

Local Democracy and Member Services

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06 May 2011

To: All Members of the Alexandra Palace and Park Board

Dear Member,

Alexandra Palace and Park Board - Monday, 9th May, 2011

I attach a copy of the following reports for the above-mentioned meeting which were not available at the time of collation of the agenda:

7. FINANCE UPDATE (PAGES 1 - 8)

Report of the Head of Finance Alexandra Palace

Yours sincerely

Clifford Hart
Committee Manager

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Report Title: **FINANCE UPDATE**

Report of: **Helen Downie, Head of Finance, Alexandra Palace & Park**

1. Purpose

- 1.1 To advise the Board of the draft, unaudited results for the financial year ended 31st March 2011.
- 1.2 To obtain the Board's approval of the proposed capital budget for the 2011/12 financial year
- 1.3 To update the Board on the progress of the Finance Working Group in relation to the identification of savings in 2011/12

2. Recommendations

- 2.1 The Board is asked to note the draft, unaudited results for the financial year ended 31st March 2011.
- 2.2 The Board is asked to approve the proposed capital budget for 2011/12 as set out at 7.3
- 2.3 The Board is asked to note the progress of the Finance Working Group in reviewing the revenue budgets of the Trust and Trading Company with a view to identifying savings and further income generating opportunities.

Report Authorised by: **Andrew Gill, Interim General Manager**



Contact Officer: Helen Downie, Head of Finance, Alexandra Palace & Park, Alexandra Palace Way, Wood Green, London N22 7AY. Telephone number 0208 365 4310.

3. Executive Summary

- 3.1 The draft, unaudited results for the Trust for the year ended 31st March 2011 are tabulated against budget at Appendix 1.
- 3.2 Unrestricted income is £36k below budget, £25k of which is due to the further reduction in the APTL licence fee. Unrestricted expenditure is £139k below budget, giving a net underspend against budget of £103k. This is consistent with the level of

saving the Interim General Manager committed to delivering in 2010/11.

3.3 The proposed capital budget for 2011/12 is given at 7.3. The budget is designed to address the priority risk areas, as identified by independent reports.

3.4 A verbal update on the progress of the Finance Working Group in identifying savings and further income generating opportunities will be given at the meeting.

4. Reasons for any change in policy or for new policy development (if applicable)

4.1 N/A

5. Local Government (Access to Information) Act 1985

5.1 No specific background papers were used in compiling this report.

6. Draft, unaudited results for the year ended 31st March 2011

- 6.1 The draft results for the financial year ended 31st March 2011 are presented at Appendix 1. These are subject to audit. The audit fieldwork commences on 16th May 2011 for two weeks and our year end audit preparation is currently on schedule.
- 6.2 Restricted/designated income consists of the £500k capital grant from the Council, together with £20,958 secured from English Heritage for works carried out in the theatre in previous financial years. A debtor for this amount was written off in the Trust's accounts in 2009/10 due to a lack of supporting documentation to substantiate the claim. Further work was carried out to retrieve the necessary documentation in 2010/11; the claim was approved and the cash was received. As the debtor was previously written off, this amount is treated as income in 2010/11.
- 6.3 The variable overhead expenditure in this column consists of depreciation against fixed assets purchased with capital grant monies, plus a small amount of expenditure against the organ appeal fund.
- 6.4 Concession/lease income is £32k below budget due to the £25k reduction in the APTL licence fee, reflecting the extended closure of the ice rink, and the transfer of the ice cream van concession to APTL. Community events income is down by £26k due to the cancellation of the fireworks. Service charge income is up by £17k due to the inclusion of some electricity recharges relating to 2009/10 (circa £9k) and some prudent budgeting in this area.
- 6.5 Salaries are £7k underspent due to the delay in recruiting a permanent Facilities Manager and a planned reduction in admin staffing costs in Q4.
- 6.6 Contracted services are £46k underspent. This comprises a £10k overspend in Parks offset by a £56k underspend in buildings security and maintenance. The

former is due to an RPI increase applied retrospectively to the Parks contract which is covered by an underspend against the variable parks budget. The latter is due to the new IFM contract, which has a lower ratio of fixed to variable costs. The overall underspend on security, repairs and maintenance for the year (fixed + variable costs) is £55k compared with a forecast saving of £50k.

- 6.7 Fixed overheads are £9k under budget due to lower than budgeted insurance and central admin costs. Variable overheads are £61k below budget, with the key variances summarised as follows:

Category	Year to Date (Over)/Underspend	Explanation
Legal & professional	(£52k)	Identified as risk in budget; £33k overspend in legal fees and £19k in professional. Mainly due to delays in recruiting permanent FM and additional support needed for IFM contract procurement.
Water rates	(£20k)	Backdated bill from Thames Water; invoice still disputed but not resolved
Community Events	£93k	Fireworks cancellation
Depreciation	£15k	Delay to the ice rink refurbishment project meant that depreciation was not charged until later in the financial year.
Parks variable costs	£14k	Offsets the overspend in fixed costs above. Overall, the Parks Manager has delivered a saving of circa £15k across his budget
Gas & electricity	£8k	Price increases lower than budgeted
Other	£3k	Small over/under spends
Total underspend	£61k	

- 6.8 Governance costs are £17k below budget.

- 6.9 The draft, unaudited results for APTL for the financial year ended 31st March 2011 will be presented to the company's Finance and Audit Committee on 16th May 2011 and reported to the Trust Board at a future meeting, once the audit is substantially complete.

7. Capital Budget 2011/12

- 7.1 The Council has approved the allocation of a capital grant of £500,000 for the 2011/12 year. A capital budget has been drawn up targeted towards the key risk areas, as identified by reports commissioned in 2010/11 on the condition of the building fabric and services. As previously reported, the key risks have been identified as;

- External building fabric (i.e. deteriorating masonry and glass)
- Underground structures conditions (including steelwork)

- Failure of fire alarm systems

7.2 An independent review of this work has been undertaken by Potter Raper. The results of their report endorse the priorities identified and conclude that:

- Urgent investment in the external building structure is required to mitigate the impact of weather damage;
- The current fire and evacuation system has reached the end of its working life. Investment in the fire alarm system is essential;
- The Theatre is in a poor condition and must remain a restricted area until adequate funding can be sourced;
- The internal fabric and building services do need investment to ensure business continuity. However, the report recognises there are insufficient monies available to address all the issues identified. It recommends a “Business Plan per Room” approach to evaluate the return on investment prior to any material funds being committed.

7.3 Taking into account the conclusions of this and previous reports, it is proposed to target the £500k capital monies as follows:

Priority area	Proposed Budget	Detail
External building structure	£130k	Budget to be targeted towards Priority 1 areas identified in inspection reports commissioned in 2010/11
Underground structures	£20k	Work has already commenced on addressing areas of defect and it is anticipated that £20k investment is required to complete this work in 2011/12
Fire alarm system	£300k	Stage one of the fire alarm system replacement project, to cover areas occupied by the public and staff.
Contingency	£50k	To be allocated by the Interim General Manager/Chief Executive in accordance with urgent priorities identified in the course of the year.
Total allocation	£500k	

7.4 Progress on capital and major revenue works is reviewed monthly at Facilities Meetings between senior managers of the Trust and APTL. The Board will also receive regular progress reports throughout the year.

8. Finance Working Group

8.1 At its meeting of 28th March 2011, the Board approved a revenue budget of £2,102,200 in accordance with the revenue allocation from the Council. However, the Board also agreed to establish a Finance Working Group to

identify potential savings and further income generating opportunities in both the Trust and Trading Company. The first meeting of this Working Group took place on 7th April 2011, at which the key priorities were identified, with a second meeting to review progress on 6th May 2011. A verbal update on the main outcomes will be given at the meeting.

9. Legal and Financial Comments

- 9.1 The Trust solicitor has no comment on this report
- 9.2 The LBH Acting Head of Legal Services has no comment on this report.
- 9.3 The London Borough of Haringey Chief Finance Officer notes the content of the report

10. Equalities Implications

- 10.1 There are no perceived equalities implications

11. Use of Appendices / Tables / Photographs

- 11.1 Appendix I – Draft, unaudited results for the year ended 31st March 2011

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Appendix 1

ALEXANDRA PALACE AND PARK CHARITABLE TRUST

ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 31ST MARCH 2011

	TOTAL TRUST FUNDS			UNRESTRICTED			Variance %
	Unrestricted	Restricted/ Designated	Total	Budget	Actuals	Variance	
	£	£	£	£	£	£	
Concessions/Leases	248,516	0	248,516	280,445	248,516	(31,929)	-11%
Community Events	32,554	0	32,554	58,745	32,554	(26,191)	-45%
Sundry Sales	4,354	0	4,354	100	4,354	4,254	0%
Service Charges	29,368	0	29,368	12,000	29,368	17,368	0%
Restricted grant income	0	520,958	520,958	0	0	0	0%
TOTAL INCOME	314,792	520,958	835,750	351,290	314,792	(36,498)	-10%
EXPENDITURE							
Salaries	343,115	0	343,115	350,100	343,115	6,985	2%
Contracted Services	987,229	0	987,229	1,033,139	987,229	45,910	4%
TOTAL PRIME COSTS	1,330,344	0	1,330,344	1,383,239	1,330,344	52,895	4%
Fixed overheads	314,303	0	314,303	323,075	314,303	8,772	3%
Variable overheads	1,036,935	53,309	1,090,244	1,098,176	1,036,935	61,241	6%
TRUST BEFORE GOVERNANCE COSTS	(2,366,790)	467,649	(1,899,141)	(2,453,200)	(2,366,790)	86,410	-4%
Governance costs	13,427	0	13,427	30,000	13,427	16,573	0%
TOTAL TRUST OPERATION	(2,380,217)	467,649	(1,912,568)	(2,483,200)	(2,380,217)	102,983	1%

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