



ALEXANDRA PARK AND PALACE CHARITABLE TRUST BOARD

14 July 2025

Report Title: 2025/26 APPCT Charitable Trust Budget

Report of: Emma Dagnes OBE, Chief Executive

Purpose: This report seeks approval for the new treatment of Restoration Levy and approval for 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 new treatment for Restoration Levy income recognition (section 6)
- 1.2 To approve the APPCT (Trust) Unrestricted Budget for 2025/26 (section 7)

2. Introduction

- 2.1 Like 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 adverse weather conditions leading to cancellation of events or low footfall due to customers not wishing to attend in bad weather, and shorter dwell time / reduced spend.
- 2.3 The competitor landscape across all the Trusts subsidiaries 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.
- 2.4 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 Operational Business Plan.

3. **Vision, Mission, Purpose, Goals & Values**

- 3.1 When preparing the annual budgets, APPCT 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, Exciting Partnerships Inspire, 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 our strategic aims are our Values; We are Collaborative, We are Passionate & Fun, We are Resourceful, We are Bold, We are Open & Genuine.

4. **Operational Business Plan 25/26**

- 4.1 In the 2024/25 financial year, Alexandra Park and Palace (APP) introduced a new Operational Business Plan aligned with its updated Vision and Goals. The first year provided an opportunity to test key concepts and approaches, allowing for refinement ahead of the plan's further development into the following year 25/26. While work is ongoing, the high-level Operational 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 Measures and metrics are set out in the Business Plan in detail; the following are examples for the purposes of the report and not an exhaustive list.

Example KPI's

- Trust to achieve a sustainable budget
- 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 2025/26 Budget Considerations

- 5.1 An important key performance indicator (KPI) in the Operational Business Plan is achieving a sustainable budget position for the Trust, following multiple years of operating at a deficit. While the financial year 2024/25 is being reviewed by the auditors, current forecasts indicate that the Charity is on track to meet this target. This position must include consideration for repayment of all loans.
- 5.2 During the development of the 2025/26 Trust Budget, achieving a sustainable position proved challenging. However, through extensive efforts to identify cost savings and establish a clearer understanding of the revenue generated in-year— which contributes to the charity via gift aid in the following financial year— the Trust has successfully achieved a balanced budget. Nonetheless, the financial challenges remain, necessitating ongoing mitigation strategies.

5.3 Financial Challenges and Mitigation Strategies

Financial Challenges: Increases and unavoidable cost pressures, including:

- Insurance Premiums: Budget assumptions include a 6% increase.
- National Insurance Contributions: Recent increases of employers NI from 13.8% to 15% 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.
- General Cost Inflation: Impacts on both gross and net profit margins of the subsidiary in turn impacting gift aid to the charity.

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

- Restoration Levy collected on behalf of the Trust recognised in year rather than in arrears, set out in more detail under section 6 within this report.
- Car Park Charges: The Trustee Board have approved for reasonable increases to take effect on 1st April 2025
- 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 as well as recruitment freeze in the final two quarters of the financial year 2024/25
- 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 development, 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 sustainable budget for 2025/26 has presented significant challenges, the Trust is committed to 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 Restoration Levy

- 6.1 Restoration Levy is charged on tickets across the country at venues, museums historic attractions to help fund restoration, maintenance and repairs. At Alexandra Palace restoration levy is typically between £1.50 to £2.10 depending on the event. The Restoration Levy helps the Trust to cover essential works to enhance the visitor experience and preserve the historic building.
- 6.2 Historically the Restoration Levy has been collected on behalf of the Trust by the subsidiary and transferred to the Trust annually in arrears alongside the operating profit also referred to as Gift Aid. Due to the financial pressures within the Trust as set out in this report the Restoration Levy will now be transferred in year as it is earned. Rules will be set in place with the auditors to provide structure for the treatment of Restoration Levy moving forward. Extensive benchmarking has also been undertaken specifically with other high-profile events venues which are Charities with Trading Subsidiaries to ensure that we are aligned with industry standard with our revised approach.
- 6.3 Impact of the change: in 2024/25 both the income statement and the unrestricted cash balances will increase by £971,323. This enables the Trust to meet its ongoing loan repayment obligations to the Corporate Trustee and to repay the intercompany balance with the trading subsidiary, both of which are important in supporting the going concern requirements. This is a one-off timing adjustment uplift that cannot be repeated or reversed. This will reduce the forward visibility of secured income within the Trust going forwards.

7 Alexandra Park and Palace Charitable Trust Budget 25/26:

7.1 2025/26 APPCT (Trust) Budget

APPCT (Trust) Unrestricted Income Statement	Draft Subject to Audit 2024/25	Final Budget 2025/26	Variance £	Variance %
Income				
1 Restoration Levy*	906,586	978,354	71,768	8%
2 Gift Aid	1,509,122	1,299,754	(209,368)	-14%
3 Grants	1,755,000	1,755,000	0	0%
4 Car Parking	728,169	860,258	132,089	18%
5 Leases	277,385	272,015	(5,370)	-2%
6 APTL Licence	300,000	300,000	0	0%
7 Creative Learning	29,375	29,835	460	2%
8 Donations	59,750	75,000	15,250	26%
9 Other new leases and licences	0	85,000	85,000	
Total Income	5,565,388	5,655,216	89,829	2%
Expenditure				
10 Operating costs	(1,148,091)	(945,650)	202,441	18%
11 Salaries	(1,171,988)	(1,308,783)	(136,795)	-12%
12 Maintenance	(1,180,700)	(1,072,282)	108,418	9%
13 Security	(881,654)	(964,248)	(82,594)	-9%
14 Insurance	(579,895)	(646,032)	(66,138)	-11%
15 Utilities	(355,634)	(367,525)	(11,891)	-3%
Total Expenditure	(5,317,963)	(5,304,521)	13,442	0%
Surplus / Deficit	247,425	350,696	103,271	42%

*Restoration Levy income before proposed change to income recognition within the income statement to allow like for like comparison AND THEN added to the cashflow to show the positive impact on the closing cash balance. The cashflow statement can be seen in the exempt part of the report.

7.2 Assumptions:

Unrestricted income:

Overall income within the Trust is increasing by 2%, £89.8k year on year largely due to the growth in the new income streams of car parking, donations and other new licences and leases.

1. Restoration Levy: The 2024/25 numbers in this table are presented before the proposed change to income recognition in this area. Should the Board agree to the changes the Income in 2024/25 will be revised up by £971,323 for the September Board meeting. The underlying budget increase is 1% (£978k 2025/26 v £971k 2024/25) as the £906k relates to the year 2023/24 being paid over in arrears.
2. Gift Aid: This is assumed to decrease by 14% from £1.5m in 2024/25 to £1.3m in 2025/26 due to the Trading performance of APTL during 2024/25. **This figure is still subject to audit and therefore could go up or down.** The shortfall in performance is mainly driven by Fred Again which took place in 2023/24 but was not repeated in 2024/25 for £0.5m.

3. Grants: There is no inflationary increase in the amount to be received from the Corporate Trustee per the agreed terms.
4. Car Parking uplift of 18% is driven by price increases as outlined above.
5. Leases: Reduction of 2% is due to no income from the Lakeside Café in 2025/26.
6. APTL licence: There is no inflationary uplift assumed. Any uplift would have a corresponding negative impact on future gift aid. It is more critical to secure third-party income.
7. Creative Learning: 2% uplift is viewed as achievable in 2025/26.
8. Donations: This is an emerging income stream which requires the foundations to be built to see larger sums in future years.
9. Other new licences and leases to be introduced during 2025/26.

Unrestricted expenditure:

Overall expenditure has been held flat year on year largely driven by the transfer of £250k of costs to the trading subsidiary and £182k of efficiency savings within building repairs and maintenance costs which are offsetting uplifts across security, insurance and salaries.

10. Operating costs: reduction of 18% is due to £250k of costs moving to the trading subsidiary relating to Cleaning £200k, and PR £50k via the cost sharing agreement. The underlying increase is 4%.
11. Salaries increasing by 12% due to annual uplift of 3% plus additional employers NI costs and an adjustment to the recharge of some salary costs to the Trust via the cost sharing agreement.
12. Maintenance: Reduction of 9% due to efficiencies within building repairs and maintenance of £182k. Close management of operational expenditure versus capital expenditure will support this ambition.
13. Security: 9% increase due to new legislation requiring increased measures to be compliant.
14. Insurance: 11% increase due to 6% annual uplift plus £30k one off credit in 2024/25 relating to an insurance claim.
15. Utilities: 2-year fixed term contract ends in October at which point a 6% uplift is budget which averages to 3% across the year.

8 Risks

- 8.1 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:
 - Income 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. The aim will be to keep costs in line with past expenditure, however there may be increases which to mitigate would require service cuts.
- 8.2 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.

9. Legal Implications

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

10. Financial implications

The Council's Chief Financial Officer has been consulted in the preparation of this report. The draft budget presented in this report indicates a balanced position for 2025/26. This budget, like most any budget, is based on a number of assumptions. The Trust will need to monitor those assumptions as part of the budget monitoring process to see if they are being met and if not initiate action to mitigate any adverse effect. The risks identified will also need to be monitored and action taken if necessary.

11. Appendices

None

12. Background Papers

None