation erodes the amount of the services that can be purchased from yearly allowances wherever possible.
- All Capital, Depreciation and Restricted spending is excluded as they do not form part of unrestricted accounting.

5. **Cashflow**

5.1 The outline cashflow is shown in Appendix 1 below. The Trust's cashflow is challenging but due to the forecasted improvements in the current financial year, cashflow is improving and the Trust may close the year in a cash neutral position.

5.2 The current assumption is that the Trust will restart repayments for outstanding loans (including interest) to the Corporate Trustee.

5.3 It is anticipated that additional working capital will be required in February 2024.

¹ Awaiting final confirmation of the final Gift Aid amount

- 5.4 Discussions are ongoing with senior officers with respect to how they can support the Trust but the organisation is committed to minimising any impact on the Corporate Trustee and it will only request support if it's absolutely necessary.
- 5.5 One of the options available to the Trust is to manage cash on a Group basis. At present, there is no mechanism in place to allow the Trust or APTL to borrow from the other entity should a short term need arise.
- 5.6 Therefore, following agreement in principle by FRRAC and the APTL Board, it is proposed that a lending mechanism is put in place to allow a short term working capital loan between entities on a needs-must basis if certain criteria are met to enable cash to be managed between entities. This would be on the basis of certain conditions being met and could only be done with the authorisation of the Director of Finance and Resources or the CEO.

6. **Risks**

- 6.1 The risks contained on the strategic risk register have not changed materially since the last meeting. However, it should be noted that although the wholesale utility cost continues to drop and a new lower price came into effect on 1 October 2023.
- 6.2 Other risks of note include:
- (a) The continuing cost of living crisis and the impact this will have on consumer confidence, ticket sales and spend per head.
 - (b) Inflation and the impact this will have on suppliers and the cost base.
 - (c) The ongoing impact on the war in Ukraine and now the Israel/Hamas conflict.
 - (d) Recruitment and retention of staff if the Group is unable to afford reasonable pay increases.
 - (e) Recruitment and retention of casual workers given the difficulties seen in the sector.
 - (f) Capital funding not at the levels required to ensure investment into the building, park and core infrastructure is maintained. Nor will it enable the major infrastructure programmes planned to be started.

7. **Legal Implications**

The Council's Head of Legal & Governance has been consulted in the preparation of this report.

8. **Financial Implications**

The Council's Chief Financial Officer has been consulted in the preparation of this report. The hard work of the trust and its officers is showing through in a better financial performance. The potential arrangement for pooling of cash flow in the group is very much supported.

9. **Appendices**

Appendix 1 – Cashflow

APPENDIX 1

Cashflow for Trust (including debt repayments)



