

Report Title: **FINANCE UPDATE**

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

**1. Purpose**

- 1.1 To inform the Board of budget reductions implemented by the Interim General Manager in relation to 2010/11.
- 1.2 To advise the Board of the draft budget for the Trust for 2011/12 and of the process and timescale for completion.
- 1.3 To invite the Board to give a steer on budget priorities for 2011/12

**2. Recommendations**

- 2.1 The Board is asked to note the budget reductions already implemented by the Interim General Manager in relation to the current financial year.
- 2.2 The Board is asked to note the draft budget for the Trust for the 2011/12 and the process and timescale for completion.
- 2.3 The Board is asked to advise the Interim General Manager and Head of Finance of any specific priorities for revenue expenditure in 2011/12.

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 management accounts for November are not yet complete. The Interim General Manager has implemented the £50k budget reduction in buildings repairs and maintenance and £10k budget reduction in parks maintenance.
- 3.2 An inflationary bid of £50k has been submitted to LB Haringey in respect of the Trust's revenue budget allocation for 2011/12. The outcome of this bid will be known in March 2011.
- 3.3 The trading company's budget process is underway with a view to completion and sign off by the APTL Board on 2<sup>nd</sup> February 2011.

3.4 A draft revenue budget has been produced for the Trust for 2010/11. This currently shows an increased funding requirement of £129k on the previous year.

3.5 This report has been prepared at an early stage to enable the Board to give a steer on its funding priorities for 2010/11.

#### **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 year to date and reforecast**

6.1 At the time of writing, the management accounts for November are not yet complete. At the Board meeting of 30<sup>th</sup> November 2010, the trustees were informed that the net deficit position of the Trust, before taking into account the gift aid payment from the trading company, was forecast to be £40k below budget. This forecast underspend has been achieved through cancelling the annual fireworks display.

6.2 The trustees were also presented with a number of options for reducing Trust expenditure. The trustees had asked officers, at the Board meeting on 14 October, to try to find savings needed in light of the likely reduction in gift aid from the trading company. This reduced gift aid was going to increase the charity's likely deficit and in turn require an increase in the projected deficit funding requirement from LB Haringey. The trustees resolved that where possible, the overall deficit should be contained within the funding allocation from the Council and delegated to the Interim General Manager the authority to determine the areas in which expenditure is curtailed. Since the meeting, the Interim General Manager has implemented a £50k reduction in the repairs and maintenance budget and a £10k reduction in the parks variable budget. The £50k reduction in repairs and maintenance broadly reflects the underspend for the year to date, which has been achieved.

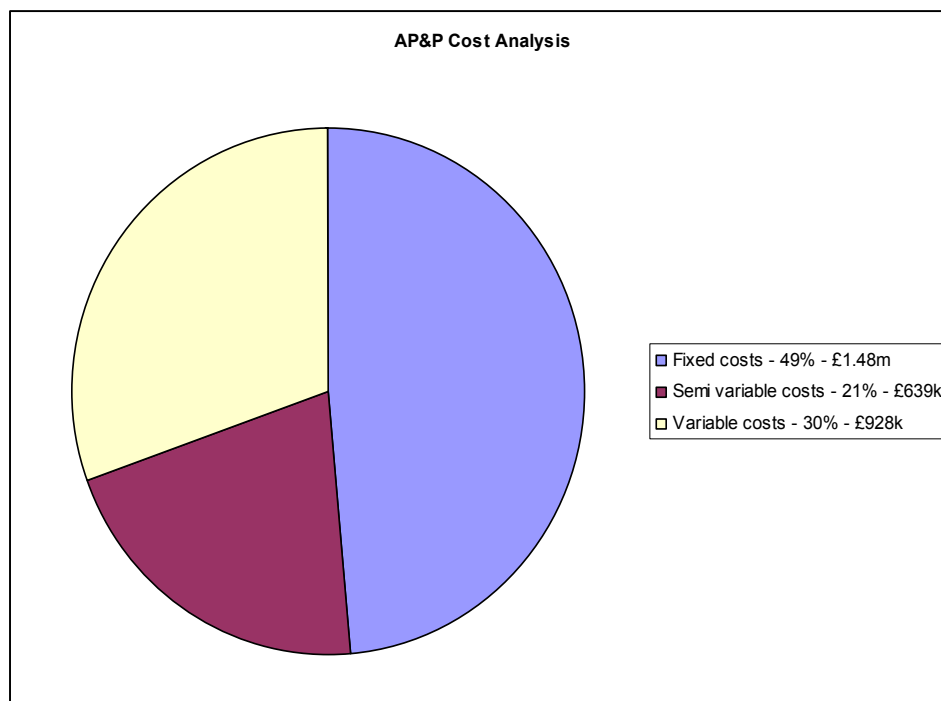
6.3 The Finance Update report in the exempt part of this meeting has more detail on the consolidated financial position of the Trust and Trading company.

### **7. Draft revenue budget for 2011/12**

7.1 The trustees were informed at their meeting of 14 October 2010 that a revenue bid of £50k has been submitted to the Council, reflecting an inflationary uplift to the revenue budget allocation for 2010/11. This would bring the Trust's revenue allocation to £2.038m. The Trust's funding allocation will be formally determined in March 2011. It is clear that following the Comprehensive Spending Review, the Council has to make significant savings in 2011/12 and beyond. With this in

mind, officers of the Council have asked officers of the Trust to identify options for reducing the net budget allocation to the Trust.

- 7.2 APTL is currently in the process of finalising its budget for 2010/11, which will be presented to its Finance and Audit Committee on 12<sup>th</sup> January 2011 prior to approval by the APTL Board on 2<sup>nd</sup> February 2011. This timeframe is designed to ensure that the projected gift aid payment is known prior to the Trust Board being asked to approve its budget on 15<sup>th</sup> February 2011.
- 7.3 A draft budget for the Trust has been prepared for 2011/12 based on the Trust's requirements rather than the likely availability of funding. An outline budget for 2011/12 is presented at Appendix 1. An inflation rate of 2.5% has been assumed with the exception of insurance and rates, which have been inflated at 3.5%.
- 7.4 The Trust's expenditure budget is relatively fixed, with a number of large fixed term contracts in place. There are three broad categories of costs as follows:
- Fixed costs – those which are contractual or statutory in nature and unavoidable in the short term
  - Semi-variable costs – those with a significant fixed element but some degree of flexibility in the medium to long term e.g. salaries, utilities
  - Variable costs – those which are not contractual in nature and can be reduced in the short term
- 7.5 The Trust's draft budget for 2011/12 can be analysed between the various categories as follows:



- 7.6 However, this analysis reflects only whether costs can be reduced in the short term; it does not reflect the potential impact of those cuts.

7.7 Of the variable element above, 87.5% or £811k is comprised of:

- Reactive repairs & maintenance £517k
- Park maintenance (including repairs to leased buildings, drains, etc.) £90k
- Maintenance of the private road Alexandra Palace Way £60k
- Fireworks display costs £144k

Expenditure in these areas clearly has a direct impact on APTL's ability to secure business and generate a profit from the site as well as a long term impact on the sustainability of the building and park.

7.8 The draft budget for 2011/12 assumes that the fireworks will be self-funded; sponsorship income of £73k has been included within the Trust's income budget to offset the net cost of the event. Failure to secure the necessary funding will therefore result in an additional call on the Trust's budget if the fireworks go ahead.

7.9 The draft budget for 2011/12 also includes £116k depreciation on the capital value of the ice rink refurbishment works. This is an estimate and discussions are being held with the Trust's auditors, Deloitte, regarding how depreciation will be accounted for. It is envisaged that the depreciation charges will be covered by increased profit from the updated facility being transferred to the Trust via gift aid.

7.10 The draft budget currently shows an increase in the Trust's net funding requirement of £129k when compared with the previous year. Depending on the amount of funding allocated by the Council, this shortfall will need to be met by budget cuts and/or an increase in the gift aid received from APTL.

## **8. Legal and Financial Comments**

8.1 The Trust solicitor's advice has been taken into account in the preparation of this report.

8.2 The LBH Head of Legal Services has no specific comment on this report.

8.3 The London Borough of Haringey Chief Finance Officer notes the contents of the report and directs trustees to paragraph 7.1 of this report which comments on the Council's funding constraints and pressures expected in 2011/12.

## **9. Equalities Implications**

9.1 There are no perceived equalities implications.

## **10. Use of Appendices / Tables / Photographs**

10.1 Appendix I – Draft Trust budget for the financial year ended 31<sup>st</sup> March 2012