**AGENDA ITEM 4ii**

**HIGH LIFE HIGHLAND**

**Finance and Audit Committee**

Minute of Meeting of the Finance and Audit Committee of High Life Highland held in the Learning Centre, Highland Archive Centre, Bught Road, Inverness on Monday 18 November 2019 at 10.00 am.

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| **PRESENT** |  |
| Mr Michael Golding, Director  Mr Tom Heggie, Director  Ms Tracy Ligema, Director  Mr Duncan Macpherson, Director  Mrs Ella MacRae, Director  Mr Ian Ross, Director (Chair)  Mr Mark Tate, Director | Mr Steve Walsh, Chief Executive  Mr Douglas Wilby, Head of Performance  Mr Neil Johnston, Finance Manager |

**Others Present:-**

Mr Donald McLachlan, Chair of High Life Highland

**Officers In attendance:-**

Mr Steve Walsh, Chief Executive,

Mr James Martin, Head of Development

Mrs Jackie MacKenzie, Principal Business Support Manager

Miss Jane Maclennan, Company Secretary’s Office

**BUSINESS**

1. **Apologies for Absence**

From the HLH Board, an apology for absence was intimated on behalf of Mr K Nicol.

1. **Declarations of Interest**

There were no declarations of interest.

1. **Minutes of the Finance and Audit Committee of 5 August 2019**

The minutes of the Finance and Audit Committee of 5 August 2019 had been circulated for information and were **NOTED**.

1. **Matters Arising – Meeting of 5 August 2019**

There had been circulated, for information, matters arising from the meeting of the Finance and Audit Committee held on 5 August 2019.

Arising from Item 3, Minutes of the Finance and Audit Committee of 27 May 2019, Directors were informed that details of the discussions which had taken place with Highland Council would be referred to under Item 8 on the Agenda, Budget Planning 2020/21.

The Committee **NOTED** the Matters Arising.

1. Finance Report

There had been circulated Report No HLH/FA/12/19 dated 7 November 2019 by the Chief Executive updating Directors on the financial performance of High Life Highland for Quarter 2 2019/20 and other matters relevant to the remit of the Finance and Audit Committee.

A summary of the Charity’s financial position was provided where it was reported that there was a £66k negative variance to budget, with a projected year-end forecast of a negative variation to budget of circa £120k. The major variances were outlined together with assurances that senior management were implementing control measures including vacancy management and reducing discretionary spend. Directors were also provided with information in relation to Internal Controls, Data Breaches and an update on the management response to the 2018/19 Financial Audit Recommendations.

During discussion, the following points were made:-

* the projected negative variance was an indication of the tight constraints of the budget position;
* whilst recognising that the budget was unlikely to reach a breakeven position, Directors sought assurances that, at an early stage, there would be no further slippage;
* management were implementing various controls to minimise the impact on service delivery but it was important to recognise there was recruitment control in place instead of a recruitment freeze. In this regard, officers confirmed that the recruitment savings target set as part of the 2019/20 budget process had already been achieved;
* safety and organisational reputation were priorities; and
* in relation to historic internal control breaches at Raigmore Community Centre, Directors were assured controls were in place and staff appeared to be well motivated.

The Committee **NOTED**:-

1. the results for the period April to September 2019 detailed in Appendix A reported a negative variance to budget of £66K with the HLH year-end outturn forecast to be a negative variance to budget of circa £120K;
2. the update on the planned management actions to mitigate the forecasted negative variance to budget;
3. there had been no breach of internal controls reported in the past quarter;
4. the update on the theft from Raigmore Community Centre; and
5. there had been one data breach reported in the last quarter; and
6. the update on implementation of the 2018/19 financial audit recommendations.
7. Risk Register Review

There had been circulated Report No HLH/FA/13/19 dated 1 November 2019 by the Chief Executive providing an update on High Life Highland’s Risk Register Review.

The Committee:-

1. **NOTED** the review of the Risk Register with officers having raised *HLH51(Impact of HLH Capital Programme) from D2 to C2*; and
2. *following officer recommendations,* ***AGREED*** *to raise:-*

* *HLH19 (non achievement of income and expenditure and failure to control expenditure to achieve revised targets leading to inability to deliver service contact) from Green to Amber status.*

1. Project Register Update

There had been circulated Report No. HLH/FA/14/19 dated 1 November 2019 by the Chief Executive providing an update on High Life Highland’s Project Register. It had previously been circulated to all Directors to give the opportunity to raise any questions with the relevant lead officers.

During discussion, the following points were made:-

* proposed costings of £4m for the Highland Folk Museum café and shop were contained within the report. Whilst it was recognised this was a big project, it was explained that income had increased and the café had now reached capacity. If café and shop services were to continue to improve then significant investment was needed;
* it was noted that a formal complaint had been raised with the Bank of Scotland regarding its delay in opening a bank account to enable contactless donations/payment to be made; and
* it was hoped that HLH would be able to move in to Caithness Horizons in December 2019.

The Committee otherwise **NOTED** the Project Register.

1. Budget Planning 2020/21

The Chief Executive gave a detailed presentation on budget planning for financial year 2020/21 during which he reminded Directors of the background of budget arrangements since the charity’s inception in terms of both growth and savings. HLH was facing a number of challenges and the proposed approach and recovery plan were explained. The Head of Development then also provided a presentation on a pricing review and customer survey which had been carried out and areas where there was potential to generate additional income. Comments from Directors were welcomed and proposals would then be refined with more solid proposals being brought back to the HLH Board,

During discussion, in recognising the reality of the financial position, the following points were made:-

* when looking at pricing careful consideration needed to be taken to ascertain what the market could withstand and to avoid any drop in the take-up of High Life membership or anything which would hamper the growth of the organisation. An update on the Charity’s retention strategy, and an analysis as to how High Life members used their membership, was requested;
* in order to refresh corporate memory and awareness in Highland Council of HLH, it was suggested there was merit in having an officer and Members’ seminar to explain HLH’s role, the services it provided, its relationship with Highland Council and if the current funding arrangement was suitable. For funding purposes, it might be that HLH should be treated in a similar manner as Council services but it was also important to consider any unintended consequences that might arise;
* it was important that HLH was able to compete with similar gym providers, the CE explained that the intention was to be competitive in the overall market and not to compete against any individual competitor;
* the question of charging at the Highland Folk Museum as opposed to relying on donations perhaps was not feasible for the next budget but would be fully considered as part of the 2021/22 budget planning process;
* Directors were in support of continuing to provide free internet access at its libraries although it was clarified there could be opportunities to impose a small charge for non-*high****life*** cardholders (i.e. tourists etc.);
* there were ideas, such as extended opening hours for the gym at Inverness Leisure, which could be considered but this had to be weighed against other practical factors such as increased wages and time to clean facilities;
* in any decision, the potential social impact and access to facilities for sections of the community which would not otherwise be available were paramount;
* HLH needed to invest more in its marketing and to be more aggressive in its self-promotion. For example, it could approach house builders to see if HLH fliers could be placed in new houses. Even at a local level HLH needed to be visible and for there to be localised broad interaction with the community so that they were aware of what HLH provided;
* in looking at promoting High Life membership to large organisations, it was agreed that a holistic review would be conducted into the HLH scheme for corporate discounting.;
* an open day for guesthouse holders, taxi drivers etc would help promote Inverness Castle to tourists;
* an HLH trail, highlighting the variety of venues, could be explored;
* consideration should be given to promoting the HLH offer to new residents in the region:
* reconsider “Happy Hour” where all users get access to *high****life*** card activities for £1 per person – look to replace with localised promotions; and
* the information gained from the focus groups was welcomed but these were already members of the High Life scheme. Consideration should be given to obtaining the views of 25-30 year olds in future focus groups.

The Committee:-

1. ***AGREED*** *that a report be submitted to the Board on 11 December 2019, reflecting the comments made and exploring the various proposals in more detail; and*
2. otherwise **NOTED** the position.

The meeting ended at 11.55 am