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| HIGH LIFE HIGHLAND REPORT TO BOARD OF DIRECTORS4 September 2018 | AGENDA ITEM REPORT No HLH /18 |

## **FINANCE REPORT - Report by Chief Executive**

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| **Summary**This report provides Directors with an update on the financial performance of High Life Highland for the first quarter of the financial year 2018/19. It is recommended that Directors note:1. the results for the first quarter report a positive variance of £71,446 as detailed in **Appendix A**;
2. the projected final out-turn for the year remains on target to the approved budget;
3. the award of contract to Achins Bookshop as detailed in **paragraph 4** of this report;
4. there has been no breach of internal controls to report for the quarter; and
5. the charity remains Teckal compliant.
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| **1.** | **Business Plan Contribution** |
| 1.1 | This report supports the highlighted Business Outcomes from the High Life Highland (HLH) Business Plan:1. **To advance sustainable growth and financial sustainability**
2. **Deliver the Service Delivery Contract with THC**
3. Improving staff satisfaction
4. Improving customer satisfaction
5. A positive company image
6. Services designed around customers and through market opportunities
7. Sustain a good health and safety performance
8. A trusted partner
 |
| **2.** | **Background** |
| 2.1 | Directors of HLH receive a Finance Report on a quarterly basis. The primary purpose of the report is to summarise the financial performance of the organisation and its subsidiaries. |
| **3.** | **Financial Performance for Quarter 1 2018/19** |
| 3.13.23.3 | The out-turn figure for the period to 30 June 2018 has been prepared.The consolidated financial performance, reports £71,446 positive to budget as detailed in **Appendix A.** The results for the quarter are further split by cost category (revenues, staff costs, other costs) and the 9 business areas in **Appendices B and C**. A commentary on the major variances (over £5K) is provided at**Appendix D**. |
| **4.**4.1 | **Procurement - Tenders Approved/Contracts Awarded**

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| Ad Hoc Library Materials | Achins Bookshop | £50K |

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| **5.** | **Internal Controls** |
| 5.1 | There was no breach of internal controls to report in the quarter. |
| **6.** | **Teckal Compliance – Annual Statement** |
| 6.1 | Among other requirements, an Arm’s Length Organisation such as HLH is “Teckal Compliant” if at least 80% of the activity (turnover) of the Teckal company is for its public sector owners. This allows for up to 20% trading with third parties outside of their “Teckal” contract. |
| 6.2 | An assessment, as part of the year end procedure, was carried out to ensure that HLH is operating within the so called Teckal parameters in respect of the two key tests 1) Control test and 2) Functional test. |
| 6.3 | The assessment confirms that 99% of HLH turnover for 2017/18 was generated as a result of work undertaken for The Highland Council and that HLH is operating well within the parameters with the 2018/19 budget projecting a similar level of operation. |
| **7.** | **Implications** |
| 7.17.27.3 | Resource Implications – there are no new resource implications arising from the content of this reportLegal Implications – there are no new legal implications arising from the content of this report.Risk Implications – there are no new risk implications arising from the content of this report. |

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| **Recommendations**It is recommended that Directors note:1. the results for the first quarter report a positive variance of £71,446 as detailed in **Appendix A**;
2. the projected final out-turn for the year remains on target to the approved budget;
3. the award of contract to Achins Bookshop as detailed in **paragraph 4** of this report;
4. there has been no breach of internal controls to report for the quarter; and
5. the charity remains Teckal compliant.
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Designation: Chief Executive

Date: 15 August 2018

**Consolidated** **2018/19: April – June**  **APPENDIX A**

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|  | **Annual Budget** | **Budget (YTD)** | **Actual (YTD)** | **Variance (YTD)** |
| Income | 30,092,841  | 6,929,713  | 6,928,045  | (1,668) |
| Other Costs | (8,265,511) | (1,850,390) | (1,868,692) | (18,302) |
| Staff Costs | (22,939,833) | (5,684,738) | (5,593,322) | 91,416  |
| **Surplus / (Deficit)** | **(1,112,503)** | **(605,415)** | **(533,969)** | **71,446**  |

 **APPENDIX B**

 **Variance by Sector**

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| --- | --- | --- | --- | --- |
| **Sector** | **Annual Budget** | **Budget (YTD)** | **Actual (YTD)** | **Variance (YTD)** |
| Adult | (674,114) | (159,954) | (140,288) | 19,666  |
| Archives | (596,507) | (172,382) | (141,777) | 30,605  |
| Arts | (272,024) | (78,095) | (75,842) | 2,253  |
| Facilities | (1,854,961) | (547,732) | (552,595) | (4,863) |
| Libraries | (3,417,755) | (781,265) | (775,766) | 5,499  |
| Management | (2,604,656) | (691,529) | (681,493) | 10,036  |
| Museums | (631,491) | (137,177) | (136,542) | 635  |
| Music Tuition | (1,372,164) | (427,511) | (423,426) | 4,085  |
| Outdoor | (557,828) | (112,577) | (109,859) | 2,718  |
| SLA | 12,946,974  | 3,236,744  | 3,236,744  | 0  |
| Sports | (591,692) | (364,144) | (360,780) | 3,364  |
| Youthwork | (1,486,285) | (369,792) | (372,344) | (2,552) |
| **Grand Total** | **(1,112,503)** | **(605,415)** | **(533,969)** | **71,446**  |

**Variance by Category APPENDIX C**

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|  |  | **Income** |  | **Staff Costs** |  | **Other Costs** |
| **Sector** |  | **Budget (YTD)** | **Variance (YTD)** | **%** |  | **Budget (YTD)** | **Variance (YTD)** | **%** |  | **Budget (YTD)** | **Variance (YTD)** | **%** |
| Adult |  | 1,781  | 907  | 151% |  | (148,749) | 16,597  | 89% |  | (12,986) | 2,162  | 83% |
| Archives |  | 57,870  | (12,381) | 79% |  | (217,959) | 40,854  | 81% |  | (12,293) | 2,132  | 83% |
| Arts |  | 1,488  | 3,090  | 308% |  | (58,479) | 3,759  | 94% |  | (21,104) | (4,596) | 122% |
| Facilities |  | 2,573,978  | (13,605) | 99% |  | (2,577,759) | (9,311) | 100% |  | (543,951) | 18,053  | 97% |
| Libraries |  | 27,097  | (9,782) | 64% |  | (661,857) | 16,918  | 97% |  | (146,505) | (1,637) | 101% |
| Management |  | 24,617  | 1,615  | 107% |  | (427,725) | 13,948  | 97% |  | (288,421) | (5,527) | 102% |
| Museums |  | 218,040  | 5,543  | 103% |  | (220,595) | (1,347) | 101% |  | (134,622) | (3,561) | 103% |
| Music Tuition |  | 117,489  | (732) | 99% |  | (515,000) | 1,172  | 100% |  | (30,000) | 3,645  | 88% |
| Outdoor |  | 31,525  | 152  | 100% |  | (127,867) | 5,848  | 95% |  | (16,235) | (3,282) | 120% |
| SLA |  | 3,819,625  | 0  | 100% |  | 0  | 0  | 0% |  | (582,882) | 0  | 100% |
| Sports |  | 34,255  | 17,222  | 150% |  | (377,063) | (1,831) | 100% |  | (21,336) | (12,027) | 156% |
| Youthwork |  | 21,948  | 6,303  | 129% |  | (351,685) | 4,809  | 99% |  | (40,055) | (13,664) | 134% |
| **Surplus / (Deficit)** |  | **6,929,713**  | **(1,668)** | **100%** |  | **(5,684,738)** | **91,416**  | **98%** |  | **(1,850,390)** | **(18,302)** | **101%** |

 **APPENDIX D**

**Variances over £5,000**

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| **Sector** | **Variance** | **Note** |
| Adult | 19,666 | Positive variance due to staff vacancies in Lochaber and Skye. The new Area Learning Co-ordinator in Lochaber took up their post on 18th June whilst the Skye post will be filled at the start of August.  |
| Archives | 30,605 | Staff savings have been realised due to vacancies in Inverness, Skye and Lochaber. The new Archivist in Lochaber starts in September with an October start date predicted for the Skye post.  |
| Libraries | 5,499 | Lower than anticipated income from fines and audio-visual lending charges offset against vacancies at Inverness Library and Library Support Unit which have now been filled.  |
| Management | 10,036 | Staff savings due to vacancies in Finance and maternity leave in Business Support in the first quarter.  |