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| HIGH LIFE HIGHLAND  REPORT TO BOARD OF DIRECTORS  27 February 2014 | AGENDA ITEM 13  REPORT No HLH 4/14 |

## **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 31 December 2013 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 9 months to 31 December 2013 reports a negative variance on budget of £46,827; 3. with a corrective action plan, which continues to be underway, the projected final out-turn for the year is likely to be on target with budget or if not, at worst could come in £130K adverse to budget (0.6%); and 4. the award of contracts to Capture Limited , Zoggs Limited, Anderson Strathern Solictors, DF Wishart and Bob Powell. |

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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 31 December 2013** |
| 3.1  3.2  3.3  3.4 | The outturn figure for the period to 31 December 2013 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 **Appendix B**.  This shows total revenues in excess of budget by £549K, staff costs over budget by £239K and other costs over budget by £356K, resulting in the net position of £46,827 negative to budget  A commentary on the major variances is provided at **Appendix C**. |
| **4.** | **Year–End Forecast** |
| 4.1  4.2  4.3  4.4 | The projected final outturn for the year is predicted within the range of on budget to £130K adverse to budget.  An instruction was issued in November 2013 and remains in place, to stop all discretionary spend for the time being to ensure the pressures are addressed.  Since the last report an invoice for the NHS 2011.13 and 2013.14 has been received for £100K (£50K per annum). This amount was transferred as part of the transfer budget but was not included in the operating annual budget for both years – this amount has been included in figures for this period and in the end of year projection.  In summary, the Company is experiencing additional pressures in the current financial year – mainly the points referred to above together with significant investment in our commercial operation for future year on year income. Whilst it is anticipated that there will be an on target result, this is largely dependent on the hold on discretionary spend together with other corrective actions taking place. In the event that these do not materialise a worst case scenario may be an out-turn of £130K adverse to budget (0.6%). |
| **5** | **Tenders Approved / Contracts Awarded** |
| 5.1 | |  |  |  |  | | --- | --- | --- | --- | | Supplier | Service Details | Contract Period | Contract Value | | Capture Limited | Am Baile Management System | Jan 2014-Dec 2016 | £35,405 | | Zoggs Limited | Retail Sales Supplies | Jan 2014- Dec 2016 | Based on a sample of supply prices | | Anderson Strathern LLP | Legal Services | Apr 2014- Mar 2019 | £110 per hour | | Bob Powell | Mentoring Services at HFM | Feb 2014- Jan 2015 | £7,200 | | DF Wishart | Uniform Supplies | Feb 2014- Jan 2017 | £28,157 | |
| **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*.* |

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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 £46,827; 3. with a corrective action plan, which continues to be underway, the projected final out-turn for the year is likely to be on target with budget or if not, at worst could come in £130K adverse to budget (0.6%); and 4. the award of contracts to Capture Limited , Zoggs Limited, Anderson Strathern Solictors, DF Wishart and Bob Powell. |

Signature:

Designation: Chief Executive

Date: 14 February 2014

**APPENDIX A**

**Consolidated results for the YTD & Breakdown by Charity and Trading**

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| **Consolidated Results** |  |  |  |  |
| Row Labels | Annual Budget | Budget YTD | Actual YTD | Variance YTD |
| Income | (21,535,094) | (14,966,236) | (15,515,013) | (548,777) |
| Other Costs | 5,835,878 | 2,966,363 | 3,322,562 | 356,199 |
| Staff Costs | 15,699,216 | 11,809,265 | 12,048,670 | 239,405 |
| (Surplus) / Deficit | 0 | (190,608) | (143,782) | 46,827 |
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| **Trading Company** |  |  |  |  |
| Row Labels | Annual Budget | Budget YTD | Actual YTD | Variance YTD |
| Income | (353,634) | (290,430) | (362,735) | (72,305) |
| Other Costs | 123,850 | 123,694 | 168,786 | 45,092 |
| (Surplus) / Deficit | (229,784) | (166,736) | (193,949) | (27,213) |
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| **Main Charity** |  |  |  |  |
|  | Annual Budget | Budget YTD | Actual YTD | Variance YTD |
| Income | (21,181,460) | (14,675,806) | (15,152,278) | (476,472) |
| Other Costs | 5,712,028 | 2,842,668 | 3,172,415 | 329,747 |
| Staff Costs | 15,699,216 | 11,809,265 | 12,048,670 | 239,405 |
| (Surplus) / Deficit | 229,784 | (23,873) | 68,807 | 92,680 |
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**APPENDIX B**

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

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| **Activity - By Sector** |  |  |  |  |
|  | Annual Budget | Budget YTD | Actual YTD | Variance YTD |
| Adult Educ | 929,941 | 614,964 | 591,089 | (23,875) |
| Archives | 592,444 | 423,898 | 404,539 | (19,359) |
| Arts | 212,243 | 145,592 | 137,157 | (8,435) |
| Facilities | 2,158,379 | 1,665,998 | 1,825,835 | 159,837 |
| Libraries | 3,937,908 | 2,783,485 | 2,739,133 | (44,352) |
| Management | 1,822,174 | 1,262,902 | 1,303,722 | 40,820 |
| Management Fees SLA | (12,771,857) | (10,200,832) | (10,324,832) | (124,000) |
| Museums | 651,437 | 501,899 | 504,556 | 2,658 |
| Outdoor Educ | 152,595 | 111,573 | 131,746 | 20,173 |
| Sports Development | 465,095 | 1,132,316 | 1,116,569 | (15,746) |
| Youthwork | 1,807,301 | 1,339,407 | 1,372,173 | 32,766 |
| Central Service Costs | 42,340 | 28,191 | 54,532 | 26,341 |
| (Surplus) / Deficit | 0 | (190,608) | (143,782) | 46,827 |
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| **Detailed Variance Report - Category** |  |  |  |  |
|  |  |  |  |  |
| Row Labels | Income - Variance | Other Costs - Variance | Staff - Variance | Total - Variance |
| Adult Educ | (2,546) | (10,518) | (10,812) | (23,875) |
| Archives | (3,219) | 7,724 | (23,864) | (19,359) |
| Arts | (5,154) | (805) | (2,477) | (8,435) |
| Facilities | 22,692 | 60,362 | 76,783 | 159,837 |
| Libraries | 9,962 | (14,119) | (40,195) | (44,352) |
| Management | (19,038) | 44,142 | 15,716 | 40,820 |
| Management Fees SLA | (124,000) | 0 | 0 | (124,000) |
| Museums | (63,571) | 28,459 | 37,770 | 2,658 |
| Outdoor Educ | (56,268) | 51,447 | 24,994 | 20,173 |
| Sports Development | (160,452) | 39,767 | 104,939 | (15,746) |
| Youthwork | (147,184) | 123,398 | 56,552 | 32,766 |
| Central Service Costs | 0 | 26,341 |  | 26,341 |
| (Surplus) / Deficit | (548,777) | 356,199 | 239,405 | 46,827 |
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**APPENDIX C**

**Detailed Explanation of variance by sector**

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| **Variance Explanation** |  | Income | Other Costs | Staff |
| Adult Education | (23,875) | On target | Saving Equipment Purchase (£3K) / Books & Products (£4.4K) | Saving (£11K) Staffing & Training Course |
| Archives | (19,359) | On target | Technical Equipment / Materials £3.5K / Rent £2K | Staff Vacancy (£23.8K) |
| Arts | (8,435) | Grants Received (£4K) | On target | On Target |
| Facilities | 159,837 | 0.62% off Target -YTD | Lease Charges £25K / Payment to Sports Instructors £5K / Performing Rights £16K-Timing is likely to reverse | Includes an adjustment of (£100K) for Culloden - THC |
| Libraries | (44,352) | Lettings £2K/ Misc. Income (Inverness Library) £4K/Rent £3K | Projects (£6K) -Timing is likely to reverse | Staff Vacancies (£44.1K) |
| Management | 40,820 | Timing issue - will reverse (Contribution to post) | Audit & Legal Fees £12K/H&S and Actuarian Consultancy £12K/ Catering £2.4K/Photocopying & Managed Print £19K | Training £7K / Recruitment £7K |
| Central Service Costs | 26,341 | N/A | THC - Recharge Invoices (Fuel/ Purchase Cards/Bank Charges etc. YTD) | N/A |
| Management Fee | (124,000) | Additional Fee ( 1% Salary Increase (Nov'13) & Casual/ Relief Staff Holiday Pay (Pd Qrtly) |  |  |
| Museums | 2,658 | Folk Museum (£46K)/ Sale of Books & Crafts (£23K) | Books & Craft Purchases £13K | Staff Vacancies |
| Outdoor Education | 20,173 | Outdoor Events & Training (£35K) Lettings (£10K) | Hire & Purchase of Equipment £10K / Payment to Sports Instructors £18K/ Utilities £20K | Temporary Agency Workers £15K |
| Sports Development | (15,746) | Coached Activity (£30K)/ Grants/ Donations(£50K)/ Other Income from other activities (£76K) | Payment to Other establishments & Sports Instructors £32K | Additional Staff req'd to run Programme - Offset in Income |
| Youthwork | 32,766 | Grants (£81K) / Fees & Charges (£34K) | NHS - Contribution to CDO £100K | Staff Transfer for 6 mt period £19K & Additional Staff req'd for additional Activities |
|  | 46,827 |  |  |  |