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| HIGH LIFE HIGHLAND  REPORT TO BOARD OF DIRECTORS  23 April 2014 | AGENDA ITEM  REPORT No HLH /14 |

## **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 2014 and provides information on contracts awarded since the previous meeting of the Board.  It is recommended that Directors note:-   1. the current financial position of High Life Highland as detailed in **Appendix A**; 2. the financial results for the 11 months to 28 February 2014 reports a negative variance on budget of £129,049; 3. The projected final out-turn for the year is likely to be circa £130K adverse to budget (0.6%); and 4. the award of contracts to ICR Solutions, Mike Martins Tennis Academy, Highland Industrial Supplies and Allsorts Dornoch. |

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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. A positive company image 2. A growing company 3. Delivery of the contract with THC 4. Increased awareness of our products and services 5. Increased customer satisfaction 6. **Increased financial sustainability** 7. Increased internal collaboration 8. Increased staff satisfaction 9. Safety & environmental compliance |
| **2.** | **Background** |
| 2.1 | Directors of HLH receive a Finance Report on a bi-monthly basis. The primary purpose of the report is to summarise the financial performance of the organisation and its subsidiaries. |
| **3.** | **Financial Performance to 28 February 2014** |
| 3.1  3.2  3.3  3.4 | The outturn figure for the period to 28 February 2014 has been prepared.  HLH’s consolidated financial performance for the year is summarised by the 9 business areas at **Appendix A.** The outturn for the period is split by cost category (revenues, staff costs and other costs) at **Appendices B and C**.  This shows total revenues in excess of budget by £451K, staff costs over budget by £206K and other costs over budget by £497K. Restricted Reserves offset £124K resulting in the net position of £129K negative to budget  A commentary on the major variances is provided at **Appendix D**.  **Note: Restricted Reserve:** Grant income which is received in advance is accrued at year end and is offset against the associated costs in the following year. The accrued grant income is accounted for in “Restricted Reserves” on the Balance Sheet. |
| **4.** | **Year–End Forecast** |
| 4.1  4.2 | The projected final outturn for the year is predicted within the range of on budget to £130K adverse to budget.  The instruction which issued in November 2013 to stop all discretionary spend for the time being remains in place. |
| **5** | **Tenders Approved / Contracts Awarded** |
| 5.1 | |  |  |  |  | | --- | --- | --- | --- | | ICR Solutions Ltd | Electronic Point of Sale System | Feb 14-Dec 16 | £5,596 | | | Mike Martin Tennis Academy | Facility Management Services-Bellfield Park, Inverness | Apr 14- Mar 17 | HLH will receive £5,000/annum | | Highland Industrial Supplies | System Scaffolding for Lochanhully House, HFM | Feb-14 | £7,800 | | Allsorts Dornoch | Puddle Jumpers Activity Club | Apr 14-Mar 17 | Shared profit/loss model with provider - to be split 50-50 between HLH and provider. | | |
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| **6.**  6.1 | **Annual Review of Financial Regulations**  The review of the Financial Regulations and guidance remains on-going throughout the year, to date for 2014 new guidance has issued in respect of banking and payroll. |
| **7.**  7.1 | **Annual Review of Insurance Cover**  HLH Insurance Cover is included as part of The Highland Council Insurance Cover. THC regularly reviews of the Insurance Cover and forward a detailed schedule annually to HLH. The Insurance cover has renewed at 1 April 2014, for 2014/15. |
| **8.**  8.1  8.2  8.3 | **Annual Review of the Effectiveness of Internal Control**  The Finance & Audit Committee review all breaches of the Financial Regulations there has been no significant breaches reported in 2013.14.  All matters arising from our 2013 Internal Audit have been addressed with corrective action issued and completed.  The 2014 Internal Audit is in the planning phase and will concentrate on Income and Banking. |
| **9.** | **Budget Savings Process 2015-18** |
| **9.1** | The Board has previously agreed that the Finance and Audit Committee will lead discussions on preparations for the budget process for 2015-18. Two meetings have been held and a verbal update will be given on progress to date via a short presentation. All HLH Directors are invited to attend the next meeting on 1 May 2014. |
| **10.** | **Implications** |
| 10.1  10.2  10.3 | 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*.* |

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| Recommendation It is recommended that Directors note:-   1. the current financial position of High Life Highland as detailed in Appendix A; 2. the financial results for the 9 months to 31 December 2013 reports a negative variance on budget of £129K; 3. The projected final out-turn for the year is likely to be circa £130K adverse to budget (0.6%); and 4. The award of contracts to ICR Solutions, Mike Martins Tennis Academy, Highland Industrial Supplies and Allsorts Dornoch. |

Signature:

Designation: Chief Executive

Date: 8 April 2014

**APPENDIX A**

**Consolidated results for the YTD 2013/14 and Breakdown by Charity and Trading Companies**

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|  | Annual Budget | Budget YTD Feb '14 | Actual YTD Feb '14 | Variance YTD |
| **Income** | 21,535,094 | 19,327,316 | 19,778,470 | 451,154 |
| Other Costs | (5,835,879) | (4,925,900) | (5,423,717) | (497,817) |
| Staff Costs | (15,699,215) | (14,386,205) | (14,592,222) | (206,017) |
| Income Restricted Reserve | 0 | 0 | 123,631 | 123,631 |
| Surplus ( Deficit) | 0 | 15,211 | (113,838) | (129,049) |
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| **CHARITY** |  |  |  |  |
|  | Annual Budget | Budget YTD Feb '14 | Actual YTD Feb '14 | Variance YTD |
| Income | 21,181,460 | 19,249,433 | 19,296,127 | 46,694 |
| Income RS. | 0 | 0 | 123,631 | 123,631 |
| Other Costs | (5,689,238) | (5,040,281) | (5,257,045) | (216,765) |
| Staff Costs | (15,699,215) | (14,386,205) | (14,503,222) | (117,017) |
| Surplus ( Deficit) | (206,993) | (177,052) | (340,509) | (163,457) |
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| **TRADING** |  |  |  |  |
|  | Annual Budget | Budget YTD Feb '14 | Actual YTD Feb '14 | Variance YTD |
| Income | 353,634 | 332,088 | 413,442 | 81,354 |
| Other Costs | (146,641) | (139,825) | (184,108) | (44,283) |
| Staff Costs | 0 | 0 | (45) | (45) |
| Surplus ( Deficit) | 206,993 | 192,263 | 229,289 | 37,026 |

**APPENDIX B**

**Breakdown of Variance by Service against budget.**

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| **Service** | Annual Budget | Budget YTD Feb '14 | Actual YTD Feb '14 | Variance YTD |
| Adult Education | (929,941.00) | (895,203.39) | (881,519.30) | 13,684.09 |
| Archives | (591,040.00) | (536,067.00) | (501,321.75) | 34,745.25 |
| Arts | (289,278.00) | (266,422.00) | (243,561.52) | 22,860.48 |
| Central Charges | (348,047.00) | (331,208.00) | (496,765.73) | (165,557.73) |
| Facilities | (2,165,662.00) | (2,117,872.00) | (2,294,232.07) | (176,360.07) |
| Libraries | (3,937,908.00) | (3,612,025.40) | (3,586,601.11) | 25,424.29 |
| Management | (1,524,466.08) | (1,306,860.00) | (1,284,260.41) | 22,599.59 |
| Museums | (571,965.00) | (518,867.00) | (513,712.44) | 5,154.56 |
| Outdoor Education | (151,395.00) | (128,708.51) | (142,940.98) | (14,232.47) |
| SLA Management | 12,771,857.00 | 11,707,535.58 | 11,761,546.36 | 54,010.78 |
| Sports | (480,094.92) | (351,955.62) | (381,615.46) | (29,659.84) |
| Youth | (1,782,060.00) | (1,627,136.00) | (1,548,853.49) | 78,282.51 |
| Grand Total | 0.00 | 15,210.66 | (113,837.90) | (129,048.56) |

**APPENDIX C**

**Variance by Service and Breakdown of Variance by Category for each sector**

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| Variance Report |  |  |  |  |  |
| **Service** | Var. YTD income | Var. YTD Other Costs | Var. YTD Staff | Income- Restricted Reserves | Total Variance YTD |
| Adult Education | 733 | 6,347 | 6,605 | 0 | 13,684 |
| Archives | 1,213 | (8,195) | 41,728 | 0 | 34,745 |
| Arts | 21,068 | (1,214) | 3,007 | 0 | 22,860 |
| Central Charges | 0 | (165,558) | 0 | 0 | (165,558) |
| Facilities | (77,888) | (90,857) | (7,615) | 0 | (176,360) |
| Libraries | (12,717) | (5,059) | 43,201 | 0 | 25,424 |
| Management | 33,293 | (41,139) | (39,554) | 70,000 | 22,600 |
| Museums | 90,194 | (48,093) | (36,946) | 0 | 5,155 |
| Outdoor Education | 61,541 | (51,489) | (24,285) | 0 | (14,232) |
| SLA Management | 0 | 54,011 | 0 | 0 | 54,011 |
| Sports | 112,942 | (40,667) | (125,566) | 23,631 | (29,660) |
| Youth | 220,777 | (105,903) | (66,591) | 30,000 | 78,283 |
| TOTAL | 451,154 | (497,817) | (206,017) | 123,631 | (129,049) |

**APPENDIX D**

**Variance Report - Explanation**

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| **Variance Explanation** |  | Income | Other Costs | Staff |
| Adult Education | 13,684 | On target | Saving Equipment Purchase £3.7K / Books & Products £2K | Saving £6.6 K Staffing & Training Course |
| Archives | 34,745 | On target | Technical Equipment / Rent (£3.5K) | Staff Vacancy £41K |
| Arts | 22,860 | Grants & Donations £18K | On target | On Target |
| Facilities | (173,360) | 1.6% under Budget | Travel (£18K), Leasing ( £33K), Cleaning & pool chemicals (£28K), Repairs & Maintenance (£24K) | On target after adjusting for the additional Management Fee for Culloden of £100K |
| Libraries | 25,424 | Lettings (£2.8K) / Rent (£3K) / Guidebooks & Fines (£4.5K) | On target | Staff Vacancies £43K |
| Management | 22,600 | Timing issue - will reverse (Contribution to post) | Audit & Legal Fees (£12) /H&S and Actuarian Consultancy (£12K)/ expenditure projects PY reserves (£20K) | Training Projects covered in PY restricted reserve £25K. |
| Central Service Costs | (165,558) | N/A | THC - Recharge Invoices (Fuel/ Purchase Cards/Bank Charges etc. YTD)/ Print Services/ ICT | N/A |
| Management Fee | 54,011 | Additional Fee ( 1% Salary Increase (Nov'13) for All Services |  |  |
| Museums | 5,155 | Folk Museum £89K over budget | Books & Craft Purchases – HFM (£13K) / THC IMAG catering Invoice (£25K) | Staff Vacancies £37K |
| Outdoor Education | (14,232) | Outdoor Events & Training £58K over budget | Additional Costs Outdoor Events ( £45K) / Utilities Badaguish (£5K ) | Temporary Agency Workers £15K |
| Sports Development | (29,660) | Coached Activity £24K/ Grants/ Donations£35K/ Other Income from other activities £27K | Payment to Other establishments & Sports Instructors (£36K) | Additional Staff req'd to run programme - Offset in Income |
| Youthwork | 78,283 | Grants £128K / Fees & Charges £46K | NHS - Contribution to CDO (£50K), Youth Conference (£25K), Payment to External Parties (£10K) | Additional Staff req'd for additional Activities |
|  | **(126,386)** |  |  |  |