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| HIGH LIFE HIGHLAND REPORT TO BOARD OF DIRECTORS18 June 2015 | AGENDA ITEM REPORT No HLH /15 |

## **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 period ending 28 February 2015.It is recommended that Directors note:1. the draft year-end outturn, subject to Audit, for 2014/15 for High Life Highland as detailed in **Appendix A** reports a positive variance on budget of £177,088 for Unrestricted Reserves;
2. a transfer to Restricted Reserves for 2014/15 in respect of grant funding of £302,860;
3. the award of a contract to Quality Leisure Management Ltd
4. that there were no substantial breaches of internal controls during financial year 2014/15;
5. that insurance cover is provided through the Highland Council insurance and that this is regularly reviewed; and
6. homologate the actions agreed at the Finance and Audit Committee meeting on 26th May.
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| **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
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| **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 Financial year 2014/15** |
| 3.13.2 | The Management Accounts for the financial year 2014/15 have been prepared. HLH’s consolidated financial performance for the year is summarised at **Appendix A.** The results for the year are further split by cost category (revenues, staff costs and other costs) and the 9 business areas at **Appendix B**.  This shows total revenues in excess of budget by £390K of which £303K is restricted reserves (grant income received – ring fenced to future periods) leaving a surplus to budget of £87K, Staff costs under budget by £73K and other costs under budget by £17K. A commentary on the major variances (over £5K) is provided at**Appendix C**. |
| **4.** | **Homologation of decision by Finance and Audit Committee** |
| 4.1 | On the 21st April, after consultation with the Chair and Vice Chair, the Chief Executive wrote to Directors with a special invitation to the Finance and Audit Committee meeting to be held on 26th May 2015. The purpose was at the request of THC, to consider ways of minimising the effect of HLH’s share of and additional £200K savings for 2015, with the intention of deciding the actions and then confirming these to THC. |
| 4.2 | The Chief Executive will update Directors at the meeting, seeking homologation of the actions agreed at the Finance and Audit Committee meeting on 26th May. |
| **5.** | **Financial Performance for the Financial year 2015/16 YTD** |
| 5.1 | With Integra at an early stage in its implementation and taking account of year end reporting requirements together with getting up to speed with the reports the April/May results were not ready for inclusion in the report on an exceptional basis. A verbal update will be given at the meeting. |
| **6.**6.1 | **Tenders Approved/Contracts Awarded**

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| Quality Management Systems  | Health & Safety Services | April ‘15 – March ‘19 |

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| **7.**7.17.27.3**8.**8.1**9.**9.1**10.** | **Annual Review of the Effectiveness of Internal Control**The Finance and Audit Committee review all breaches of the Financial Regulations. There were no substantial breaches in Financial Year 2014/15.All matters arising from our 2014 Internal Audit have been addressed with corrective action issued and completed. The Internal Audit 2015, dates to be confirmed, is on the management and control of grant funding.**Annual Review of Financial Regulations**The review of the Financial Regulations and guidance remains on-going throughout the year, to date for 2015 new guidance has issued in respect of payroll and transaction processing. **Annual Review of Insurances**HLH Insurance Cover is included as part of The Highland Council Insurance Cover. THC regularly reviews the Insurance Cover and forwards a detailed schedule annually to HLH. The Insurance cover has renewed at 1 April 2015, for 2015/16.**Implications** |
| 10.110.210.3 | 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 risks arising from the content of this report*.* |
| **Recommendation**It is recommended that Directors note:1. the draft year-end outturn, subject to Audit, for 2014/15 for High Life Highland as detailed in **Appendix A** reports a positive variance on budget of £177,085 for Unrestricted Reserves;
2. a transfer to Restricted Reserves for 2014/15 in respect of grant funding of £302,860;
3. the award of a contract to Quality Leisure Management Ltd
4. that there were no substantial breaches of internal controls during financial year 2014/15;
5. that insurance cover is provided through the Highland Council insurance and that this is regularly reviewed; and
6. homologate the actions agreed at the Finance and Audit Committee meeting on 26th May.
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Signature:

Designation: Chief Executive

Date: 3 June 2015

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

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| **Consolidated Results** | **Annual Budget** | **Actual** | **Variance** |
| Income | 21,979,814  | 22,369,953  | 390,139  |
| Other Costs | (6,044,314) | (6,027,314) | 17,001  |
| Restricted Reserves | 0  | (302,860) | (302,860) |
| Staff Costs | (15,935,500) | (15,862,692) | 72,807  |
| **Surplus - Unrestricted Reserves** | **0**  | **177,088**  | **177,088**  |

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

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| **Sector** | **Annual Budget** | **Actual** | **Variance** |
| Adult | (815,997) | (748,858) | 67,139  |
| Archives | (557,727) | (523,968) | 33,759  |
| Arts | (289,494) | (279,626) | 9,868  |
| Central Administration | (210,092) | (233,028) | (22,936) |
| Facilities | (2,275,759) | (2,301,153) | (25,394) |
| Libraries | (3,875,968) | (3,785,521) | 90,447  |
| Management | (1,931,125) | (2,011,902) | (80,777) |
| Museums | (567,398) | (609,922) | (42,524) |
| Outdoor | (145,270) | (148,720) | (3,450) |
| SLA | 12,801,825  | 12,885,570  | 83,745  |
| Sport | (501,956) | (451,872) | 50,084  |
| Youth-work | (1,631,039) | (1,613,911) | 17,128  |
| **Surplus - Unrestricted Reserves** | **(0)** | **177,088**  | **177,088**  |

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| ***NOTE – Review Central Administration, Management and SLA together.*** |   |
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|   | **Annual Budget** | **Actual** | **Variance** |
| Central Admin/ Management /SLA | 10,660,608  | 10,640,639  | (19,968) |
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**Breakdown of Variance - By Activity Appendix B (Contd)**

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| **Service** | **Variance - Income** | **Variance - Other Costs** | **Restricted Reserves** | **Variance- Staff Costs** | **Variance - Total** |
| Adult | 70,490  | 19,340  | (67,196) | 44,506  | 67,139  |
| Archives | 24,150  | (13,176) | 0  | 22,785  | 33,759  |
| Arts | 76,428  | (59,020) | 0  | (7,540) | 9,868  |
| Central Administration | 0  | (22,936) | 0  | 0  | (22,936) |
| Facilities | 115,390  | (165,700) | 0  | 24,916  | (25,394) |
| Libraries | (11,938) | (4,341) | 0  | 106,726  | 90,447  |
| Management | 54,582  | (87,422) | 0  | (47,937) | (80,777) |
| Management - H &W Project  | 53,638  | (4,943) | 0  | (48,695) | 0  |
| Museums | 29,129  | (36,508) | 0  | (35,145) | (42,524) |
| Outdoor | (17,772) | 27,111  | 0  | (12,790) | (3,450) |
| SLA | (408,362) | 492,107  | 0  | 0  | 83,745  |
| Sport | 123,890  | (23,861) | (58,798) | 8,853  | 50,084  |
| Youth-work | 280,515  | (103,650) | (176,866) | 17,128  | 17,128  |
| **Surplus (Deficit) - Unrestricted Reserves** | **390,139**  | **17,001**  | **(302,860)** | **72,807**  | **177,088**  |

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

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| **Services** | **Variance - Total** | **Income** | **Other Costs** | **Staff Costs** |
| Adult | £67,139 | Income Over budget by £70.5K. Anti – Sectarian Projects and THC for Adult Basic Education – £67K is transferred to Restricted Reserves (project monies)  | Costs over budget (£19.3K) – Delivery of projects – offset against Grant Income  | Staff Costs under budget £44.5K – Staff Vacancies. |
| Archives | £33,759 | Income over budget by £24K, Delivery H&W project £2.4K, Tax Registration Conservation £7K, Grant income THC Wi-fi Project £8K and Cogadh Mor £4.8K  | Cost over budget by (£13K) -Additional Costs for delivery of projects (offset grant income) £11.5K | Staff Costs below budget £22.7K – Staff Vacancy ( filled 2015) |
| Arts | £9,868 | Income Over budget by £76K - Lottery Grant received £42K & £34K Consultancy Fees from THC | Other Costs Over budget by (£59K) mainly in Exhibitions Unit for Payment to external contractors £20K for Back-fill for Manager on Consultancy Contract THC & £28K exhibits spend in line with Lottery grant funding & Creative learning £9K | Staff Costs Over budget by £7.5K mainly in Exhibition unit for Acting up allowance for Manager on consultancy contract |
| Facilities | (£25,394) | Income Over budget by £115.4K mainly in re-charge of Heath & Well- being grant income for Courses delivered in Leisure Centres £57K, New Centres taken over in 2014.15 £39K HFA. | Costs Over budget by ( £165.7K) Utilities £45K, Equipment £25.9K, Pool Chemicals £14.7K, Event management £12.3K,Cost of Sales £23.4KBudgets rolling forward have been Re-profiled to take account of pressures  | Staff Costs below budget £25K |
| Libraries | £90,447 | Income Under budget by (£12K) due mainly to vending Income variance of (£9.9K) & Fines (£3K)  | Costs Over Budget (£4.3K) –Smart Cards £4K | Staff Costs Under budget by £106.7K, due to staff vacancies |
| NETT - Management / Central Administration/ SLA | (£19,968) |  | The additional Pressures in Managed Print/ Insurance/ Cleaning were covered by additional management fee Income.The overspend of £20K – mainly in Marketing £8K Web design and £6K on Print  |  |
| Museums | (£42,524) | Income Over budget by £29K, HFM £14K, IMAG £8K & Rent £7K | Other Costs Over budget (£36K), - The HFM for payments to consultants £15K; Fixed Assets – Depreciation £8K & Once off Expenses of £3KIMAG – Year- end write off PY £9.8K | Staff Costs over budget by (£35K), seasonal Staff required ref Additional Income and Budget Pressure. |
| Outdoor | (£3,450) | Income Under budget (£17.8K) – Badaguish transfer Impact – (£20K) | Other Under budget by £27K – mainly due to Badaguish transfer & under spend on Instructors budget (£22K) | Staff Costs Over budget by (£12.8K) payments to temporary agency workers to facilitate additional activities/income generation |
| Sport | £50,084 | Income Over budget by £123.9K – Grant Income ( £59K transferred to Restricted Reserves – Sports Scotland monies) / Summer Activity Programme / Active Schools Events Programme | Other Costs Over budget by (£23.8K) (Offset additional income) | On target under budget £8.8K  |
| Youth work | £17,128 | Income Over budget £281K, grants of which £177K is transferred to Restricted Reserves | Other Costs Over budget by (£103.6K) spend in line with grants awarded | Staff Costs Over budget by (£17k) Seasonal staff re: grant awards |
| Surplus ( Deficit) | **£177,088** |   |   |   |

Badaguish transferred back to the Council in December 2014- net Variance YTD (£7K)