Agenda item: 7

ALEXANDRA PALACE & PARK BOARD On 7th June 2010

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 2009/10 financial year

1.2 To obtain the Board's approval for a change to the Trust's accounting policy relating to the capitalisation of fixed assets

2. Recommendations

2.1 The Board is asked to note the draft unaudited result for the 2009/10 financial year

2.2 The Board is asked to approve the proposal to introduce a £500.00 de minimis limit on the capitalisation of fixed assets, such that any items purchased below this value are treated as revenue expenditure in the year of purchase.

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 results for the financial year ended 31st March 2010 are tabulated against budget at Appendix 1. All figures quoted below are subject to audit.

3.2 The Trust secured a number of restricted funding streams in 2009/10, the details of which are given at 6.1. Any unspent restricted funds will be carried forward to future periods.

3.3 Unrestricted income is £24.5k above budget and unrestricted expenditure is £183k above budget, giving a net adverse variance against budget, before gift aid, of £159k. The key variances are explained below.

3.4 The estimated gift aid payment from the trading company is £200k below budget at £400k. This figure is subject to any adjustments necessary for tax and audit purposes. The overall variance against the original budget is therefore £359k. This compares with a projected variance of £372k reported to the Board on 3rd March

2010.

3.5 With effect from FY 2010/11, the Board is asked to approve a change to the accounting policy for fixed assets to introduce a de minimis limit of £500 such that any items purchased below that value would be treated as revenue expenditure in the year of purchase.

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

4.1 N/A

5. Use of Appendices / Tables / Photographs

5.1 Appendix I – Actual versus budget for the year ended 31st March 2010

6. Local Government (Access to Information) Act 1985

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

6. Draft results for the financial year ended 31st March 2010

6.1 The draft results for the year ended 31st March are shown in Appendix 1, split between restricted and unrestricted funds. Restricted funds are funds secured for a specific purpose which may only be utilised for that purpose. During the year, the Trust secured £18k for work to the boating lake conservation area, £3k for maintenance work to the organ and £311k restricted capital funding from LB Haringey. Any unspent restricted funds are carried forward to future periods but can only be used for the specific purpose for which they were provided.

6.2 The deficit on unrestricted funds represents the Trust's funding requirement from LB Haringey. Unrestricted income is £24.5k above budget due to rent reviews on some of the Trust's leases and community events income being £19k above budget. The latter includes public donations for the fireworks, which were £6k above budget.

6.3 Prime costs are £84k or 5% over budget for the year. Salaries are £96k above budget due to higher management costs and increased staff costs during the secondment period. Contracted services are £12k below budget in park security (£3k underspent) and park maintenance (£9k underspent)

Fixed overheads are £27k above budget due to a £57k overspend in legal costs offset by a £22k underspend in central admin charges and an £8k underspend in audit fees. Legal fees include fees from LBH Legal Services Team as well as Howard Kennedy. Some central admin charges have been charged to professional fees although overall, the costs are much lower than budgeted. The underspend in audit fees has been achieved via the tender exercise during the year.

Variable overheads are £72k 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	(£38k)	Due to essential repairs and maintenance expenditure; the final overspend is significantly lower than previously forecast (£100k)
IT expenditure	(£15k)	Ongoing IT support and maintenance charges
Community events	(£48k)	The original £100k budget was insufficient to ensure public safety at the event.
Recruitment	(£22k)	Recruitment fees for APTL non-executive Directors
Professional fees	(£32k)	Additional costs relating to the governance project and pump priming work on the ice rink project
Depreciation	£53k	Underspent as the budget assumed depreciation on new assets purchased in the year. Depreciation on the £311k capital purchases on 2009/10 is now charged to the relevant restricted fund.
Printing	£7k	Due to a large credit note received in the year
Internal audit	£5k	Commenced April 2010
Other	£18k	Other net under/overspends
Total overspend	**(£72k)**	

6.4 Development (governance) costs are on budget.

6.5 The anticipated gift aid payment from the trading company is £200k below budget and £50k below forecast. The company faced an extremely difficult trading environment in 2009/10 as both the events and leisure industries were hit hard by the recession. Two major bookings were lost as a direct result of economic climate, with an estimated combined loss to bottom line profit of £112k. Due to the reduction in household spending, increasing footfall and spend per head in the pub and the ice rink was particularly challenging.

6.6 In addition, the coldest winter on record for 30 years had a significant impact on energy consumption due to the nature of the building which is particularly difficult to heat. Most of the utility costs for the site are recharged to the trading company whose utility costs were £44k above forecast for the year.

6.7 The final gift aid payment may change as a result of audit and tax adjustments. Our audit fieldwork commences on 7th June 2010 for two weeks. Following completion of the audit, a draft of the consolidated statutory accounts will be sent to trustees for review and comment prior to their approval in October.

7. Capital expenditure policy

7.1 The trust currently capitalises all items which fall within the statutory definition of a fixed asset, regardless of their value. The items are added to the fixed asset register and depreciated monthly over four or ten years, depending on the nature of the asset. This creates unnecessary work for the Finance team as depreciation is being calculated monthly on items with a value of as little as £50.

7.2 Most organisations have a threshold below which items are treated as revenue expenditure in the year of purchase. For an organisation of the Trust's size, a threshold of £500 is deemed appropriate.

7.3 The impact of introducing the threshold will be to marginally increase equipment expenditure in 2010/11. Existing budgets should be sufficient to cover this. There will be no impact on the £500k capital works budget for 2010/11. The change will take effect from 1st April 2010; there will be no requirement to effect a prior period adjustment in the accounts.

7.4 The Trust team will continue to log and tag individual assets with a value over £200, ensuring that these items can be properly tracked and monitored even if they do not appear on the fixed asset register.

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 and his comments are incorporated.

9.2 The LBH Solicitor has been sent a copy of this report

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

The report is noted along with the final deficit position of the Trust. The budget within the accounts of Haringey Council was £1,728k, therefore the final deficit position represents a £598k overspend on the Council's budget.

The 2010/11 Council budget was increased in order to reflect the true deficit position of the Trust and the Trust should ensure that all measures are taken to stay within budget for 2010/11.

The change in accounting policy in relation to capital expenditure is noted and I can confirm that this policy is in line with standard accounting practice and with the Council's accounting policies.

10. Equalities Implications

10.1 There are no perceived equalities implications in this report.

11. Appendices

11.1 Appendix One – Draft Summary of Accounts for the year ended 31st March 2010.