

**MINUTES OF THE ALEXANDRA PALACE AND PARK BOARD  
THURSDAY, 19 MARCH 2009**

PRESENT:

**\* DENOTES ATTENDEES**

Councillors \*Egan (Chair), Dogus \*Hare, \*Peacock, Oakes, \*Stanton and \*Williams

Non-Voting Representatives: Ms V Paley, Mr M Tarpey, Mr N Willmott

Observer: Mr D Liebeck (substituted by Cllr Oatway (Vice-Chair APPA))

Also present:

Mr D. Loudfoot – General Manager Alexandra Palace  
Mr I Harris – Trust Solicitor  
Mr T Mitchison – Principal Legal Advisor – LB Haringey  
Mr B Mehmet – Finance Officer – LB Haringey  
Mr C Hart – Committee Manager – LB Haringey (Clerk to the Board)

**MINUTE  
NO.**

**SUBJECT/DECISION**

<b>APBO75.</b>	<p><b>APOLOGIES FOR ABSENCE</b></p> <p>Apologies for absence were received on behalf Councillors Dogus, and Oakes, Ms Paley, Mr Tarpey, and Mr Willmott, and also from Mr Liebeck for whom Councillor Oatway was substituting, and from Ms Parker – Director of Corporate Resources, LB Haringey for whom Mr Mehmet was attending for.</p> <p><b>NOTED</b></p>
<b>APBO76.</b>	<p><b>URGENT BUSINESS</b></p> <p>The Clerk to the Board advised the meeting that whilst there were not items of urgent business there was a TABLED revised Item 4 – Budget and Business Plan and that the General Manager Alexandra Palace would comment on this revised report when introducing Item 4.</p> <p><b>NOTED</b></p>
<b>APBO77.</b>	<p><b>DECLARATIONS OF INTERESTS</b></p> <p>There were no declarations of interest.</p> <p><b>NOTED</b></p>
<b>APBO78.</b>	<p><b>BUDGET AND BUSINESS PLAN 2009 - 2010</b></p> <p>The Chair asked for an introduction of the report.</p>

**MINUTES OF THE ALEXANDRA PALACE AND PARK BOARD  
THURSDAY, 19 MARCH 2009**

In a succinct introduction the General Manager – Mr Loudfoot advised the Board that the report that had been circulated with the agenda was actually an earlier draft and was therefore an incorrect version. The correct report was now TABLED for the Board's consideration. Mr Loudfoot apologised to the Board for this error which was solely his own. The error had been rectified in terms of the web copy of the agenda.

Mr Loudfoot then took the Board through the TABLED report and advised that the report recommended that the Board formally request financial support of £2.0m from LB Haringey Council. Mr Loudfoot briefly outlined the capital requirement of £300k for 2009/10 and the requirement to make a formal request to the LB Haringey for this funding. The depreciation amount that would generate would already be included in the overall revenue budget. The budgeted out-turn, was £2,003,965. The trust's funds had continued to be in deficit and in consequence this amount of funding support would have to be requested from the council. Though the operating loss of £2.60m before the covenant was lower than the 2008/9 budget figure of £2.68m, the effect of the reduced available covenant was that the budgeted funding required from the council would rise to £2.0m for 2009/10.

The Chair asked if there were any points of clarification.

In response to clarification from Board Members with regard to capital support Mr Loudfoot advised that the LB Haringey had not agreed to the requested £210k of capital support in 2008/9 and only a very limited number of essential items were purchased. The requirements this year amounted to £300K, and that this funding was essential to the function of APTL in delivering the events programme. With reference to the Council's budget for support to the Board this had been agreed at £1.728m, and therefore if the trustees were to agree the budget they would need to notify the council of the additional support above that which the council had already agreed.

In respect of concerns expressed in terms of the future of the ice rink Mr Loudfoot outlined the current risk of failure of the ice rink plant due to its age and an associated risk of significant impact upon the budgeted gift aid from APTL if the ice rink was unavailable for any length of time. The Board were informed that officers of APTL and the Charity were examining the options and preparing contingency plans. Mr Loudfoot also advised that a feasibility study/business case for the replacement of the aged plant in the ice rink should be considered as the risk of failure of the ice rink plant would have a significant impact upon the out-turn due to lost income and that replacement of the plant would require in excess of £1.1m capital. It should also be noted that there was no indication at this point that the council would be willing to fund the works.

With reference to comments from the Board as to how the budget had been compiled Mr Loudfoot referred to the budget estimate attached at Appendix 1 of the report, and that the budget had been drawn up with full consideration of the current economic climate as well as the need to undertake various works to the building to prevent any further deterioration of the fabric and ensure the target gift aid payment from APTL could be delivered. In respect of considering the budget and as part of the budget process, the Board were required to consider the setting of the Licence fee to APTL, which could be reviewed if required, though

**MINUTES OF THE ALEXANDRA PALACE AND PARK BOARD  
THURSDAY, 19 MARCH 2009**

Mr Loudfoot advised that given the current economic climate a rise would not be advisable. The Board was being recommended to delegate authority to the General Manager to review and set the licence fee.

In seeking clarification as to why the Board were being asked to agree to the delegation, given the recent history of the licence arrangements Mr Mitchison – LB Haringey Legal adviser commented on the fact that 4 Board members were Directors of APTL and this therefore precluded them from considering matters directly relating to APTL therefore it was appropriate operationally to have authority delegated to the General Manager. In response to further points of clarification the Trust Solicitor – Mr Harris advised that the fee level was based in previous years on the professional opinion of valuers and adopted as an agreed fee based on that professional advice. The fee had been based on figures obtained in 1999, and increased once to allow for the usual rises etc but he was unsure as to whether a professional valuation had been sought since that date.

Mr Loudfoot explained that the trading company covenanted all its profits to the charity so that all things being equal, any change in the level of the fee would be reflected in the covenant.

In response to points of clarification in terms of budget planning for a 3 year period. Mr Loudfoot explained that until the trustees had determined a future strategy it was not possible to have prepared a three year plan as had originally been suggested. This plan was aligned with the timescales of the current APTL plan which was also for 1 year.

In response to questions relating to the budget provision for the future development Mr Loudfoot commented that in respect of the future of the asset, that if the development route were to be continued then additional funding would need to be provided, though this would be dependent upon the outcome of the trustees' deliberations which were currently ongoing. The budget currently only allowed for £30k for this, and the figure could only be considered sufficient for initial feasibility, and therefore any further work to be undertaken, e.g. a substantive marketing and consultation exercise, would require additional funding to be identified.

In terms of comments from Board Members in respect of any likely claim from the Firoka Group the Chair commented that at this stage no such claim had been received and that therefore it was speculation as to what if any that figure might be.

In highlighting the trust's income being derived from income from community events in the park, and concession income, including the licence fee from APTL, Lease income, Service charges for leased buildings, and the APTL gift aid payment (estimated at £600k), Mr Loudfoot advised that prime costs expenditure was limited to staffing costs for the management/governance of the charity; planned maintenance to the main building and security provision for both the building and the park. The total prime costs was £1.5m of which £918k was allocated for security and engineering maintenance contracts.

Mr Loudfoot advised that in terms of fixed and variable overheads, the fixed overheads total of £401k had within it NNDR for the Palace, general insurances

**MINUTES OF THE ALEXANDRA PALACE AND PARK BOARD  
THURSDAY, 19 MARCH 2009**

including public liability, audit fees, legal costs and central administrative charges which cover the committee secretariat for the servicing of five meetings each administrative cycle, postage and the use of the service by associated bodies. The variable overheads amounting to £1.02m reflected ongoing repairs to the building and equipment. Specific repairs and maintenance planned for the year total £376k. Mr Loudfoot also highlighted professional fees of £97k which covered on-going legal advice, consultant support and marketing as well as the financial and HR support provided by the trading company. The £142k of expenditure on park maintenance and cleaning had been included in order to maintain the benefits achieved via the HLF Project which was now completed, and resulted in the award of a Green Flag.

Mr Loudfoot further stated that the Charity's revenue budget included depreciation on existing assets of £101k and on new capital purchases of £56k for the year, being based on capital purchases of £300k during the course of the financial year. This budget had been set in consultation with the trading company and consisted of capital purchases which were essential to the delivery of the target gift aid payment for 2009/10. Mr Loudfoot referred to the most urgent needs – being the replacement of flooring for west hall; the industrial dishwasher; cleaning machines and equipment for halls; the expansion of IT capability to include events diary and remote access; Serveries and catering equipment refresh programme; A/V and wireless IT facilities in meeting rooms.

Mr Loudfoot advised that it would be necessary to formally seek approval from the local authority in respect of the capital budget, and officers from the LB Haringey had suggested this be supported by specific business case submission to the council. The Board should note that APTL's business plan upon which the covenant is based assumes the capital funding be provided and the covenant will be negatively affected without this expenditure.

In response to a request for further information relating to central administration costs and charges Mr Loudfoot undertook to write to all Board Members with a breakdown of such costs.

The Chair in drawing the discussions to a close thanked the Board for its contributions.

On a **MOTION** by the Chair it was:

**RESOLVED**

- i. That in respect of the Budget for 2009/2010 approval be given to the levels of expenditure as detailed in Appendix 1 attached to the report;
- ii. That authority be delegated to the General Manager Alexandra Palace to set the Alexandra Palace Trading Limited (APTL) licence fee for 2009/2010 subject to such professional advice as may be necessary.
- iii. That the London Borough of Haringey be formally requested to agree to provide the sum of £2.0m out of its corporate resources,

**MINUTES OF THE ALEXANDRA PALACE AND PARK BOARD  
THURSDAY, 19 MARCH 2009**

	<p>required to balance the revenue budget for 2009/10;</p> <p>iv. That the London Borough of Haringey be formally requested to provide £300k of capital funding for 2009/2010; and</p> <p>v. That the London Borough of Haringey be advised that once the Alexandra Palace and Park Board has formally decided upon its future direction in terms of a development project for the future of the asset, that should there be a requirement of additional revenue funding support in the 2009/2010 financial and beyond, then such funding will be formally sought from the LB Haringey for this purpose.</p>
<p><b>APBO79.</b></p>	<p><b>CHARITY INDEMNIFICATION OF LONDON BOROUGH OF HARINGEY</b></p> <p>The General Manager – Alexandra Palace – Mr Loudfoot advised the Board that report before it examined the position in relation to monies expended by the London Borough of Haringey out of its corporate assets on behalf of the Charity and shown in the Charity’s accounts as liabilities due to the Council but which have been written out of the Council’s accounts. It also examined the position as regards the Council continuing to fund the Charity’s ongoing annual deficits. It invites the Trustees’ guidance as to the approach they wish to be taken toward the Council.</p> <p>In terms of the background to the matter Mr Loudfoot gave a brief history since the Trusteeship of Alexandra Palace was transferred to the London Borough of Haringey (LBH) on the 1<sup>st</sup> January 1980. Following the Palace being devastated by a fire in the summer of 1980 and in the following rebuilding of the palace, costs overran and Charity funds were exhausted in 1987/88. The Council expended its corporate funds on providing capital for the refurbishment and also revenue support to meet the continuing annual revenue deficits of the trust.</p> <p>Mr Loudfoot further advised that during the early 1980’s the LB Haringey (LBH) tried to persuade the Attorney General that it had behaved reasonably and properly both as regards meeting capital expenditure and funding the annual ongoing revenue deficits. The position was eventually agreed that certain sums could be recovered from the assets of the Charity if and when its financial future was secured and parts of the historic and ongoing annual revenue deficits could similarly be recovered. The definitive position was set out in correspondence between LBH and the Attorney General in the period May 1996 to September 1996 and the public interest report of the District Auditor dated 1 September 1999. This was at a time when the Trustees proposed to grant a long lease from the capital proceeds of which they would repay monies to LBH. The LBH Council met on 30<sup>th</sup> May 1996 and agreed that <i>“without admitting that any part of the accumulated deficits were other than reasonably and properly incurred on behalf of the Charity, advise the AP&amp;P board that the Council will not pursue its claim for indemnification beyond the revenue deficits plus interest 1987/88 onwards”</i>. This effectively resolved the issue of the capital debt. The Council also decided that <i>“the Council agreed in principle to continue to funding, subject to its right to full indemnification, for annual deficits on APP&amp;P until the Palace becomes the responsibility of the preferred developer. In addition such funding is subject to the</i></p>

**MINUTES OF THE ALEXANDRA PALACE AND PARK BOARD  
THURSDAY, 19 MARCH 2009**

*Councils satisfaction as to the progress made on the development proposals.”*

Mr Loudfoot further reported that by September 1996 the agreed position between the Council and the Attorney General was that the Council would write off the capital debt as it was not recoverable from the Charity but would still seek recovery of the revenue debt for the operation of the Charity. The entitlement of the Council to seek recovery was subject to the future of the Charity being secured and it being in a position to make payment.

In advising that these matters were reported to the Board in the report of the trust solicitor in November 1996 (detailing the outlined and referenced background correspondence,) Mr Loudfoot advised that as the Board were aware the Charity produced a budget estimate each year for consideration and approval by the Board, all such budgets produced from the financial year 1991/92 and onwards had shown a deficit budget requirement. The accounts of the Charity had been independently audited, in accordance with the provision of the Charities Act 1993 and regulations thereunder, since 1997/98 financial year. The accounts from 1994/95 onwards showed a debt due by way of a provision for the years 1990-1991 and an indemnification to LBH in respect of 1991 onwards. This was in line with the advice from the correspondence with the treasury solicitor, and broken down as follows:-

- (a) provision for 1988/99-1990/91 £3,396,000.

This figure was comprised of £755,000 provided by LBH to the Charity and accumulated interest of £2,641,000

This was in respect of the operational deficits from 1988-1991 and was still in dispute.

The trust annual report indicated at note 18 on page 29 of the agreed Accounts for 2007/8 that the Council “may be entitled to this”.

- (b) provision for 1991/2-1994/5 £14,886,000

This figure was comprised of £5,005,000 provided by LBH for operational deficit and accumulated interest of £9,881,000

- (c) Indemnification for 1995/6 - 2007/8 £19,082,000

This figure was comprised of £14,228,000 provided by LBH for operational deficits and accumulated interest (up to 31/3/2005) of £4,854,000.

The Treasury Solicitor had agreed in correspondence that in respect of the indemnifications at b & c above that “the Council is entitled to this”

Mr Loudfoot further reported that from 2005/6 onwards the Council ceased to charge interest on this balance as it had been written out of the Council’s

**MINUTES OF THE ALEXANDRA PALACE AND PARK BOARD  
THURSDAY, 19 MARCH 2009**

accounts. At the Trustees meeting on 6 January 2009 the Trustees requested that a paper be submitted on the subject of the 'debt' and setting out the Trustees' options. The current position in the statutory accounts was that the provision was shown as a liability to the Council.

In the 2007/8 accounts, the total liability was £37,363,918. It was clear that the treatment of this item had been agreed by the Attorney General, district auditor and the Charity's auditors. It was equally clear that unless the Council formally discharged the debt the Trustees must continue to show this as a liability in their accounts.

Mr Loudfoot further advised that during discussions on 6 January 2009, in answer to questions relating to the 2007/8 accounts, he had stated that his understanding of the position of the Council was that "*it wrote the amount out of its books in 2005/6 and it no longer appears on its balance sheet, however, the Council has not formally discharged the debt and whilst there are no particular conditions surrounding any potential repayment, at present it would only be if circumstances allowed*".

In conclusion Mr Loudfoot advised that the options for the Trustees were that they may continue to accept the current treatment as this had been substantiated as correct or if they wished, to formally request that the Council release the Charity from any liability to indemnify the Council. It would be a matter for the Council, upon receipt of any request from the Trustees for release, to make its decision. Mr Loudfoot further concluded that the Trustees should note that if the Council were to agree to this discharge, it would need a further agreement to discharge any further annual deficit balance otherwise the trust would again begin to have a mounting deficit showing on the balance sheet.

The Board then had a wide ranging discussion in respect of the issues raised by the General Manager, and received responses to points of clarification from the General Manager, and Trust Solicitor. Arising from the discussions the main points were:

- That the outlined position in terms of the provision for 1988/99-1990/91 £3,396,000, and provision for 1991/2-1994/5 £14,886,000, Indemnification for 1995/6 - 2007/8 £19,082,000 was clear in terms of the course of action open to the Board in terms of asking the Council in terms of discharge;
- Particular concerns as to whether, given the fact that the position as regards to three periods was clear, the options for the Trustees were that they may continue to accept the current treatment as this had been substantiated as correct, as opposed to seeking the agreement of the Council in terms of discharge;
- That the debt issue had historically been referred to as 'so called debt issue' and therefore should be referred to as such as opposed to 'claim'
- Whether there was any merit in seeking the agreement of the LB Haringey to annually discharge any future accumulation of debt from the operating deficits of the Charity

The Chair sought an adjournment at 20.54hrs which was agreed nemine contradicente.

**MINUTES OF THE ALEXANDRA PALACE AND PARK BOARD  
THURSDAY, 19 MARCH 2009**

	<p>The Board adjourned at 20.54hrs and reconvened at 20.58hrs.</p> <p>On a MOTION by the Chair there being 4 for (Councillors Egan, Hare, Peacock, and Williams) and 1 against (Councillor Stanton) it was:</p> <p><b>RESOLVED</b></p> <ul style="list-style-type: none"><li>i. That in respect of discharging the trust from the debt relating to the periods 1988 – to 2007/08 that LB Haringey be requested, having already written the debt out of its books in 2005/06 though it was entitled to indemnification, to release the Charity from the indemnifications;</li><li>ii. That it <b>be not agreed</b> to request the LB Haringey to discharge annually any future accumulation of debt from the operating deficits of the Charity.</li></ul> <p>There being no further business to discuss the meeting ended at 21:00hrs.</p>
--	---

COUNCILLOR PAT EGAN  
Chair