

FINANCE REPORT - Report by Chief Executive

Summary

This report provides Directors with an update on the financial performance of High Life Highland for the first quarter of the financial year 2017/18.

It is recommended that Directors note:

- i. the results for the first quarter report a positive variance of £75,630;
- ii. the projected final out-turn for the year remains on target to the approved budget;
- iii. the award of contracts to Plexus Media and Caterpods Ltd as detailed in **paragraph 4** of this report; and
- iv. review and approve the risk register in **Appendix D**.

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 2017/18

3.1 The out-turn figure for the period to 30 June 2017 has been prepared.

3.2 The consolidated financial performance, reports a surplus to budget of £75,630 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 **Appendix B**.

3.3 A commentary on the major variances (over £5K) is provided at **Appendix C**.

4. Procurement - Tenders Approved/Contracts Awarded

4.1	Plexus Media Ltd	Staff online databases	Jun17-May 20
	Caterpods Ltd	Ice Cream Trailer for Inverness Leisure	Jun-Sep 17

5. Risk Register

5.1 The Risk Register is regularly reviewed by the Finance and Audit Committee, however it is brought annually to the Board for approval. The Board will be asked to identify any risks that are not included in the register and score these and approve the register as part of the annual review. The Risk Register is attached at **Appendix D**.

6. Implications

6.1 Resource Implications – there are no new resource implications arising from the content of this report

6.2 Legal Implications – there are no new legal implications arising from the content of this report.

6.3 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

It is recommended that Directors note:

- i. the results for the first quarter report a positive variance of £75,630;
- ii. the projected final out-turn for the year remains on target to the approved budget;
- iii. the award of contracts to Plexus Media and Caterpods Ltd as detailed in **paragraph 4** of this report; and
- iv. review and approve the risk register in **Appendix D**.

Designation: Chief Executive

Date: 9 August 2017

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

	Budget	Budget YTD	Actual YTD	Variance (YTD)
Income	26,175,752	6,120,446	6,232,688	112,242
Other Costs	(7,101,227)	(1,427,325)	(1,486,703)	(59,378)
Staff Costs	(19,074,525)	(4,796,023)	(4,773,257)	22,766
Surplus (Deficit)	0	(102,902)	(27,272)	75,630

Variance by Sector

APPENDIX B

Sector	Budget YTD	Actual YTD	Variance YTD
Adult	145,376	136,061	9,315
Archives	181,116	134,741	46,375
Arts	85,031	85,309	(278)
Facilities	509,177	510,508	(1,331)
Libraries	835,199	826,302	8,897
Management	683,876	669,208	14,668
Museums	201,849	206,695	(4,846)
Outdoor	28,735	28,704	31
SLA	(3,309,778)	(3,309,778)	0
Sports	383,808	383,034	774
Youth work	358,513	356,488	2,025
Surplus (Deficit)	102,902	27,272	75,630

Variance by Category

APPENDIX C

Sector	Income			Other Costs			Staff Costs			Total		
	Budget YTD	Variance		Budget YTD	Variance		Budget YTD	Variance		Budget YTD	Variance	
		YTD			YTD			YTD			YTD	
Adult	5,146	4,410.00	85.70%	(9,113.00)	(1,781.00)	-20%	(141,409)	6,686	4.73%	(145,376)	9,315	6.41%
Archives	51,312	(2,660.00)	-5.18%	(14,487.00)	(2,266.00)	-16%	(217,941)	51,301	23.54%	(181,116)	46,375	25.61%
Arts	3,439	2,166.00	62.98%	(31,729.00)	105.00	0%	(56,742)	(2,549)	-4.49%	(85,032)	(278)	-0.33%
Facilities	2,242,419	56,316.00	2.51%	(440,334.00)	(8,884.00)	-2%	(2,311,262)	(48,763)	-2.11%	(509,177)	(1,331)	-0.26%
Libraries	24,326	(1,475.00)	-6.06%	(157,697.00)	(2,827.00)	-2%	(701,828)	13,199	1.88%	(835,199)	8,897	1.07%
Management	13,125	2,014.00	15.34%	(292,810.00)	(1,287.00)	0%	(404,190)	13,941	3.45%	(683,875)	14,668	2.14%
Museums	177,791	3,419.00	1.92%	(186,127.00)	(4,534.00)	-2%	(193,513)	(3,731)	-1.93%	(201,849)	(4,846)	-2.40%
Outdoor	15,388	(2,885.00)	-18.75%	(8,671.00)	(6,869.00)	-79%	(35,452)	9,784	27.60%	(28,735)	30	0.10%
SLA	3,565,028	0.00	0.00%	(255,250.00)	0.00	0%	0	0	0.00%	3,309,778	0	0.00%
Sports	11,425	24,416.00	213.71%	(17,630.00)	(11,205.00)	-64%	(377,603)	(12,437)	-3.29%	(383,808)	774	0.20%
Youthwork	11,048	26,521.00	240.05%	(13,478.00)	(19,830.00)	-147%	(356,083)	(4,665)	-1.31%	(358,513)	2,026	0.57%
Surplus (Deficit)	6,120,447	112,242	1.83%	(1,427,326)	(59,378)	-4%	(4,796,023)	22,766	0.47%	(102,902)	75,630	73.50%

Variations over £5,000

APPENDIX C

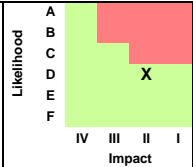
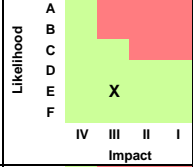
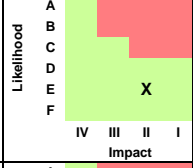
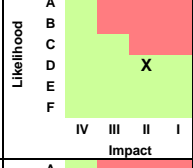
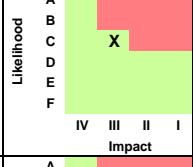
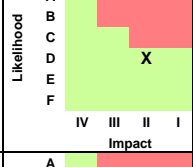
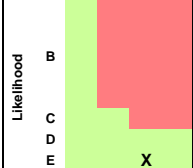
Sector	Variance	Note
Adult	£9,315	Additional Income earned from ESOL classes and Tutor Support. Staff Vacancies & Recruitment Management as and from 1 August full staffing
Archives	£46,375	£51K of the variance is for Staffing. There has been a number of vacancies across the service during the first quarter. Currently there are three vacancies, one of which will be filled in August '17. It is expected that by Sept/ Oct there will be one vacancy, which may continue for the year.
Libraries	£8,896	Positive variance for £13K – Staff vacancies offset against slight negative in Income / Other costs. Other costs will come in on budget.
Management	£14,668	Staff Variance, mainly in Business Support, restructuring taking place currently.

Risk Register

APPENDIX D

Risk No	Risk Description / Short Name	Vulnerability	Trigger	Consequences	Likelihood	Impact	Risk Matrix (DO NOT POPULATE)	Progress / Status R / A / G	Owner	Lead officer	Date added
HLH03	Estate condition/building failure	Failure of a building/s	Long term poor PR- damage to reputation	Local reputation damage	D - Low	III - Marginal			Board/SMT	DW	Dec-11
HLH04	System failures, such as IT	Failure of a major system. Move to new IT infrastructure could lead to failure/ interruption caused by split in contract	Inability to deliver contract	Reputational damage	E - Very Low	II - Critical			SMT	JWM	Dec-11
HLH05	Over reaching/over commitment	Failure of significant projects and pressure on central services	Long term poor PR - damage to reputation	Staff Stress, missed deadlines	C - Significant	II - Critical			Board/SMT	IM	Dec-11
HLH06	Changes to the political landscape	Lack of understanding/ agreement on respective roles	Missed opportunities to work in partnership	Missed opportunity for service development	C - Significant	III - Marginal			Board	IM	Dec-11
HLH07	Poor or ineffective working relationship between the Council and the HLH Board	Lack of partnership approach	Missed opportunities to work in partnership	Missed opportunity for service development	E - Very Low	II - Critical			Board	IM	Dec-11
HLH08	Poor working relationship between HLH SMT and Council Service staff	Lack of partnership approach	Missed opportunities to work in partnership	Missed opportunity for service development	D - Low	III - Marginal			SMT	IM	Dec-11
HLH09	Poor or ineffective working relationship between the HLH Board and SMT	Lack of understanding/ agreement on respective roles	Inappropriate allocation of responsibilities	Ineffective strategic management of HLH	E - Very Low	II - Critical			Board/SMT	IM	Dec-11

HLH10	Ineffective governance of HLH by the Board	Failure to establish effective code of corporate governance	Failure to control expenditure and to achieve income targets	Financial insolvency and delivery of CLL services reverts to the Council	F - Almost Impossible	II - Critical		Board	IM/MAM	Dec-11
HLH14	Future changes to the legislation that removes the benefit of the NNDR saving attributable to the Council	No control over political direction that could influence decision	Change to legislation	Cuts to front line CLL services	E - Very Low	II - Critical		SMT	IM	Dec-11
HLH15	Major health and safety breach	Failure of health and safety systems	Major health and safety incident dealt with inappropriately	Reputational damage	E - Very Low	II - Critical		SMT	DW	Dec-11
HLH17	Poor project planning and management (see project register)	Failure of significant projects	Missed opportunities to work in partnership	Minor financial impact	D - Low	III - Marginal		SMT	DW	Dec-11
HLH18	Breakdown in management/staff relations	Industrial action	Inability to deliver contract	Delivery of CLL services reverts to the Council	E - Very Low	II - Critical		SMT	IM	Dec-11
HLH19	Non achievement of income and expenditure targets and failure to control expenditure to achieve revised targets leading to inability to deliver service contract. Aggressive targets for 2017/18.	Failure to control expenditure and to achieve income targets	Inability to deliver contract	Service Delivery Contract	C - Significant	II - Critical		Board	IM	Dec-11
HLH20	Pension deficit continues to grow	Pension scheme fails to recover its financial position	Regular pension review	Financial viability of company affected	E - Very Low	I - Catastrophic		SMT	IM	Dec-11

HLH22	Insufficient succession planning	Inability to appoint any gaps in the management team	Critical vacancy infilled	Temporary loss of efficiency	D - Low	II - Critical		SMT	IM	Dec-11
HLH25	Failure to implement the Data Protection Policy results in action by the Data Protection Commissioner	Lack of control of data management	Changes to Data Protection regarding European legislation	Prosecution, fine, damage to reputation	E - Very Low	III - Marginal		SMT	JWM	Dec-12
HLH28	THC savings consultation process leaves HLH vulnerable to criticism	Reputation of HLH is affected	Press and public criticism of HLH with reputational damage	Reputational damage	E - Very Low	II - Critical		Board/SMT	IM	Apr-13
HLH29	THC ICT reprovision project (beyond 2016)	Reputational damage as HLH unable to deliver service ambitions	THC unable/unwilling to deliver HLH ICT requirements	HLH limited to THC ICT systems, contracts and associated costs	D - Low	II - Critical		SMT	JWM	Mar-14
HLH30	Specific Council decisions impact increasingly on HLH	Restricts flexibility in HLH decisions	Not being consulted on decisions e.g. service points/capital	Missed opportunity for prioritisation	C - Significant	III - Marginal		SMT	IM	Mar-14
HLH31	Significant changes in Council senior management	Inertia	New appointments by THC have no awareness of HLH	Impact on day to day operation and savings proposals leading to relationship breakdown	D - Low	II - Critical		SMT	IM	Mar-14
HLH34	Misuse of social media	Reputational damage to HLH	Public criticism	Reputational damage	E - Very Low	II - Critical		SMT	JWM	Oct-14

HLH36	Ensuring updates from THC on any Health and Safety notifications are received that impact on the Property Agreement	Reputational damage and loss of service	Public criticism	Reputational damage	E - Very Low	III - Marginal		SMT	DW	Mar-15
HLH39	Change to formula for Service Delivery Fee from THC	Unknown pressures	Unknown pressures materialising	Further savings/discussions with THC required	D - Low	II - Critical		Board	IM	Jan-16
HLH42	Effects of Brexit as yet unknown, low risk at present	Uncertainty in financial markets leads to reduced public finances. Unknown at present - watching brief	UK, then Scottish Government Budget reviews 2017/18 and 2018/19	Larger savings target than otherwise predicted	D - Low	II - Critical		SMT	IM	Jul-16
HLH43	Lost income through capital projects	Income lost through closures for renovations of property not reimbursed by THC	Previous practice of reimbursement not agreed to	In year loss to HLH	C - Significant	III - Marginal		DW	FH	Jul-16
HLH44	Negative publicity associated with services delivery where HLH is incorrectly viewed as being at fault due to the actions of third parties	HLH receives negative publicity for decisions of third parties that impact on property/programmes operated by HLH	Closure/reduction of THC service which has an impact on HLH delivered services	Negative media and public perception that HLH is at fault	C - Significant	III - Marginal		IM	JWM	Jul-16
HLH45	Possible reduction in sportscotland funding	Potential longer term and greater cuts to sportscotland funding decreases investment in HLH/HC	Funding agreement notification	Financial and reputational damage of redundancy costs.	D - Low	III - Marginal		IM	FH	Apr-17
HLH46	Breaches - ICT	Website hacked or threat of "social engineering" e.g. spoof emails pertaining to be from Chief Executive * Definition - "the use of deception to manipulate individuals into divulging confidential or personal information that may be used for fraudulent purposes"	PR damage and/or data breach related to Risk HLH25	Reputational damage and/or prosecution/fine.	C - Significant	III - Marginal		SMT	JWM	Apr-17

HLH47	Rise in the UK terrorism threat level from "significant to "critical" - effect on HLH	HLH sites closed down or suspended - staff diverted to assist response to an incident	National threat level raised	Potential "lock ins" of members of the public until safe to release. Use of HLH facilities as reception buildings	D - Low	II - Critical	<p>Likelihood</p> <p>A B C D E F</p> <p>IV III II I</p> <p>Impact</p>	SMT	IM	Apr-17
HLH48	Potential Transfer of Inverness Ice Centre to HLH	Estimated set up budget proves inaccurate	Actual versus budget produces a poorer performance than projected.	Negative impact on leisure facilities budget and savings process.	D - Low	III - Marginal	<p>Likelihood</p> <p>A B C D E F</p> <p>IV III II I</p> <p>Impact</p>	FH	FH	Jun-17