

**Report for:** Corporate Committee

**Item number:** 9

**Title:** Alexandra Palace and Park Charitable Trust (APPCT)

**Report**

**authorised by :** Tracie Evans – Chief Operating Officer

**Lead Officer:** Neville Murton – Lead Finance Officer

**1. Describe the issue under consideration**

- 1.1. At its last meeting the Corporate Committee requested further information in relation to the Council's responsibilities for oversight of the Alexandra Palace and Park Charitable Trust (APPCT).
- 1.2. This report considers a number of issues in relation to that matter for consideration by the Committee.

**2. Cabinet Member Introduction**

- 2.1. Not applicable.

**3. Recommendations**

- 3.1. That Corporate Committee note the report and information.

**4. Background information**

- 4.1. At its February meeting the Corporate Committee considered a paper on the Council's reserves including consolidation of the Council's 'grouped' reserves. The Council's group accounts include the Council, Homes for Haringey (HfH) and the Alexandra Palace and Park Charitable Trust (APPCT)
- 4.2. In understanding the reserves position the Committee asked for further information specifically in relation to oversight of the APPCT by the Council and its committees.
- 4.3. The Council is the Corporate Trustee of the Trust and has a statutory obligation to maintain the Park and Palace for public benefit as directed under the Alexandra Park and Palace Act 1985. The Council is required to fund the Trust for the upkeep of the Park and Palace.
- 4.4. In August 1999 a trading subsidiary of the Trust was established to handle the commercial activities of the Trust. This trading subsidiary, Alexandra Palace Trading Ltd (APTL), is wholly owned by the Trust. APTL is profit-making on its activities however in the past these have not been sufficient to cover the operating expenditure of the Trust, although more recently the benefit from trading activities has increased substantially.

**Funding Support**

- 4.5. The Council provides a revenue grant to support the operating costs of the palace; this has been set at £1.9m in 2015/16 and 2016/17 reducing to £1.65m in 2017/18 following approval of the 2015 – 2018 Medium Term Financial Strategy (MTFS) in February 2015.
- 4.6. In addition an annual capital maintenance budget of £400k is made available as a capital grant to APPCT.

- 4.7. The Council has also committed to providing £6.8m of capital resources in support of the regeneration plans at the palace, which is also receiving substantial support for through the Heritage Lottery Fund.

### **Governance**

- 4.8. As Corporate Trustee the Council appoints Member trustees to sit on the APP Board and various sub-committees. The palace is required to comply with the Council's financial and procurement processes and all formal reports are considered by and have comments included by the relevant Council's statutory offices – the Chief Finance (S151) Officer and the Monitoring Officer (Assistant Director of Corporate Governance).
- 4.9. The Board receives regular financial monitoring reports covering both the Trust's activities, regeneration project(s) and the Trading Company financial performance. In addition officers are attendees at the Trusts key committees e.g. The Finance Resources and Audit Committee (FRAC) is attended by the Head of Corporate Finance and the Head of Audit as required.
- 4.10. Any surplus income over expenditure arising from the trading companies activities are gift aided to the Trust.

### **Debt**

- 4.11. In 2013 the Council sought professional advice from PriceWaterhouseCoopers (PWC) on the status of a debt, owed to the council, and amounting to c£45m which was shown on the Trust's Balance Sheet.
- 4.12. Although also held on the Council's Balance Sheet the debt was fully provided for there – i.e. the council had made provision for the fact that it was highly unlikely that the debt would be repaid. However, the debt had not been discharged.
- 4.13. The Trust formally asked for the debt to be discharged as it felt that it was an impediment to potential investors in the palace.
- 4.14. The outline conclusion of the report from PWC was that there was no legal impediment to discharging the debt (as with any other of the Council's debt) however, given the need to be able to demonstrate that the debt was irrecoverable to council taxpayers, there were a number of options (other than a simple discharge) the council should consider including deferring the debt until the Trust was profitable or implementing a debt/equity swap alongside any future investment scheme.
- 4.15. In the event the Chief Finance Officer agreed a letter of comfort to the Trust confirming that the Council would not pursue repayment of the debt until such time as it was agreed, both by the Trust and the Council acting in good faith, that debt repayments could be made without impacting on the Trusts finances.
- 4.16. This protected the Council from discharging the debt and being open to future criticism if the Trust were to achieve a position where it would be reasonable for the council tax payers to expect the debt to be repaid. This gave sufficient comfort to the trust and their auditors that the liability could be written out of the trusts Balance Sheet and thereby improving their financial security to potential investors, without actually discharging the debt.
- 4.17. The debt was therefore written out of the Trust's accounts in 2014/15.

**5. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**

- 5.1. The Assistant Director of Corporate Governance has been consulted in the preparation of this report, and advises that there are no direct legal implications arising out of the report.
- 5.2. No additional statutory officer comments are required as this report is for information only.

**6. Use of Appendices**

None

**7. Local Government (Access to Information) Act 1985**

- 7.1. The following background papers were used in the preparation of this report:
  - PWC report to Haringey – December 2013.
- 7.2. For access to the background papers or any further information please contact Neville Murton –Lead Finance Officer.