|  |  |
| --- | --- |
| HIGH LIFE HIGHLAND REPORT TO BOARD OF DIRECTORS13 December 2017 | AGENDA ITEM REPORT No HLH /17 |

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

|  |
| --- |
| **Summary**This report provides Directors with an update on the financial performance of High Life Highland for the seven months of the financial year to October 2017. It is recommended that Directors:1. note the results for the period report a positive variance of £61,104 in **Appendix A**;
2. note the projected final out-turn for the year is a surplus to budget of c. £100K;
3. note the award of contracts as detailed in **paragraph 4.4** of this report;
4. note HLH is operating well within Teckal parameters;
5. note the transfer of the Council’s 3rd sector grant funding for North Coast Leisure, Bettyhill to HLH; and
6. homologate the procurement decision to award the contracts (exceeding the OJEU levels) for Goods for Re-sale and Catering Provision at Strathpeffer Pavilion in **paragraph 4.2**.
 |

|  |  |
| --- | --- |
| **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 the seven months to October 2017.** |
| 3.13.23.3 | The out-turn figure for the period to 1 October 2017 has been prepared.The consolidated financial performance, reports a surplus to budget of £61,104 as detailed in **Appendix A.** The results for the period are further split by cost category (revenues, staff costs, other costs) and the 9 business areas in **Appendix B**. A commentary on the major variances (over £5K) is provided at**Appendix C**. |
| **4.**4.14.24.2.14.2.24.3 | **Procurement - Tenders Approved/Contracts Awarded/Contracts to be approved**Background **-** At the HLH Board meeting held on 15 June 2017, it was agreed, as part of the Scheme of Delegation, that the approval of any award of a contract/tender which exceeds the Official Journal of the European Community [OJEU] level (current value > £164,176) be reserved for Board approval.**OJEU Contracts – Award Between Board Meetings**With two above OJEU level contracts in urgent need of commencement to ensure business continuity and following consultation with the Company Secretary and Chair of the Finance and Audit Committee Ian Ross, the Chief Executive contacted the HLH Charity Board Directors on 3 November seeking approval to alter the normal approval process for the two contracts involved. Directors were requested to agree that once the F&A Committee on 13 November has discussed and confirmed that due process has been followed, that he along with the Chair and Vice Chair sign off the two contracts with the decision being homologated at the December Board meeting.  There being no concerns expressed by Directors prior to or at the F&A Committee, sign off for the contract has been given by the Chair, Vice Chair and Chief Executive.To remind Directors, the two contracts awarded outwith the normal process, homologation for which is now requested, are:1. Goods for Re-sale (Value £400K) - **Appendix D**2. Catering Provision at Strathpeffer Pavilion (Value £165K) – **Appendix E****Procurement - Tenders Approved/Contracts Awarded**

|  |  |  |
| --- | --- | --- |
| Saffery Champness | Audit Services | Jan ’18-Dec ‘22 |

 |
| **5.** | **Teckal Compliance – Annual Statement** |
| 5.1 | “Teckal” is a case-law based European exemption to open public procurement which is available to Local Authorities and which forms the basis of the passing of services to Arm’s Length Organisations such as HLH without the need to go to tender. 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. |
| 5.2 | 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. |
| 5.3 | The assessment confirms that 99% of HLH turnover for 2016/17 was generated as a result of work undertaken for The Highland Council and that HLH is operating well within the parameters with the 2017/18 budget projecting a similar level of operation. |
| **6.** | **Management Fee – North Coast Leisure** |
| 6.1 | Directors approved the transfer of North Coast Leisure operations from Tongue and Farr Sports Association to HLH at their 22 May 2017 meeting with the agreement that the transfer be reviewed in 2019 when the level of future Council grant funding to Tongue and Farr Sports Association was due to be confirmed.  |
| 6.2 | To strengthen the plan to develop the facility and services offered and to ensure the long term sustainability of the facility, THC People Committee on 23 August 2017 agreed to transfer the Council’s annual third sector grant of £39,309 for Tongue and Farr Sports Association (North Coast Leisure Centre, Bettyhill) to HLH for services commissioned. The SDC has been updated to reflect this. |
| **7.** | **Implications** |
| 7.17.27.3 | Resource Implications – there are no new resource implications arising from the content of this report.Legal Implications – there are no new legal implications arising from the content of this report.Risk Implications – there is a risk that current tax and VAT arrangements are not fully up to date and that back payment may be required. |

|  |
| --- |
| **Recommendations**1. note the results for the period report a positive variance of £61,104 in **Appendix A**;
2. note the projected final out-turn for the year is a surplus to budget of c, £100K
3. note the award of contracts as detailed in **paragraph 4.4** of this report;
4. note HLH is operating well within Teckal parameters;
5. note the transfer of the Council’s 3rd sector grant funding for North Coast Leisure, Bettyhill to HLH; and
6. homologate the procurement decision to award the contracts (exceeding the OJEU levels) for Goods for Re-sale and Catering Provision at Strathpeffer Pavilion in **paragraph 4.2**.
 |

Designation: Chief Executive

Date: 29 November 2017

**Consolidated** **2017/18: April – October** **APPENDIX A**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Consolidated Results** | **Annual Budget** | **Budget YTD** | **Actual YTD** | **Variance YTD** |
| Income | £26,751,496 | £18,151,478 | £18,655,078 | £503,598 |
| Other Costs | (£7,315,905) | (£3,008,999) | (£3,209,869) | (£200,860) |
| Staff Costs | (£19,435,591) | (£11,348,483) | (£11,590,136) | (£241,634) |
| **Surplus ( Deficit)** | **£0** | **£3,793,996** | **£3,855,073** | **£61,104** |

 **Variance by Sector**  **APPENDIX B**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Variance - Sector** | **Annual Budget** | **Budget YTD** | **Actual YTD** | **Variance YTD** |
| Adult | (£675,870) | (£356,723) | (£327,798.00) | £28,925 |
| Archives | (£613,265) | (£311,849) | (£255,313.00) | £56,536 |
| Arts | (£266,275) | (£164,221) | (£167,206.00) | (£2,985) |
| Facilities | (£1,754,992) | (£787,328) | (£849,697.00) | (£62,361) |
| Libraries | (£3,462,896) | (£1,914,574) | (£1,895,503.00) | £19,076 |
| Management | (£2,860,118) | (£1,403,357) | (£1,444,687.00) | (£41,329) |
| Museums | (£778,341) | (£405,593) | (£334,416.00) | £71,176 |
| Outdoor | (£148,323) | (£69,375) | (£70,878.00) | (£1,503) |
| SLA | £12,590,415 | £10,404,493 | £10,404,493.00 | £0 |
| Sports | (£571,966) | (£350,431) | (£350,174.00) | £270 |
| Youth work | (£1,458,369) | (£847,046) | (£853,748.00) | (£6,701) |
| **Surplus ( Deficit)** | **£0** | **£3,793,996** | **£3,855,073** | **£61,104** |

**Variance by Category**  **APPENDIX C**



**Variances over £5,000** **APPENDIX C (Cont’d)**

|  |  |  |
| --- | --- | --- |
| **Sector** | **Variance** | **Note** |
| ADULT | £28,925 | Additional income earned from ESOL classes and tutor support £12K. Staff Vacancies & Recruitment Management £15K |
| ARCHIVES | £56,536 | £94K of the variance is for staffing, there have been a number of vacancies across the service during the seven months, there is currently one vacancy which will remain vacant for the rest of year. The Income negative variance of (£15K), £13K is offset against a positive variance of £15K on Staff Costs in the Conservation project. Other Costs Variance of (£22K) is as a result of a £20K contribution the “Viking” project. |
| FACILITIES | (£62,361) | The YTD and projected outturn for facilities is reporting a negative variance (£62K). The Facilities budget for 2017/18 includes aggressive income target (growth) and a significant level of structural savings (£300K). Implementation of a number of the structural savings has been delayed for operational reasons and this has impacted on reported outturn. A number of new centres have been taken over this year, NCL / Strathpeffer Pavilion and Poolewe which have incurred one off set up costs. A detailed review is taking place with Facilities and Finance to work towards a plan for the remainder of the year that will mitigate some of the deficit. |
| LIBRARIES | £19,076 | Positive variance of £19K – Staff vacancies offset against negative in Income / Other costs. Other costs will come in on budget. |
| MANAGEMENT | (£41,329) | There was an aggressive “Corporate Event” Income target of £50K included in the Budgets which will not be realised in 2017/18, the full impact is taken YTD. Other Costs are over budget for ICT c.£20K. Positive Staff variance are mainly in Business Support, restructuring is complete. |
| MUSEUMS | £71,176 | Donations income is ahead of budget – HFM £59K and IMAG £16K |
| YOUTHWORK | (£6,701) | The Net variance is covered under restricted reserves and the budget will come in on target at year end |

**Appendix D**

**Tender Specification**

**INTRODUCTION**

3.1 This Specification provides tenderers with details of the requirements of High Life Highland with regard to the provision of retail sales goods. It contains the following sections:

* The Goods Required
* Service-Related Requirements
* Health and Safety Issues

3.1.1**The Goods Required**

High Life Highland wishes to arrange a formal contract for the provision of retail sales goods to supply numerous HLH facilities throughout the Highland Area of Scotland.

**OVERVIEW OF THE REQUIREMENT**

High Life Highland is seeking a single supplier to supply retail sales goods to facilities throughout the Highland area. HLH is keen to provide access to its members at all its Leisure Facilities to purchase good quality sports wear and accessories.

High Life Highland does not guarantee any minimum level of expenditure, quantity or value of work or exclusivity. The supply of goods to various locations throughout the Highland Area will be determined by the prevailing circumstances and may include additional locations if and when these arise.

High Life Highland reserves the right to procure any of these services for any project through traditional procurement processes to suit the requirements of the project and irrespective of value. HLH reserve the ability to sell current stock for a period of 3 months from commencement of this contract.

**REQUIREMENTS**

Prospective Service Providers are required to provide HLH with a proposal that includes the following information:

1. the range of all products available for resale;
2. the cost of all items within this range;
3. recommended retail prices for all products within this range;
4. any discounts available to HLH on bulk orders raised;
5. any minimum order quantities that would apply;
6. returns policy;
7. Confirm if order by consignment is possible and any change to the unit cost on this basis
8. any assistance provided in setting and reviewing sales targets;
9. arrangements to review sales levels and targets;
10. any investment in developing the display and point of sales outlets in HLH facilities;
11. opportunities to add the HLH brand to display and point of sale outlets;
12. ability for web portal to be set up for use by HLH cardholders to buy items not available/out of stock (at HLH facility) and to allow HLH to receive commission on these
13. any additional marketing or promotional support provided
14. product training and support.

**TENDER – For Goods for Retail Sales APPENDIX D (Cont’d)**

**APPROVAL SOUGHT FOR AWARD OF CONTRACT: OJEU/HLH/03/17**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Contract title** | **Goods for Retail sale** |  | **Contract duration** | Nov 2017- Oct 2021 (Option 2 yr. extension) |
| **Estimated Contract value** | £400K |  | **Submission recommended for approval** | SPORTMAX |
| **Scoring Criteria** | Quality – 60%* 40% Ability to meet specified requirements
* 10% Product variety
* 10% Front of house display, sales & Marketing

Price - 40% |  | **Contract scored by** | Commercial ManagerNorth Area Facilities OfficerSouth Area Facilities Officer |
| **Scoring matrix** | **Sportmax** Quality 60Price 35.9Overall = 95.9**Zoggs**Quality 55.18Price 40Overall = 95.18 |  | **Accounts/insurance approved by** | Finance Manager |
| **Companies responding** | Sports MaxZoggsFitco |  | **Comments** | Submission from Fitco was not scored as did not meet the minimum requirements  |

**Appendix E**

**Tender Specification**

The Project shall consist of the following services:

**High Life Highland is seeking the services of a suitable provider to provide Catering Services at Strathpeffer Pavilion.**

1. **Services Required**

1.1 High Life Highland (HLH) is seeking a company or individual (Contractor) to offer a full catering and beverage service for Strathpeffer Pavilion on the following basis:

 **To provide a full food service to all Strathpeffer Pavilion events *(with the exception of three pre-booked events)***

The following conditions will apply:

Operational arrangements

1. Contract to run until end March 2020 but could be extended until 2022 in the event of HLH being asked to continue to operate the facility.
2. A quarterly review of business will be carried out between the contractor and Commercial Manager.
3. The contractor will guarantee HLH against any financial or reputational damage caused by the contractor’s actions.
4. Contractor will be expected to deal direct with clients regarding food and inform HLH of agreed prices and numbers.
5. Contractor must provide copy of current Public Liability Insurance certificate.
6. HLH would manage the Pavilion and act as first point of contact for event bookings

Finance

1. A minimum of 10% commission on food sales to be paid to HLH.
2. HLH will be responsible for billing all clients and collecting payment.
3. Contractor will invoice HLH after each event (less HLH’s commission). HLH will settle each invoice within 14 days.
4. Contractor could organise additional events to be run at Pavilion .

Maintenance/equipment

1. Maintenance – HLH will pay all maintenance costs except those caused by misuse or abuse of equipment by contractor.
2. Contractor would have the use of equipment currently available at the Pavilion.
3. Contractor would be expected to provide own table linen and decorations.

Marketing

1. HLH will continue to market the Pavilion through its existing channels.
2. If Contractor wishes to carry out any separate marketing or social media – protocol and branding would need to be agreed with HLH.

General

1. Contractor to ensure that staff wear appropriate uniform.
2. Contractor to be responsible for all relevant training i.e. Food Hygiene and Liquor licensing as a minimum.

Applicants for tender should ensure that in addition to any other information supplied they provide the following

1. Sample event menus and prices, including light buffet menus
2. Amount of commission prepared to pay on food
3. Three client testimonials

**Evaluation Criteria**

The evaluation of the tenders is being carried out on the basis of assessing what is the most economically advantageous.

|  |  |
| --- | --- |
| **Price of menus** | **25%** |
| Variety of appropriately priced menus  | 25% |
| **Quality of menus** | **25%** |
| Comprehensive selection of event menus | 20% |
| Selection of lighter buffet menus | 5% |
| **Amount of commission proposed** | **25%** |
| Minimum (but not limited to) 10% commission | 25% |

|  |  |
| --- | --- |
| **Client testimonials** | **25%** |
| Evidence of good quality service | 25% |

**Appendix E (Cont’d)**

**TENDER – For Catering Provision at Strathpeffer Pavilion**

**APPROVAL SOUGHT FOR AWARD OF CONTRACT: OJEU/HLH/04/17**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Contract title** | **Catering Provision at Strathpeffer Pavilion** |  | **Contract duration** | January 2018 to March 2020 (extension of 2 year if HLH still operating the Pavilion) |
| **Estimated Contract value** | £165K |  | **Submission recommended for approval** | RED POPPY RESTAURANT LTD |
| **Scoring Criteria** | Quality – 75%25% Price of menus 25% Quality of menus 25% Client TestimonialsCommission - 25% |  | **Contract scored by** | Commercial ManagerAssistant Events Manager |
| **Scoring matrix** | Quality 75Price 25Overall = 100 |  | **Accounts/insurance approved by** | Finance Manager |
| **Companies responding** | Red Poppy Restaurant Ltd |  | **Comments** | Only one tender submission received |