

Agenda item: 5

ALEXANDRA PALACE & PARK BOARD

On 28th March 2011

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 ten month period to 31st January 2011 and the forecast outturn for the 2010/11 financial year
- 1.2 To obtain the Board's in principle approval of the revenue budget for the 2011/12 financial year.

2. Recommendations

- 2.1 The Board is asked to note the results for the ten month period to 31st January 2011 and the forecast outturn for the 2010/11 financial year;
- 2.2 The Board is asked to note the action being taken by the Trust to minimise the call on the Council's resources for 2010/11.
- 2.3 The Board is asked to approve the Trust's revenue budget for 2011/12 as set out in Appendix 3, subject to recommendation 2.4
- 2.4 The Board is asked to approve the setting up of a working group to identify savings across the Trust and Trading company.
- 2.5 The Board is asked to note that there will be no fireworks display in 2011

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



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3. Executive Summary

- 3.1 The results for the ten month period ended 31st January 2011 are given at Appendix 1. Unrestricted income is £14.7k below budget and unrestricted expenditure is £221k below budget, resulting in a net underspend of £206k against budget.
- 3.2 The Trust budget has been reforecast and a £93k underspend against the original budget is predicted. This is broadly consistent with the forecast presented at the meeting of 15th February 2011 and is analysed in more detail under 7.1.
- 3.3 The Trust has been informed that the Council has approved a budget of £2,102,200 in revenue funding for the 2011/12 financial year but indicated its desire for significant savings to be made against this budget. A revenue budget for 2011/12, based on the £2,102,200 allocation, is shown at Appendix 3 and section 8.1 to this report sets out the key assumptions used. The trustees are asked to approve this budget in principle and agree to the establishment of a working group to identify where savings can be made across the Trust and Trading company. Further information is given in the exempt report to this meeting.
- 3.4 The Trust budget assumes a gift aid payment from the trading company of £562k. The APTL Board has set a more challenging target; however, given the difficult trading environment and volatility of energy prices, the Trust budget assumes a certain level of contingency against this target. Further information is given in the exempt report to this meeting.
- 3.5 The Council has also approved a further £500,000 in capital funding. Capital expenditure priorities will be agreed in line with the independent infrastructure assessment currently being carried out and following consultation with APTL. A detailed budget will be presented to the Board at its meeting of 9th May 2011.

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 January 2011

- 6.1 The results for the period ended 31st January 2011 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, together with a small amount of expenditure against the Organ Appeal fund.

- 6.2 Unrestricted income is £14.7k below budget and unrestricted expenditure is £221k below budget, giving a net positive variance against budget of £206k. Explanations for the key variances are given below.
- 6.3 Unrestricted income is £14.7k below budget due to the cancellation of the fireworks (£29k impact) offset by leaseholder invoices for recharged electricity, part of which relates to usage during the previous financial year.
- 6.4 Salaries are £7k below budget primarily due to the difficulties in recruiting a permanent Facilities Manager, resulting in a corresponding overspend in professional fees. This post has now been filled.
- 6.5 Contracted services are £29k underspent. This comprises a £7k overspend in Parks offset by a £36k underspend in buildings security and maintenance. The former is due to an RPI increase applied retrospectively to the Parks contract; the Parks Manager is covering this increase from his variable parks budget and is still on target to deliver the agreed £10k saving overall. The latter is due to the new IFM contract, which has a lower ratio of fixed to variable costs. The overall underspend on security, repairs and maintenance for the year to date (fixed + variable costs) is £66k. This reduces to a £50k projected underspend by year end, being the agreed saving for the year.
- 6.6 Fixed overheads are £11k under budget due to lower than budgeted insurance and central admin costs. Variable overheads are £157k below budget, with the key variances summarised as follows:

| Category | Year to Date (Over)/Underspend | Explanation |
|-------------------------|---------------------------------------|---|
| Repairs and maintenance | £30k | Timing of essential repairs and maintenance |
| Legal fees | (£29k) | Identified as risk in budget; includes both general legal advice from Howard Kennedy and recharges from LBH for contract advice |
| Water rates | (£18k) | Backdated bill in dispute with Thames Water |
| Community Events | £95k | Fireworks cancellation |
| Depreciation | £30k | Depreciation of assets purchased with the £300k and £500k capital grants is treated as a cost against the designated capital fund. This underspend will be partly offset by depreciation on the ice rink refurbishment in February and March. |
| Road repairs | £49k | Timing of essential repairs and maintenance |
| Total underspend | £157k | |

6.7 Governance costs are £13k below budget for the year to date with a further £3k expenditure anticipated this financial year.

7. Forecast outturn for the financial year

7.1 Income and expenditure have been reforecast on a line by line basis, in consultation with budget holders. The Trust is now forecasting a net £93k underspend against the original budget. This position is relatively unchanged since the last Board meeting and can be analysed as follows:

| Category | Projected (Over)/Underspend | Explanation |
|-------------------------|-----------------------------|---|
| Income | (£24k) | Fireworks cancellation |
| Salaries | £10k | Recruitment delays, admin savings |
| Contracted services | £48k | £56k underspend in R&M offset by £8k overspend in parks. New IFM contract allows greater flexibility, shifting reactive and non-cyclical works from fixed to variable cost. The Trust is still on target to deliver a £50k saving in R&M overall |
| Fixed overheads | £13k | Insurance and central admin |
| Variable overheads | £33k | Fireworks cancellation (£95k) offset by above overspends in legal fees (£29k) and water rates (£18k), together with a £6k planned overspend on R&M offsetting the underspend in fixed costs. There is also a planned £7.5k overspend in IT costs reflecting urgent work arising from the IT review. |
| Governance | £13k | Further work in this area will be carried out in the new financial year. |
| Total underspend | £93k | |

7.2 All budgets are being kept under close review and expenditure is being tightly controlled across the Trust.

8. Trust Revenue Budget 2011/12

8.1 Officers have been informed that the Council has allocated the Trust a revenue budget of £2,102,200 for the 2011/12 financial year. However, the Council has also indicated its desire for significant savings to be made against this budget allocation.

8.2 It is therefore proposed to establish a working group to identify where savings can be achieved across the Trust and Trading Company. At this stage, the trustees are being asked to approve, in principle, a budget which reflects the £2,102,000 allocation. The Working Group will report back to Board outlining proposed savings and opportunities for generating additional income.

- 8.3 The proposed revenue budget for 2011/12 is given at Appendix 3. The key assumptions contained within the budget are as follows:
- Given the current economic climate, it is extremely unlikely that sponsorship will be secured to fully cover the cost of the fireworks display in 2011. It has therefore been assumed that the fireworks will not take place. No new sources of income have been assumed.
 - The total budget for buildings security and maintenance is £1.128m. An increase of 5.1% has been assumed based on the RPI for January 2011. The budget also contains a contingency of £35k.
 - The salaries budget assumes a Chief Executive replaces the existing General Manager post from 1st June. The Trust staffing structure is otherwise unchanged
 - The parks budget remains unchanged, other than applying an RPI increase to the fixed contract for grounds maintenance. £19k has been transferred from variable to fixed costs, reflecting a focus on planned maintenance which will provide better value for money. This is subject to a separate report to this meeting.
 - The ice rink refurbishment is being depreciated over 12 years, to match the loan repayment term. Over a twelve year period, the depreciation and loan interest will be covered by increased gift aid income generated by the refurbished facility
 - A £70k budget has been included for governance/regeneration work. This will be insufficient for the regeneration project and other funding will need to be secured
 - For the purposes of the Trust budget, a gift aid payment from the trading company of £562k has been assumed. The APTL Board has set a more challenging target for the APTL senior management team to achieve. However, given the difficult trading environment and the volatility of energy prices, the Trust budget assumes a certain level of contingency against this target.

10. Legal and Financial Comments

- 10.1 The Trust solicitor has no specific comment on this report
- 10.2 The LBH Head of Legal Services has no specific comment on this report
- 10.3 The London Borough of Haringey Chief Finance Officer notes the contents of the report and asks that the Board continue to examine expenditure during the rest of the financial year in order to ensure the current projected overspend is reduced as much as possible.

The CFO confirms that the budget allocation within the Council's accounts for 2011/12 is £2,102k but would ask the Board to further examine the income and expenditure of both the Trust and the trading company in order to reduce this deficit provision further.

11. Equalities Implications

11.1 There are no perceived equalities implications

12. Use of Appendices / Tables / Photographs

12.1 Appendix I – Actual versus budget for the period ended 31st January 2011

12.2 Appendix 2 – Forecast outturn for the 2010/11 financial year

12.3 Appendix 3 – Trust Revenue Budget for the 2011/12 financial year