

## **ALEXANDRA PARK AND PALACE CHARITABLE TRUST**

### **BOARD**

**Tuesday 6<sup>th</sup> December 2016**

**Report Title:** Alexandra Park and Palace Charitable Trust Financial Results with annual forecast

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#### **Purpose:**

This paper sets out the results for Alexandra Park and Palace Charitable Trust for 6 months to 30/09/2016.

#### **1. Recommendations**

To note the performance of the Trust.

#### **2. Results for 6 months to 30/09/2016**

##### **Unrestricted Activities**

- 2.1 Income of the Trust in the first 6 months does not show significant variances on budget. This period is mainly funded from the LBH's operating grant. The grant has been paid to us in pre-agreed instalments and up to the end of September £1.85m was received. The funding of the remaining months to 31 March 2017 will be from a transfer of the 2015-16 Gift Aid of £1.3m. The APTL Board on 22 November will approve the Gift Aid payment to the Trust and a cash transfer is scheduled for the end of November for the Trust to meet its various liabilities. Other sources of income include leases received from the tenants in the Park and Palace and no significant variances are noted in the first 6 month period.
- 2.2 Moving on to the 2016-17 Projection a significant decrease in funds coming in is noted. This is explained by a lower than budgeted Trading profit forecast by the Trading Company in 2016-17.
- 2.3 The current forecast of 2016-17 trading profit is £448,000 under budget. The reasons for this shortfall are mainly: an increase in Cost of Sales and therefore a lower Gross Margin achieved due to a different type of shows secured in the current year (for example fewer music nights which generate more margin than weddings, banquets and smaller exhibitions), lower footfall to the major exhibitions (which has an impact on the secondary spending), and a closure of the Great Hall and West

Hall for 3 weeks and therefore a lost business which can't be gained anywhere else (in reality this is indirectly a cost of the East Wing Regeneration project which is quantified as £200,000 loss).

- 2.4 It is worth noting that the above will have a negative impact on cash funds available to the Trust in 2017-18 (as the Gift Aid is transferred in cash 9 months after the year-end).
- 2.5 Overhead spent in the first 6 months shows some variances due to timing of the expenditure occurring and overall the overheads for the year are on target with the exception of Professional fees which include a provision for the Strategic Vision review of £90,000,; and Marketing fees which include a provision of £30,000 for Communications.

### 3. Capital Expenditure – LBH’s capital grant (restricted)

- 3.1 Capital Projects (outside the East Wing Project and the West Yard Project) are funded from the LBH’s capital grant. The 2016-17 grant is £400,000 but the total funds available for 2016-17 are £515,000 including a sum carried forward from 2015-6.

#### 3.2 Capital Expenditure – Trust

Expenditure	£ amount
Fire Alarm Replacements (various areas of Palace)	£37,490
Level 5 refurbishments (WYP – move required)	£2,178
Light Well Entrance (New Ice Rink Entrance)	£48,573
Wifi in BBC Tower	£4,174
Palm Court New Reception Area	£1,500
Battery system for emergency lighting	£23,976
Lightfittings	£4,956
Tank for generator	£9,601
Urinal pipework replacement	£7,170
<b>Total spending to 30/9/2016</b>	<b>£139,618</b>
<b>Committed but not spent in the first 6 months(*a)</b>	<b>£150,000</b>
<b>Still to be committed before 31 March 2017</b>	<b>£225,382</b>
<b>Target capital spending in 2016-17</b>	<b>£515,000</b>

- 3.3 (\*a) Some of the items committed but not spent to the end of September are:

New boiler	£68,000
West Service Yard flat roof repair	£13,000
West Yard Level 5 conversion into staff space	£23,000

- 3.4 The Trust Capital and Revenue Repairs and Projects Budgets 2016/17 have been revised to prioritise the priorities. The major change is to conduct critical repair works to the spaceframer (trusses) but to defer painting the trusses. Capital works for the Park have also been cut back to resurfacing works only which are now urgent.

- 3.4 A number of urgent repairs amounting to £58,000 (listed below) have been identified beyond the £515,000 budget. However, without available resources to fund them,

they will remain on the priority list for next year 2017/18 unless funds become available. Capital spending is closely monitored and reported monthly to the Executive.

- £8,500 South Terrace paving
- £10,000 Repointing fixing gaps between steps
- £9,000 North Yard Railway bridge
- £1,000 BBC Tower Elevation Inspection
- £1,000 SW colonnade cherry picker access cost
- £7,000 SW Tower Roof Repairs
- £2,000 West Service Yard Flat roof above Star Suites
- £20,000 Palm Court Glazing repairs and render

#### **4. East Wing Project**

- 4.1 The progress of the East Wing Project is reported separately. This report covers expenditure to date only.
- 4.2 The cash funds for the project are kept in a separate bank account to ring fence the funds for its restricted purpose only. A balance at the end of September 2016 was £817,000 and was in line with the Project cash projection to date.
- 4.3 To the end of October the expenditure on the project in the preliminary phase was £2.5m. It is worth noting that the total contracted sum for preliminary works was originally £1,145,983. Current anticipated costs for preliminary works stands at £3,645,846 (as per the latest Mott MacDonald report October 2016). This is because some works were brought forward from the construction phase, for example works in the Theatre and East Court of approximately £1m and removal of asbestos (unbudgeted i.e. unidentified before the works started) at a cost of £1,000,000 plus loss and expense costs of approximately £400k. The re-profiled budget for the enabling works is likely to be £4m. Of the £1.855m contingency fund there is less than 10% left, which could cause problems in the Stage 2 main works.

#### **5. West Yard Project**

- 5.1 The progress of the West Yard Project is reported separately. This report covers expenditure to date only.
- 5.2 The Project is funded by a loan from LBH. All funds of the loan of £2.5m were received in June 2016. The funds are kept on a separate bank account to ring fence the funds for its purpose only. To date (end of September) spending on the Project was rather limited and amounted to £35,000 available balance of £2,465,000.

#### **6. Legal Implications**

- 6.1 The Council's Assistant Director of Corporate Governance has been consulted in the preparation of this report, and has no comments.

#### **7. Financial Implications**

- 7.1 The Council's Chief Financial Officer has been consulted in the preparation of this report, and has the following comment:
- 7.2 Although APTL have a good trajectory of income over the medium term and are doing a lot of work in an attempt to maximise the income, there is a gap in funding for the Trust which will need to be met by Haringey Council.
- 7.3 In addition the Trust will not be able to live within the reduction in operating grant from the Council of £250k anticipated for 2007/18. A savings plan of cost reduction activities have been agreed between the Council and the Trust and there will be regular and ongoing dialogue over the short to medium term to ensure that this is delivered and the Trust can be financially sustainable.

## **6. Appendices**

Appendix 1 – Trust financial results YTD and Forecast

## APPCT

## YTD and Forecast

For 6 Mths Ending September 2016

	Cumm 30/09/2016			Year 2016/17		
	Budget	Actual	Diff	Budget	Forecast	Diff
<b>Unrestricted Activities</b>						
<b>Trust Income</b>	£	£	£	£	£	£
LBH Grant - Operational	1,850,000	1,850,000	0	1,900,000	1,900,000	(0)
LBH Grant - Capital	0	0	0	0	0	0
Palace APTL Licence	150,000	150,000	0	300,000	300,000	0
Palace Leases	44,600	35,157	(9,443)	67,100	57,657	(9,443)
Park Leases	56,173	57,364	1,191	118,872	120,063	1,191
Learning & Community	20,250	2,684	(17,566)	30,100	9,261	(20,839)
Gift Aid	0	0	0	1,320,795	872,228	(448,567)
Other	4,000	25,581	21,581	23,495	45,076	21,581
	<b>2,125,023</b>	<b>2,120,785</b>	<b>(4,238)</b>	<b>3,760,362</b>	<b>3,304,284</b>	<b>(456,078)</b>
Regeneration Grants	0	0	0	0	0	0
Match Funding	0	0	0	0	0	0
	0	0	0	0	0	0
<b>Total Incoming Resources</b>	<b>2,125,023</b>	<b>2,120,785</b>	<b>(4,238)</b>	<b>3,760,362</b>	<b>3,304,284</b>	<b>(456,078)</b>
<b>Overheads</b>						
Cost of Sales	3,300	689	(2,611)	6,810	5,189	(1,621)
Wages & Salaries (including pension & Ni)	452,278	431,099	(21,179)	931,283	923,970	(7,313)
Other staff related costs	31,380	6,405	(24,975)	76,196	49,815	(26,381)
Maintenance - Palace	189,000	153,812	(35,188)	384,000	358,812	(25,188)
Maintenance – Park (contract)	192,954	194,217	1,263	323,768	325,031	1,263
Repair & Maintenance Other locations	83,399	62,508	(20,891)	227,100	216,309	(10,791)
Security Control Contract - Estate	246,650	245,748	(902)	488,100	493,198	5,098
Cleaning & Pest	9,360	10,378	1,018	14,960	15,978	1,018
Rates & Insurance	178,912	179,385	473	342,624	343,817	1,193
Office expenses various	46,670	37,985	(8,685)	95,060	91,165	(3,895)
Utilities (15% of Organisation bills)	61,380	42,808	(18,572)	122,760	111,688	(11,072)
Software & IT	38,192	20,796	(17,396)	64,584	59,848	(4,736)
Sundries, Meeting & Subscriptions	3,140	6,920	3,780	7,189	11,822	4,633
Marketing, Advertising & Design	68,002	43,705	(24,297)	113,150	126,003	12,853
Legal & Professional	143,550	104,485	(39,065)	323,200	385,435	62,235
Depreciation (Unrestricted are loan Assets)	61,176	60,234	(942)	122,352	120,468	(1,884)
Interest on Loan Assets	33,812	40,011	6,199	107,624	107,691	67
Banking Costs	300	(43)	(343)	600	257	(343)
APTL Cost recharges	39,030	39,030	0	78,060	78,060	0
Contingency	0	0	0	0	0	0
<b>Total Outgoing Resources</b>	<b>1,882,485</b>	<b>1,680,170</b>	<b>(202,315)</b>	<b>3,829,420</b>	<b>3,824,555</b>	<b>(4,865)</b>
<b>Result</b>	<b>242,538</b>	<b>440,615</b>	<b>198,077</b>	<b>(69,058)</b>	<b>(520,271)</b>	<b>(451,213)</b>