



ALEXANDRA PARK AND PALACE CHARITABLE TRUST BOARD

26 FEBRUARY 2024

Report Title: FINANCE REPORT

Report of: Richard Paterson, Director of Finance and Resources

Purpose: This report seeks to inform the Committee of the current financial performance of both the Trust and APTL and layout a draft Budget for 2024/25 for both entities.

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

1. Recommendations

- 1.1 To note the full year forecast for the Trust.
- 1.2 To approve the outline Budget position for 2024/25.
- 1.3 To note the Trust's intention to undertake an internal review the Trading Subsidiary Licence Fee and Cost Sharing agreements, as set out in section 5.

2. Alexandra Park and Palace Charitable Trust

2023/24 Full Year Forecast

- 2.1 Full year, the Trust is forecasting unrestricted revenue to be £5,180,000 (Budget: £5,150,000), operating expenditure of £5,613,000 (Budget: £5,689,000) and an operating deficit of £433,000; £107,000 better than budgeted.
- 2.2 The financial position has improved as the year has progressed and the predicted deficit is a good outcome given the circumstances faced at the beginning of the financial year.
- 2.3 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 over £131,000 more in Gift Aid than was originally anticipated.
- 2.4 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 smoothly implemented, the project was delayed until August creating a funding gap in this financial year. Income in the year is down £189,000.

- 2.5 Salary and wages costs are expected to be £166,000 below forecasted as recruitment has either been delayed or postponed.
- 2.6 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 October'24 where the rate will be revised once more. It is hoped that the price will continue to drop. The overall saving in this financial year is forecasted to be £174,000.
- 2.7 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. Additional savings have been seen across departments as the Trust looks to minimise the deficit position.

TRUST	2023/24 Budget	2023/24 Forecast	Variance
Grants	1,755,000	1,836,461	81,461
Gift Aid	2,200,000	2,331,490	131,490
Leases	315,325	297,955	(17,370)
AP Licence	300,000	300,000	0
Other Income	44,175	78,618	34,443
Turnover	4,614,500	4,844,524	230,024
Carparking and Donations	535,000	335,494	(199,506)
Cost of Events (Learning / Fundraising)	(6,000)	(7,034)	(1,034)
Interest Receivable	0	1	1
Salaries & Wages (admin)	(1,134,881)	(968,609)	166,272
Other Admin Expenses	(3,414,937)	(3,678,013)	(263,076)
Energy Costs	(1,132,850)	(958,885)	173,965
Total Overheads	(5,688,668)	(5,612,540)	76,128
Surplus / (Deficit)	(539,168)	(432,522)	106,646

3. 2024/25 Outline Budget

Trust

- 3.1 The continued improvement in the financial performance of APTL in 23/24 has had a positive impact and improved the financial projections of the Trust next year.
- 3.2 The Trust is forecasting total unrestricted revenue of **£4,814,000** and a deficit of **-£1,012,000**, an adverse variance of almost £600,000 from this financial year.

Table 1 - Trust 2024/25 Outline Budget

TRUST	2023/24 Budget	2023/24 Forecast	2024/25 Budget	Variance	Variance vs Forecast
Grants	1,755,000	1,836,461	1,755,000	0	(81,461)
Gift Aid	2,200,000	2,331,490	2,000,000	(200,000)	(331,490)
Leases	315,325	297,955	246,319	(69,006)	(51,636)
AP Licence	300,000	300,000	300,000	0	0
Other Income	44,175	78,618	142,715	98,540	64,097
Turnover	4,614,500	4,844,524	4,444,034	(170,466)	(400,490)
Carparking and Donations	535,000	335,494	369,500	(165,500)	34,006
Cost of Events (Learning / Fundraising)	(6,000)	(7,034)	(16,350)	(10,350)	(9,316)
Interest Receivable	0	1		0	(1)
Salaries & Wages (admin)	(1,134,881)	(968,609)	(1,244,480)	(109,599)	(275,871)
Other Admin Expenses	(3,414,937)	(3,678,013)	(3,818,118)	(403,181)	(140,105)
Energy Costs	(1,132,850)	(958,885)	(746,500)	386,350	212,385
Total Overheads	(5,688,668)	(5,612,540)	(5,825,448)	(136,780)	(212,907)
Surplus / (Deficit)	(539,168)	(432,522)	(1,011,913)	(472,745)	(579,391)

3.3 As provided previously, some of the 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 £2,000,000¹.
- 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 has been rephased to reflect current trends. Any re-pricing will provide additional income to that included here.
- Inflationary increases are expected in insurance, Estate Guarding, Park Maintenance and Core Cleaning.
- Utility Costs (excluding tenants) are likely to drop further.
- Further wage increases against inflation may also be required.
- Additional posts have been included where there is a clear business case and rationale to do so.
- Costs are held at their 2023/24 prices and inflation will erode the amount of 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.

¹ Awaiting final confirmation of the final Gift Aid amount

- 3.4 The outline cashflow for Trust is shown in Appendix 1 below.
- 3.5 Due to the forecasted improvements this financial year, cashflow isn't as challenging as presented previously but work is still required to ensure it is in a position to pay all its debts in the financial year.

4. **Licence Fee and Cost Sharing Agreement**

- 4.1 The licence fee and cost sharing agreement should be reviewed as the Licence Fee structure has been in place for a number of years.
- 4.2 The licence fee structure was reviewed by a property consultancy, in February 2019 and the consultant's report suggested using a hybrid of traditional structures to determine the licence fee.
- 4.3 The suggested process is a mechanical one and does not require future surveyors' input.
- 4.4 It is recommended that the methodology is used to review the proposed licence fee before the start of the 2024/25 financial year to ensure that it is still valid and it should be adjusted accordingly.

5. **Risks**

- 5.1 The risks include:
- Cost of living crisis and the impact this will have on consumer confidence, ticket sales and spend per head.
 - Ongoing inflationary pressures and the impact this will have on suppliers and the cost base.
 - Recruitment and retention of staff if the Group is unable to afford reasonable pay increases.
 - Recruitment and retention of casual workers given the difficulties seen in the sector.
 - 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.

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 welcomes the improved financial position for 2023/24. However, the position for 2024/25 does not appear as healthy with an increase forecast for the year end deficit. This appears to be a combination of increased costs and decreased income. The Trust will need to work hard to remedy the forecast deficit.

8. Appendices

Appendix 1 – Cashflows

9. Background Papers: None

APPENDIX 1

Cashflow for Trust (including energy uplift and pay award)

