|  |  |
| --- | --- |
| HIGH LIFE HIGHLAND  REPORT TO BOARD OF DIRECTORS  2 December 2015 | AGENDA ITEM  REPORT No HLH /15 |

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

|  |
| --- |
| **Summary** This report provides Directors with an update on the financial performance of High Life Highland for the period ending 31 October 2015.  It is recommended that Directors:  i. note the current financial position of High Life Highland as detailed in **Appendix A**;  ii. note the financial results for the 7 months to 31 October 2015 reports a positive variance of £183,240 on budget with the current financial position of High Life; The positive position is as a result of proactive management of budgets to meet the committed one off requirement for £181K (as HLH’s proportion of a £200K total relating to the delayed implementation of combining Inverness Leisure and HLH).  iii. note with continued proactive management and after allowing for the £181K as detailed above, the projected final out-turn for the year is forecasted to be circa. £121K surplus to the approved budget;  iv. note the award of contracts to Fitness Training Scotland and Sutherland Brothers; and following the recommendation of the Finance & Audit Committee to approve,  v. agree an extension to the current uniforms contract until such time as the new National Framework is in place. |

|  |  |
| --- | --- |
| **1.** | **Business Plan Contribution** |
| 1.1 | This report supports the highlighted Business Outcome 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 to 31 October 2015** |
| 3.1  3.2  3.3  3.4  3.5 | The out-turn figure for the period to 31 October 2015 has been prepared.  HLH’s consolidated financial performance for the year is summarised by the 9 business areas at **Appendix A.** The out-turn for the period is split by cost category (revenues, staff costs and other costs) at **Appendix B**.  The £183,240 under budget to date is made up of total revenues in excess of budget by £320.6K (1.5%), staff costs under budget by £128K (0.8%) and other costs over budget by £265K (4.6%).  The positive position is as a result of proactive management of budgets to meet the committed one off requirement for £181K (as HLH’s proportion of a £200K total relating to the delayed implementation of combining Inverness Leisure and HLH). Continued proactive management will be required to ensure that this position is maintained.  A commentary on the major variances (over £5K) is provided at**Appendix C**.  The projections to the year end is showing a surplus to budget of circa £121K, the main reason for the surplus is down to staff vacancies mainly due to the libraries structural saving in staffing for 2016/17 being delivered early. |
| **4.** | **2015/16 – HLH share of one- off additional £200K savings** |
| 4.1 | The Finance and Audit Committee at a meeting held on 9 November 2015 discussed the positive variance year to date noting the main contributing factors as follows:   * Continuing focus on non-discretionary spend * Generation of income, for e.g. Highland Folk Museum * Staff vacancy and “ grow your own” recruitment process   The Committee NOTED the positive position is a result of proactive management of budgets to meet the committed one off requirement for £181K [as HLH’s proportion of the £200K total] relating to the delayed implementation of combining the two organisations. |
| **5.**  5.1  5.2 | **Procurement - Tenders Approved/Contracts Awarded**  Approval – Uniform Contract Standing Order  The Finance and Audit Committee, having considered the details presented at the meeting held on the 9 November 2015, recommend that the Board approve an extension to the current Contract until such time as the new National Framework is in place.  **Contracts Awarded**   |  |  |  |  | | --- | --- | --- | --- | | 1 | Fitness Training Scotland | Level 3 Exercise Referral Training | Nov 15-Oct 17 | | 2 | Sutherland Bros, Wick | Supply of Snacks and Cold drinks for vending or sale | Nov 15-Oct 17 | |
| **6.** | **Implications** |
| 6.1  6.2  6.3 | 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 are no new risks arising from the content of this report*.* |
| **Recommendations** It is recommended that Directors:  i. note the current financial position of High Life Highland as detailed in **Appendix A**;  ii. note the financial results for the 7 months to 31 October 2015 reports a positive variance of £183,240 on budget with the current financial position of High Life; The positive position is as a result of proactive management of budgets to meet the committed one off requirement for £181K (as HLH’s proportion of a £200K total relating to the delayed implementation of combining Inverness Leisure and HLH).  iii. note with continued proactive management and after allowing for the £181K as detailed above, the projected final out-turn for the year is forecasted to be circa. £121K surplus to the approved budget;  iv. note the award of contracts to Fitness Training Scotland and Sutherland Brothers; and following the recommendation of the Finance & Audit Committee to approve,  v. agree an extension to the current uniforms contract until such time as the new National Framework is in place. | |

Signature:

Designation: Chief Executive

Date: 23 November 2015

**Summary Results - Consolidated** **APPENDIX A**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **CONSOLIDATED RESULTS** | **Budget** | **Budget YTD** | **YTD Actuals** | **Variance** |
| Income | 21,880,905 | 11,718,722 | 12,039,370 | 320,648 |
| Other Costs | (5,704,118) | (2,089,821) | (2,355,140) | (265,319) |
| Staff Costs | (16,176,787) | (9,433,208) | (9,305,296) | 127,911 |
| IL Fund | 0 | 0 | (100,000) | (100,000) |
| **Grand Total** | **0** | **195,693** | **278,934** | **83,240** |

**Breakdown of Results – By Activity APPENDIX B**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **SECTOR** | **BUDGET** | **BUDGET YTD** | **ACTUAL YTD** | **VARIANCE YTD** |
| Adult | (753,708) | (337,787) | (324,231) | 13,557 |
| Archives | (644,207) | (339,069) | (325,432) | 13,637 |
| Arts | (274,047) | (153,376) | (172,963) | (19,587) |
| Facilities | (2,206,588) | (1,151,440) | (1,143,597) | 7,844 |
| Libraries | (3,654,278) | (1,914,320) | (1,901,738) | 12,583 |
| Management | (2,266,582) | (1,223,848) | (1,218,136) | 5,711 |
| Museums | (540,760) | (263,685) | (263,352) | 333 |
| Outdoor | (112,393) | (46,060) | (46,532) | (471) |
| Sports | (495,860) | (345,866) | (345,526) | 340 |
| Youth work | (1,503,862) | (885,669) | (836,372) | 49,297 |
| Management - SLA | 12,489,045 | 6,877,560 | 6,877,560 | (1) |
| Management - H&W | (36,760) | (20,747) | (20,747) | (0) |
| **Grand Total** | **0** | **195,693** | **278,934** | **83,240** |

**Breakdown of Variance - By Activity Appendix B (Contd)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SECTOR** | **Variance YTD INCOME** | **Variance YTD OTHER COSTS** | **Variance YTD STAFF** | **Contribution to IL Fund** | **Variance YTD Total** |
| Adult | 17,237 | (13,921) | 20,241 | (10,000) | 13,557 |
| Archives | 2,491 | (6,402) | 28,548 | (11,000) | 13,637 |
| Arts | (53,951) | 20,800 | 13,564 | 0 | (19,587) |
| Facilities | 187,107 | (79,238) | (100,026) | 0 | 7,844 |
| Libraries | (2,330) | (10,568) | 42,480 | (17,000) | 12,583 |
| Management | 62 | 535 | 5,113 | 0 | 5,710 |
| Museums | 40,596 | (41,246) | 2,982 | (2,000) | 333 |
| Outdoor | (37,796) | 653 | 36,672 | 0 | (471) |
| Sports | 47,006 | (44,447) | (2,219) | 0 | 340 |
| Youth work | 82,197 | (53,966) | 81,065 | (60,000) | 49,297 |
| Management - H&W | 38,028 | (37,519) | (509) | 0 | (0) |
| **Grand Total** | **320,648** | **(265,319)** | **127,911** | **(100,000)** | **83,240** |

**Explanation of Major Variance (Over £5K) – By Activity Appendix C**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Services** | **Variance (Before IL)**  **Total** | **IL Fund** | **Income** | **Other Costs** | **Staff Costs** |
| Adult | £23,557 | (£10,000) | Income Over budget £17K, Grant received for Bora Heritage Centre | Costs Over Budget (£14K) – Costs associated with delivering project (ref Grant Income) | Staff Costs under budget £20K – Staff Vacancies. ( All posts are now filled ) |
| Archives | £24,637 | (£11,000) | On target – Variance less than £5K | Other costs over budget (£6.4K) Seasonal – Will come in on budget, grant offset £3K. | Staff Costs under budget £28K – Staff Vacancy |
| Arts | (£19,587) |  | ***Refer Note 1*** | ***Refer Note 1*** | ***Refer Note 1*** |
| Facilities | £7,844 |  | Income is Over budget by £187K. £76K is in respect of sale of Gym Equipment / Grant Income £15K. Balance increased lettings, Retail Sales and Coached Activity | Income is over budget by (£79K). £39K is the associated cost of buying out Gym Equipment from Lessor for resale | Staff Costs over budget by £81 K, costs to run additional programme and activities ( Offset against income) |
| Libraries | £29,583 | (£17,000) | On target – Variance less than £5K | Other costs over budget (£10.5K), ICT £7K tablet & Stationery £4K. Other costs are forecast to come in on target. | Staff Costs under budget £42.4K – Staff Vacancy. Structural savings 2016.17 realised early. |
| Management | £5,710 |  | On target – Variance less than £5K | On target – Variance less than £5K | Staff Vacancy £5K |
| Museums | £333 |  | Income is over budget by £40.1K, which is the Highland Folk Museum donations over budget | Other costs over budget by ( £41K), £10K relate to IMAG Exhibits- Once off expenses collection items, grant due to be received £1.2K  HFM absorbed once off - costs in the culture budget) transferred from Arts £16K | On target – Variance less than £5K |
| Outdoor | £471 |  | Income under budget (£38K) re training courses**. *Refer to Note 2*** | On target – Variance less than £5K | Staff Costs under budget £36K - ***Refer to Note 2*** |
|  |  |  |  |  |  |
| Sport | £340 |  | Income Over budget £47K – Active Schools (AS) Events Programme, additional income to be offset against additional costs | Costs Over budget (£44K) – costs to run ASC programme activities.. | On target – Variance less than £5K |
| Youth work | £96,753 |  | Income over budget £82K – Grant income | Other Costs Over budget by (£54K) Seasonal is offset against grant | Staff Under budget by £81K Staff vacancies, £45K as a result of the recruitment process for key posts in the new structure which is now in place. |
| Surplus ( Deficit) | **£183,240** |  |  |  |  |

**NOTE 1 – Arts Variance YTD**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **TMC** | **BUDGET** | **ACTUAL YTD** | **VARIANCE YTD** |  |
| Income | 29,231 | 316 | (28,915) |  |
| Other Costs | (11,931) | (1,710) | 10,221 |  |
| Staff Costs | (31,961) | (23,514) | 8,447 |  |
| **TOTAL** | **(14,661)** | **(24,908)** | **(10,247)** |  |
|  |  |  |  |  |
| **Redundancy included in Staff Costs £16,475** | | |  |  |
| Redundancy was delayed by a month | | |  |  |
| Initially the full year’s budget was allocated to cover the redundancy | | | | |
| Staff Costs were incurred for April 2015 | | |  |  |
|  |  |  |  |  |

**NOTE 2- Outdoor Budget**

An in-depth review of the Outdoor budget together with a detailed reforecast to year was undertaken which takes accounts of the new structure. It is forecast to come in on target to budget with the loss of Income offset against staff costs, mainly down to managing the recruitment process year to date. All staffing establishment is now in place.