



ALEXANDRA PARK AND PALACE CHARITABLE TRUST BOARD

10 MARCH 2024

Report Title: 2025/26 APPCT Charitable Trust Draft Budget

Report of: Emma Dagnes OBE, Chief Executive

Purpose: This report seeks approval of the 2025/26 Budget for Alexandra Park and Palace Charitable Trust.

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

1. Recommendations

- 1.1 To approve the Trust Budget for 2025/26.

2. Introduction

- 2.1 Similar to many charities operating in the cultural, heritage, and hospitality sectors, Alexandra Park and Palace Charitable Trust is encountering several significant challenges. These include economic uncertainty, rising operational costs, and increasing pressures within the labour market. Collectively, these factors create difficulties in maintaining a balanced budget for the Trust while also striving to grow the profit margin (Gift Aid) within the trading company.
- 2.2 Across all the sectors that we operate in, we are vulnerable to external shocks, such as war impacting utilities and supply chain, climate change which we are experiencing first hand with the entire estate coming under significant pressure and impact from heavy and continuous rain to high winds leading to cancellation of events or low footfall due to customers not wishing to attend in bad weather.
- 2.3 The competitor landscape across all the Trusts subsidiaries revenue streams Food & Beverage, Events, Theatre, Ice Rink also continues to grow and strengthen. Additionally, evolving customer, client, visitor and stakeholder expectations, particularly regarding sustainability and digital experiences, require significant investment in innovation.
- 2.5 Therefore, adapting to these challenges requires discipline and focus on our Strategic Vision and Goals, exemplary strategic planning, digital transformation and a strong policy for fundraising and support. All of which are set out in the Trusts Vision, Goals and Business Plan.

3. Vision, Mission, Purpose, Goals & Values

- 3.1 When preparing the annual budgets, APP adheres to its established strategic framework, as outlined below at high level.
- 3.2 Our Vision is to create **“A Sustainable Home For All That We Do”** *Enabling everyone to experience inspirational culture, world-class entertainment, unique heritage, life-enriching creative and educational opportunities and restorative green space. Forever.*
- 3.3 Our Mission as set out in our 1985 Act of Parliament is to **“To Repair, Maintain, Restore for the enjoyment of the public”**
- 3.4 Our Purpose is to **“Enrich lives, through great experiences, forever”**
- 3.5 Our 10 ambitious goals are: Build Climate Change Resilience, Safeguard Our Green Lung for London, Protect Our Heritage Assets, Restore Derelict Spaces, Strengthen Our Overall Resilience, Establish New, Exiting Partnerships Inspire and Engage Our Communities, Create A Great Place To Work, Provide Great Entertainment & Culture For All Protect our Archives and Share our Stories in Innovative Ways
- 3.6 Underpinning all of our strategic aims are our Values; We are Collaborative, We are Passionate & Fun, We are Resourceful, We are Bold, We are Open & Genuine

4. Business Plan 25/26

- 4.1 In the 2024/25 financial year, Alexandra Park and Palace (APP) introduced a new Business Plan aligned with its updated Vision and Goals. This year serves as "Year Zero," providing an opportunity to test key concepts and approaches, allowing for refinement ahead of the plan's further development in the following year. While work remains ongoing, the high-level Business Objectives for the purposes of this report are outlined below:

- Ensure the achievement of financial and fundraising targets by fostering a culture of collaboration
- Develop and implement a structured process for the collaborative planning, development and delivery of strategic projects and programs
- Implement and enhance the "Brilliant Basics" framework to set and elevate standards across all areas and aspects of the organisation
- Embed organisational strategies and policies by fostering a culture of empowerment and recognition

- 4.2 Measure and metrics are set out in the Business Plan in detail, the following are examples for the purposes of the report not an exhaustive list.

Example KPI's

- Trust Breakeven position
- Revenue Growth Rate
- Gross Margin / Net Margin
- Donations per paying customer
- Basket donations
- Staff Turnover
- Mandatory Training Completion rate
- Net Promoter Score

5. Financial Performance and 25/26 Budget Considerations

- 5.1 An important key performance indicator (KPI) in the Business Plan is achieving a breakeven financial position for the Trust, following multiple years of operating at a deficit. While the financial year 2024/25 is yet to conclude, current forecasts indicate that the Charity is on track to meet this target.
- 5.2 However, in developing the 2025/26 Trust Budget, achieving a breakeven position has not yet been possible. While the Trust remains confident in its ability to improve upon the deficit position, several influencing factors must be considered and addressed.

5.3 Financial Challenges and Mitigation Strategies

Financial Challenges: Increases and unavoidable cost pressures, including:

- Insurance Premiums: Current budget assumptions include a 5% increase, though final figures remain uncertain until April 2025, posing a potential financial risk.
- National Insurance Contributions: Recent increases have directly impacted the salary budget.
- Estate Guarding Costs: Compliance with new legislation necessitates enhanced site security measures, leading to increased expenditure.
- General Cost Inflation: Rising construction and wage costs continue to affect the Trust's repairs and maintenance budgets.

Mitigation Strategies: To mitigate a worsening deficit position, the Trust is implementing several strategies, including:

- Car Park Charges: Seeking Trustee approval for reasonable increases.
- Fundraising: Increased fundraising targets, including the introduction of a Patron Scheme, installation of Tap to Donate terminals, and the launch of a significant capital campaign targeting trusts and foundations.
- New Leases and Tenants: Expanding estate tenancy opportunities to generate new revenue streams, including the successful in-sourcing of the Golf Course and future insourcing of the Boating Lake Café.

Operational Efficiencies: In parallel, the Trust has undertaken a rigorous review of its operational costs to identify efficiencies and savings:

- Resource Amalgamation: Cross-departmental collaboration and resource sharing to optimise efficiency.
- Cost Reassignment: Redistribution of certain operating expenses under the cost-sharing agreement with the trading subsidiary, such as cleaning services.

Strategic Investments: Despite financial constraints, the Trust remains committed to strategic investments in alignment with its long-term objectives:

- People: Continued investment in staff and volunteer well-being to attract and retain talent within available resources.
- Technology & IT: Enhancing digital capabilities to drive operational efficiency and support the Trust's charitable mission.
- Repairs, Restoration, and Maintenance: Prioritising essential estate maintenance to support the needs of approximately five million annual visitors.

- 5.4 While achieving a breakeven budget for 2025/26 presents challenges, the Trust is proactively addressing cost pressures through revenue generation, operational

efficiencies, and targeted investments. Ongoing strategic measures will continue to strive towards a future of financial stability for the Trust

6. Alexandra Park and Palace Charitable Trust Draft Budget 25/26

6.1 25/26 is a deficit budget at **£428,121** as per Table One below.

Table One: Trust 2024/25 Full Year Forecast and Draft 25/26 Budget

	24/25 Budget	24/25 Forecast As of Dec 24	24/25 Variance against Budget	25/26 Draft Budget	25/26 Variance to 24/25 Forecast	25/26 Variance to 24/25 Budget
Income						
1.Gift Aid*	2,000,000	2,547,408	547,408	1,917,838*	(629,570)	(82,162)
2.Grants	1,755,000	1,755,000	0	1,755,000	0	0
3.Car Parking	613,501	723,254	109,753	860,258	137,004	246,757
4.Leases	246,319	287,783	41,464	357,016	69,233	110,697
5.AP Licence	300,000	300,000	0	300,000	0	0
6.Other	117,380	80,378	(37,002)	95,234	14,855	(22,146)
7.Donations	40,000	55,103	15,103	50,000	(5,103)	10,000
Total Income	5,072,200	5,748,926	676,726	5,335,346	(413,581)	263,146
Expenditure						
8.Ops Costs	(1,369,539)	(1,325,890)	43,649	(1,165,500)	160,391	204,039
9.Salaries	(1,239,442)	(1,273,517)	(34,075)	(1,497,774)	(224,257)	(258,332)
10.Maintenance	(1,132,586)	(1,218,988)	(86,402)	(1,142,282)	76,705	(9,696)
11.Security	(897,000)	(888,962)	8,038	(964,248)	(75,286)	(67,248)
12.Insurance	(556,278)	(579,895)	(23,617)	(646,032)	(66,138)	(89,754)
13.Utilities	(345,400)	(347,406)	(2,006)	(347,631)	(225)	(2,231)
Expenditure	(5,540,245)	(5,634,658)	(94,413)	(5,763,467)	(128,810)	(223,222)
Surplus/Deficit	(468,045)	114,268	582,313	(428,121)	(542,391)	39,924

*gift aid is the sum the trading subsidiary provides from the previous financial year. I.e. GA in the Trust 25/26 is the Operating profits + Restoration Levy from the Trading Subsidiary's financial year 24/25.

25/26 Budget Notes & Assumptions

1.Gift Aid*	APTL Budget 24/25 £1,777m V forecast £1,917m further improvement possible
2.Grants	Corporate Trustee Annual Revenue Grant remains the same
3.Car Parking	Targeting £137,004 increase from charging increases
4.Leases	% increases on tenancies
5.AP Licence	No change
6.Other Income	Creative learning income from events and activities
7.Donations	Target Donations (Patrons, Tap Too Donate, Basket Donations)
8.Operational Costs	Reduction driven from efficiencies and cost sharing
9.Salaries & Wages	Annual uplift / NI increases
10.Repairs & Maintenance	Similar budget for 25/26 versus budget for 24/25
11.Security	Increase due to enhanced requirements due to changes in legislation
12.Insurance	Assumed increase Brokers confirm in April 2025
13.Energy Costs	Holding against 24/25 budget and forecast. Though would be at risk if global issue occurs

7. **Risks**

7.1 As set out above the Trust has worked hard to ensure effective financial management and taken a proactive approach to identifying and mitigating potential budgets risks. However, that does not mean there are no risks and the Trustees should note the following:

- Revenue Shortfalls: Potential underperformance in fundraising and car park charging which are predicated on footfall and spend per head
- Cost Overruns: Unexpected increases in costs due to unforeseen emergencies in particular relating to the building and its infrastructure
- Economic Challenges: Impact of external economic factors such as inflation, war, global turmoil impacting supply chains and utilities
- Regulatory and Compliance Changes: Changes increasing financial obligations and pressures
- Supplier & Contractual Dependencies: The Trust has several large contracts that will be re-tendered this year. Though the aim will be to keep costs inline with past expenditure there may be increases that to mitigate will require service cuts

7.2 While budget risks are inherent, the Trust remains committed to sound financial management and reporting and will continue to keep all stakeholders and trustees apprised of shifts in risk through our risk management reporting.

8. **Legal Implications**

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

9. **Financial implications**

5.1 The Council's Chief Financial Officer has been consulted in the preparation of this report and.....

10. **Appendices**

Appendix 1 – Cashflows

11. **Background Papers**

None

Cashflow Unrestricted for Trust 25/26

Appendix 1 – Unrestricted Cashflow APPCT 25/26

*Further presentation on cashflow will be provided in the Board meeting

