

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 eight month period to 30th November 2009 and the forecast outturn for the 2009/10 financial year.

2. Recommendations

2.1 The Board is asked to note the results for the eight month period to 30th November 2009 and the forecast outturn for the 2009/10 financial year

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 results for the eight month period ended 30th November 2009 are tabulated against budget at Appendix 1.

3.2 Income is £20k above budget and expenditure is £121k above budget, giving a net adverse variance against budget of £101k. 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 £358k 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 £123k of the additional funding requirement is due to a reduction in the forecast gift aid payment from the trading company. The trading company is actively pursuing all revenue generating opportunities and restricting discretionary expenditure to items which are necessary to support income generation in order to maximise the gift aid payment for the year.

3.5 The Trust is also taking the following action to minimise the overall 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

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 30th November 2009

6.1 The results for the period ended 30th November 2009 are shown in Appendix 1. Overall, income is £20k above budget and expenditure is £121k above budget, giving a net adverse variance against budget of £101k. Explanations for the key variances are given below.

6.2 Income is £20k above budget due to the receipt of £16k of restricted income which was not budgeted for and community events income being £11k above budget. The latter includes public donations for the fireworks, which were £6k above budget. Concession/lease income is £5k below budget due to the delay in signing the Workshop lease. This has now been signed and the leaseholder has commenced trading. Sundry sales are £3k below budget.

6.3 Prime costs are £57k or 5% over budget for the year to date. Salaries are £68k above budget due to higher management costs and increased staff costs during the secondment period. Contracted services are £11k below budget in the areas of park security and park maintenance, although the Parks Manager does not expect his budget to be underspent overall by year end.

Fixed overheads are £18.5k above budget due to a £33k overspend in legal costs offset by a £15k underspend in central admin charges. Legal fees include fees from LBH Legal Services Team as well as Howard Kennedy. The underspend in central admin charges is due to the timing of invoices and the forecast has been adjusted to reflect this.

Variable overheads are £45k 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/equipment	(£47k)	Due to essential repairs and maintenance expenditure, as previously reported
IT expenditure	(£11k)	Increase in ongoing IT support and maintenance charges
Community events	(£27k)	Partly due to timing of invoices for the fireworks, although this budget is expected to be overspent by approx £18k
Recruitment	(£21k)	Recruitment fees for APTL non-executive Directors
Path and road repairs	£27k	Due to the timing of invoices – not expected to be underspent by year end
Depreciation	£19k	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	£6k	Smaller over/under spends
Total overspend	(£45k)	

6.7 Development (governance) costs are on budget for the year to date.

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 £358k on budget. Income is forecast to be £18k higher than budget, which broadly reflects the YTD position, although the budget for sundry income has been removed. No other significant variances from the income budget are anticipated.

7.3 Salaries are forecast to be £127k above budget by year end. 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 £5k underspent against budget for the year due to additional savings in park security. 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 £33k overspent by year end due to YTD overspends in legal fees. 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 £95k overspent by year end. This compares with a £86k forecast overspend in variable costs reported to the Board on 24th November 2009. The increase in the forecast is due primarily to additional provision for central admin charges, currently underspent, in the event that additional charges are received before the year end.

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 £2.5k 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 has now been reduced to £477k, as reported to the APTL Board. The Trustees have previously been informed that the original budget of £600k was seen as a very challenging target in the current business environment. The year end position is difficult to predict until after the World Darts Championships, which makes a significant contribution to the Trading Company's net profit for the year. However, £477k represents a realistic target taking into account year to date performance, contracted and pipeline bookings for remainder of 2009/10.

As previously reported, 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. Consultation

- 8.1 N/A

9. Legal and Financial Comments

- 9.1 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:

“I note the overall worsening of the position, including the new variation of an expected £123k shortfall in the forecast amount from APTL. I would continue to urge a refrain on non-essential and non-income generating expenditure where possible.”

10. Equalities Implications

10.1 There are no perceived equalities implications in this report.

11. Use of Appendices / Tables / Photographs

11.1 Appendix 1 – Actual versus budget for the period ended 30th November 2009

11.2 Appendix 2 – Forecast outturn for the 2009/10 financial year