

Report Title: FINANCE UPDATE

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

1. Purpose

- 1.1 To advise the Board of the results for the five month period to 31st August 2009 and the forecast outturn for the 2009/10 financial year
- 1.2 To seek Board approval to add the Interim General Manager to the list of authorised bank signatories for the Trust
- 1.3 To update the Board on the position with regard to potential future pension liabilities relating to subcontracted security staff
- 1.4 To update the Board on progress with the tender of external audit services for the Trust and Trading company

2. Recommendations

- 2.1 The Board is asked to note the results for the five month period to 31st August 2009 and the forecast outturn for the 2009/10 financial year
- 2.2 The Board is asked to approve the addition of the Interim General Manager to the list of authorised signatories on the Trust bank mandate
- 2.3 The Board is asked to note the position with regard to potential future pension liabilities relating to subcontracted security staff
- 2.4 The Board is asked to note progress on the external audit tender.

Report Authorised by: Helen Downie, Head of Finance... *H. Downie*.....

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3. Executive Summary

- 3.1 The results for the five month period ended 31st August 2009 are tabulated against budget at Appendix 1.
- 3.2 Income is £9k above budget and expenditure is £25k above budget, giving a net adverse variance against budget of £17k. The key variances are explained below.
- 3.3 The reforecast for the year is given at Appendix 2. The Trust net deficit for the year is

currently projected to be £168k higher than the budget approved by the Trustees at their meeting of 30th June 2009. The reasons for the increase are explained below. LB Haringey has already been informed of the likely additional deficit funding requirement.

3.4 The Board is asked to approve the addition of the Interim General Manager to the bank mandate of the Trust.

3.5 At their meeting of 30th June 2009, the Board asked the General Manager to confirm the current arrangements with regard to potential pension liabilities in relation to security staff transferred to Europa under TUPE. The Head of Finance has consulted Haringey Council Legal Services and Pensions Teams and the advice received is set out below. The Trust is taking the following action to minimise the deficit:

- Reducing the use of external consultants where possible
- Restricting repairs and maintenance expenditure to items which are necessary either to support the trading company or ensure compliance

3.6 The tender for external audit services is currently underway and will form part of the agenda of a future Board 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. Results for the period ended 31st August 2009

6.1 The results for the period ended 31st August 2009 are shown in Appendix 1. Overall, income is £9k above budget and expenditure is £26k above budget, giving a net adverse variance against budget of £17k. Explanations for the key variances are given below.

6.2 Income is £9k above budget due to the receipt of £16k of restricted income which was not budgeted for, offset by a £9k shortfall in concessions/lease income. £13k of the restricted income relates to a grant from the Environment Agency for the improvement of habitats around the boating lake and £3k is for restoration of the organ. Lease income is £4k below budget due to the delay in signing the Workshop lease and Concession income is £5k below budget due to the timing of invoices to concession holders.

6.3 Prime costs are £23k or 3% over budget for the year to date. Salaries are £33k above budget due to higher management costs and increased staff costs during the secondment period. Contracted services are £10k below budget, mainly in

the area of park security, although this is a timing issue and we do not expect this category to be underspent by year end.

Fixed overheads are £4k above budget overall. Within this category, there is a £17k overspend in legal fees. Central admin charges are underspent by £10k.

Variable overheads are £11k above budget overall. There are a number of over and under spends in this category as follows;

Category	Year to Date (Over)/Underspend	Explanation
Repairs building	£13k	Timing issue – the timing of expenditure has been reprofiled in the forecast
Repairs equipment	(£42k)	Exceptional cost of £13k to repair ice rink equipment, the overspend otherwise reflects the increasingly dilapidated state of equipment
Professional fees	£7k	Savings made by reducing use of external consultants
Depreciation	£4k	Underspent as the budget was calculated on a prudent basis, assuming capital expenditure would be made earlier in the year
Printing	£9k	Credit note received for previous years' printing costs
Other	(£2k)	Small over/under spends
Total overspend	(£11k)	

6.7 The Development cost budget is underspent by £12.5k but this is also due to timing. This budget is expected to be fully spent on the governance project by year end.

7. Forecast outturn for the financial year

7.1 Income and expenditure have been reforecast on a line by line basis, in consultation with individual budget holders. The savings identified in the budget review are being delivered.

7.2 The overall forecast is for a net overspend of £168k on budget. Income is forecast to be £9k higher than budget, which reflects the current YTD position. No other significant variances from the income budget are anticipated.

7.3 Salaries are forecast to be £114k above budget by year end. However, £34k relates to the Trust's contribution to admin salaries, which was previously included in the professional fees budget line (see 7.6). The actual forecast overspend is therefore £80k. The key reasons for this are as follows:

- Higher than budgeted management costs;

- The fact that two of the six permanent posts are being covered by agency staff;
- One permanent member of staff is currently on long term sickness absence and additional staffing costs have been incurred to cover his role;
- There has been a requirement for additional expertise on the Facilities Management side to oversee the preparation of capital bids, introduce key controls and monitoring arrangements and head up the procurement team for the new Facilities Management contract.

- 7.4 Contracted services are forecast to be broadly on budget for the year. The budget approved by the Board on 30th June 2009 includes savings of £15k in park security when compared with the original version of the budget. These savings are being delivered.
- 7.5 Fixed overheads are forecast to be £4k overspent by year end, which reflects the year to date position. Fixed overheads include savings of £30k in central admin charges and £3k in insurance when compared with the original budget, which are being delivered.
- 7.6 Variable overheads are forecast to be £52k overspent by year end. This comprises an £86k overspend on repairs and maintenance, offset by a £34k reduction in the professional fees budget line (see 7.3). The forecast overspend relates to number of areas of critical maintenance which have been identified by the Interim Facilities Manager as essential to keep the building compliant and prevent further deterioration.
- The agreed budget savings of £25k on park maintenance and £5k on professional fees are being delivered.
- 7.7 Development costs are forecast to be £5k above budget; this represents the Trust's contribution to the governance and branding work.
- 7.8 The forecast gift aid payment from Alexandra Palace Trading Limited remains unchanged at £600k. However, the Trustees should be aware that this is a very challenging target in the current business environment and therefore represents a significant risk within the Trust budget. The Trading company's performance is monitored by the APTL Board and Senior Management Team on a monthly basis and the Managing Director liaises closely with the Interim General Manager of the Trust to highlight areas of concern.

8. Additional bank signatory for the period of the secondment agreement

- 8.1 All current bank signatories for the Trust are Trustees, which can lead to unavoidable delays in getting payments authorised as signatories are not on site. It is therefore proposed to add the Interim General Manager to the bank mandate with immediate effect.

- 8.2 The Trustees are reminded that under the current mandate, two signatures are required for all payments above £5,000. This is designed to minimise the risk associated with lack of segregation of duties.

9. Update on potential future pension liabilities

- 9.1 The budget for the 2009/10 financial year includes a £202,000 cessation payment to Mitie to cover the shortfall in their contributions to the LB Haringey defined benefit pension scheme at the point at which their contract with the Trust expired and they left the scheme. Following discussion on this point at the Board meeting of 30th June 2009, the trustees asked the General Manager to confirm the arrangements under the new contract with Europa.
- 9.2 LB Haringey Legal Services Team has confirmed that Europa is contractually required to make the monthly pension contributions in respect of the employee transferred to them under TUPE. Beyond that, Europa is not liable and is entitled under the contract to pass on any additional pension costs liability to APPCT.
- 9.3 Therefore, should Europa become liable for any shortfall in contributions at the point of exiting the scheme, the Trust would have to meet this liability. However, the Trustees should bear in mind that the liability relates to one employee only.

10. External audit tender

- 10.1 The tender process for the provision of external audit services to the Trust and Trading Company is currently underway and will form part of the agenda for a future Board meeting.

11. Consultation

- 11.1 N/A

12. Legal and Financial Comments

- 12.1 The Trust's Solicitor has been sent a copy of this report.

The LBH CFO has been sent a copy of this report and his comments are as follows:

'The net forecast overspend of £168k is noted. The delivery of budgeted savings is welcomed and any further cost reduction proposals to reduce the overspend would be welcomed.'

13. Equalities Implications

- 13.1 There are no perceived equalities implications in this report.

14. Use of Appendices / Tables / Photographs

- 14.1 Appendix 1 – Actual versus budget for the period ended 31st August 2009
14.2 Appendix 2 – Forecast outturn for the 2009/10 financial year

APPENDIX 1

ALEXANDRA PALACE AND PARK CHARITABLE TRUST

ACTUAL VERSUS BUDGET FOR THE PERIOD ENDED 31ST AUGUST 2009

	Budget To Date	Actuals To Date	Variance To Date	Variance % To Date	Annual Budget
Concessions/Leases	124,021	114,711	(9,310)	-8%	297,650
Community Events	25,792	29,595	3,803	15%	50,000
Sundry Sales	2,083	263	(1,820)	-87%	5,000
Service Charges	0	0	0	0%	12,000
Restricted income	0	16,260	16,260	100%	0
TOTAL INCOME	151,896	160,829	8,933	6%	364,650
EXPENDITURE					
Salaries	137,867	171,288	(33,421)	-24%	294,145
Contracted Services	664,751	654,532	10,219	2%	1,252,000
TOTAL PRIME COSTS	802,618	825,820	(23,202)	-3%	1,546,145
Fixed overheads	153,334	157,349	(4,015)	-3%	368,000
Variable overheads	306,748	317,599	(10,851)	-4%	987,515
TRUST BEFORE DEVELOPMENT COSTS	(1,110,804)	(1,139,939)	(29,135)	1%	(2,537,010)
Development costs	12,500	0	12,500	100%	30,000
TOTAL TRUST OPERATION	(1,123,304)	(1,139,939)	(16,635)	1%	(2,567,010)
Gift aid payment from APTL	0	0	0	0%	600,000
TRUST NET DEFICIT	(1,123,304)	(1,139,939)	(16,635)	1%	(1,967,010)

APPENDIX 2

ALEXANDRA PARK AND PALACE CHARITABLE TRUST

FORECAST OUTTURN FOR THE 2009/10 FINANCIAL YEAR

	Actuals	Forecast Sept-Mar	Forecast Total	Annual Budget	Variance	Variance %
Concessions/Leases	114,711	173,629	288,340	297,650	(9,310)	-3%
Community Events	29,595	24,208	53,803	50,000	3,803	8%
Sundry Sales	263	2,917	3,180	5,000	(1,820)	-36%
Service Charges	0	12,000	12,000	12,000	0	0%
Restricted income	16,260	0	16,260	0	16,260	100%
TOTAL INCOME	160,829	212,754	373,583	364,650	8,933	2%
EXPENDITURE						
Salaries	171,288	237,356	408,644	294,145	(114,499)	-39%
Contracted Services	654,532	598,178	1,252,710	1,252,000	(710)	0%
TOTAL PRIME COSTS	825,820	835,534	1,661,354	1,546,145	(115,209)	-7%
Fixed overheads	157,349	214,667	372,016	368,000	(4,016)	-1%
Variable overheads	317,599	722,402	1,040,001	987,515	(52,486)	-5%
TRUST BEFORE DEVELOPMENT COSTS	(1,139,939)	(1,559,849)	(2,699,788)	(2,537,010)	(162,778)	6%
Development costs	0	35,000	35,000	30,000	(5,000)	-17%
TOTAL TRUST OPERATION	(1,139,939)	(1,594,849)	(2,734,788)	(2,567,010)	(167,778)	7%
Gift aid payment from APTL	0	600,000	600,000	600,000	0	0%
TRUST NET DEFICIT	(1,139,939)	(994,849)	(2,134,788)	(1,967,010)	(167,778)	9%