

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 2010 and the forecast outturn for the 2010/11 financial year
- 1.2 To update the Board on the capital and revenue growth bids submitted to the Council for 2011/12.

2. Recommendations

- 2.1 The Board is asked to note the results for the five month period to 31st August 2010 and the forecast outturn for the 2010/11 financial year
- 2.2 The Board is asked to note the position on the capital and revenue bids

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



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3. Executive Summary

- 3.1 The results for the five month period ended 31st August 2010 are tabulated against budget at Appendix 1.
- 3.2 Unrestricted income is £10.5k above budget and unrestricted expenditure is £77k below budget, giving a net positive variance against budget of £87k. The key variances are explained below.
- 3.3 The reforecast for the year is given at Appendix 2. The Trust unrestricted deficit for the year is currently projected to be £49k lower than budget, before the reforecast position of APTL is taken into account. The latter is covered in an exempt appendix to this report.
- 3.4 Appendix 3 provides an update on the capital and revenue bids the Trust has made to the Council.

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 2010

- 6.1 The results for the period ended 31st August 2010 are shown in Appendix 1. The restricted/designated element of the Trust's budget relates to capital grants from LB Haringey. £300k was secured in 2009/10 for targeted capital purchases to support the operations of the trading company, with £500k secured in 2010/11 for key building dilapidations work. The variable overhead expenditure in this column represents depreciation against those capital purchases.
- 6.2 Unrestricted income is £10.5k above budget and unrestricted expenditure is £77k below budget, giving a net positive variance against budget of £87k. Explanations for the key variances are given below.
- 6.3 Unrestricted income is £10.5k above budget due to leaseholder invoices for recharged electricity, part of which relates to usage during the previous financial year.
- 6.4 Prime costs are on budget for the year to date. Salaries are £5k underspent due to the delay in appointing a Facilities Manager. Contracted services are £6k over budget due to an RPI increase applied retrospectively to the Parks contract; the Parks Manager is covering this increase from elsewhere in his budget.
- 6.5 Fixed overheads are slightly under budget due to lower central administration charges from LB of Haringey. Variable overheads are £65k below budget, primarily due to underspends in repairs and maintenance (£57k). This is largely due to the timing of remedial and capital works and the forecast has been revised to reflect this.
- 6.6 Governance costs are £13k below budget, although this budget line is expected to be full spent 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.
- 7.2 The overall forecast is for a net underspend of £49k on budget. This is primarily due to the cancellation of the fireworks, which has resulted in a net saving in the Trust's accounts of circa £60k. The impact of this decision on the trading company's gift aid projections is covered in the exempt appendix to this report.

- 7.3 Income is forecast to be £25k below budget due to the removal of £29.5k income from the fireworks and £6k concession income from ice cream vans in the park. The latter is now managed by APTL and a significantly higher annual licence fee has been secured. These two adjustments are offset by the £10.5k positive variance for the year to date.
- 7.4 Salaries are forecast to be £14k below budget due to the ongoing delay in appointing a Facilities Manager. Following two unsuccessful recruitment drives, other options are now being explored to fill this gap in the Trust team.
- 7.5 Contracted costs are forecast to be £13k overspent, primarily due to an RPI increase applied to the Parks contract (£10k). This will be covered from elsewhere in the Parks budget.
- 7.6 Fixed overheads are forecast to be £5k underspent due to a reduction in the provision for central administration charges from LB Haringey.
- 7.7 Variable overheads are forecast to be £68k below budget, primarily due to the cancellation of the fireworks, which has reduced variable expenditure by £90k. This is offset by a projected £11k overspend on water charges due to a backdated bill currently in dispute, a projected £5k overspend on legal and professional fees reflecting year to date expenditure and a £6k additional provision for depreciation on the ice rink capital refurbishment.

The original budget assumed a small reduction in R&M and security costs once the new contract comes into affect. No further cost reductions are assumed in the forecast at this stage.

8. Risks

- 8.1 The forecast presented at Appendix 2 represents a prudent estimate of the Trust's anticipated deficit position for 2010/11, based on the information currently available. As with any forecast, it is subject to a number of risks, with the key risks identified as follows;
- Repairs and maintenance budgets may prove inadequate should the building, plant or equipment suffer a major failing
 - Utility budgets include the assumption of a 15% price increase from 1st October. At the time of writing, the gas and electricity prices for the new contract period are not yet fixed. The forecast also assumes usage levels that are similar to 2009/10
 - The road maintenance budget remains unchanged at £60k. Management are already aware of necessary street lighting works at a cost of circa £30k and depending upon the extent of winter road damage, this budget may be insufficient to cover the Trust's needs.
 - Overall, the forecast allows for little contingency to cover unforeseen expenditure.

9. Capital and Revenue bids 2011/12

- 9.1 The trustees will be aware of the impending cuts to public sector finances and the extremely difficult funding environment the Council will face over the next three years and beyond. The Council will be required to make difficult decisions over the coming weeks and months regarding where scarce resources are to be allocated.
- 9.2 In 2010/11, the trust was successful in obtaining a £243k uplift in its revenue budget allocation to reflect current operating levels, together with a capital grant of £500k to address key buildings dilapidations. The Council agreed a further £500k capital grant on an indicative basis for 2011/12, although the trust is required to submit a formal bid to obtain the funds. The draft capital bid to the Council is attached as Appendix 3 to this report.
- 9.3 With regard to the Trust's revenue budget allocation for 2011/12, a bid for £50k additional revenue funding, representing a 2.5% inflationary increase on the current year, is being prepared. The aim of this bid is to protect the Trust's revenue funding stream from any cuts in real terms. Any additional revenue bid would be likely to fail and could be prejudicial to the interest of the Trust in the current funding climate.

10. Legal and Financial Comments

- 10.1 The Trust's Solicitor has been sent a copy of this report and has no comment.

The Head of Legal Services for LBH has been sent a copy of this report and has no comment.

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

'The contents of the report are noted. The Board is encouraged to keep budgets under constant review in order to maximise the level of underspends and ensure that savings are maximised in the current financial year and in future years.'

11. Equalities Implications

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

12. Use of Appendices / Tables / Photographs

- 12.1 Appendix 1 – Actual versus budget for the period ended 31st August 2010
12.2 Appendix 2 – Forecast outturn for the 2010/11 financial year
12.3 Appendix 3 – Draft Capital bid for the 2011/12 financial year