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| HIGH LIFE HIGHLAND  REPORT TO BOARD OF DIRECTORS  19 March 2020 | AGENDA ITEM  REPORT No HLH /20 |

## **2020/21 BUDGET APPROVAL - Report by Chief Executive**

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| **Summary** This report provides Directors with a summary of the operating budget for 2020/21, together with details of planned savings measures and the pricing review.  It is recommended that Directors agree to approve the operating budget for 2020/21 as summarised in **Appendix A**. |

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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. **Sustain a high standard of health and safety, and environmental performance** 2. **Implement the Service Delivery Contract with THC** 3. **Improving customer engagement and satisfaction** 4. **Improving staff engagement and satisfaction** 5. **Enhance the positive charity image** 6. **Be a trusted and effective partner** 7. **Achieve sustainable growth across the organisation** 8. **Develop health and wellbeing across Highland communities** 9. **Develop and promote the High Life brand** |
| **2.** | **Background** |
| 2.1  2.2  2.3 | This report confirms the detail of the Charity’s revenue budget for 2020/21 and provides a summary of the savings measures required to be implemented.  The £250K increase in Management Fee reflects the funding from The Highland Council’s Change Fund. This is for one year only creating a budget pressure for financial year 2021/22.  Although HLH received a flat cash settlement, indications are that the settlement from the Scottish Government represented a 0.67% increase once ring-fenced funding was taken into consideration. In accordance with the funding agreement between HLH and The Highland Council, this represents a £94K increase in Management Fee funding. Whilst this has not been included in this year’s budget, assurances have been given by the Council’s senior management that it will be accounted for in the 2021/22 budget. |
| **3.**  3.1 | **Budget 2020/21 Approval**  **Appendix A** details the draft budget 2020/21 for approval. |
| 3.2  **4.**  4.1  4.2  4.3 | **Appendix B** details the savings target and measures of £1.429M.  **Pricing Review**  A working group with representatives from across all operational and corporate services has undertaken a substantial review of pricing across the charity. The review has involved all prices being considered by the group taking into account:  • Current price point  • Competitor analysis (where appropriate)  • Restrictions through the Service Delivery Contract  • Any legislative/statutory requirements on the Charity.  As part of the review, four focus groups were held across the Highlands (Aviemore, Inverness, Lochaber, Wick) with particular focus on *high****life*** card charges. In addition, questions similar to those asked of the focus group were made available online to the public.  The information obtained internally and externally through the review process has resulted in the outcomes as highlighted in **Appendix C**. |
| **5.** | **Implications** |
| 5.1 | Resource Implications – there are no new resource implications associated with the recommendations of this report. |
| 5.2 | Legal Implications – there are no new legal implications associated with the recommendations of this report. |
| 5.3 | Equality Implications – there are no new equality implications associated with the recommendations of this report. |
| 5.4 | Risk Implications – there are no new risk implications associated with the recommendations of this report. |
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| **Recommendations** It is recommended that Directors agree to approve the operating budget for 2020/21 as summarised in **Appendix A.** | |

Designation: Chief Executive

Date: 9 March 2020

**APPENDIX A**

**Draft Budget (2020/21)**

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|  | **Annual Budget (19/20) £** | **Annual Budget (20/21) £** | **Year on Year Variance £** |
| Adult | (670,812) | (645,673) | 25,139 |
| Archives | (592,837) | (584,549) | 8,288 |
| Arts | (289,762) | (280,665) | 9,097 |
| Facilities | (1,655,561) | (1,829,798) | (174,237) |
| Libraries | (3,530,236) | (3,481,126) | 49,110 |
| Management | (2,730,342) | (2,941,653) | (211,311) |
| Management Fee | 14,088,294 | 14,338,294 | 250,000 |
| Museums | (629,150) | (573,067) | 56,083 |
| Music Tuition | (1,361,930) | (1,309,129) | 52,801 |
| Outdoor | (144,543) | (123,116) | 21,427 |
| Rangers | (387,691) | (400,121) | (12,430) |
| Sports | (555,168) | (588,387) | (33,219) |
| Youthwork | (1,540,262) | (1,581,010) | (40,748) |
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| **Surplus /(Deficit)** | **0** | **0** | **0** |

**APPENDIX B**

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| **Final Savings 2020/21** | **£** |
| Pay Award | 1,057,266 |
| Current Year Pressures | 125,356 |
| Marketing Posts | 75,509 |
| Deferred Gym Equipment | 85,823 |
| Cost of Borrowing | 50,000 |
| Loss of Business Contingency | 35,000 |
| **Total** | **1,428,954** |

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| **Income** |  | **£** |
| Archives | Price increases and business growth | 8,000 |
| Facilities | Highlife price increase | 360,000 |
| Facilities | Lettings price increase | 43,000 |
| Facilities | Outdoor Events | 40,000 |
| Facilities | Love To Train | 30,000 |
| Facilities | Catering | 65,000 |
| Facilities | Business growth | 24,000 |
| Management | Late Penalty Payments | 15,000 |
| Management Fee | Change Fund | 250,000 |
| Museums | Donations | 30,000 |
| Museums | Castle Viewpoint Price Increase | 12,500 |
| Music Tuition | Teachers Pay Award | 75,954 |
| Music Tuition | Tuition fees price increase | 52,000 |
| Outdoor | Accommodation Lettings | 18,000 |
| Outdoor | Business Growth | 12,000 |
| Sports | Triathlon Event Income | 5,000 |
| **Total** |  | **1,040,454** |

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| **Efficiencies** |  | **£** |
| Archives | Am Baile Computer Budget | 1,000 |
| Corporate | Workforce Planning | 110,000 |
| Facilities | Gym Equipment Deferral | 97,500 |
| Facilities | Rationalisation of Opening Hours | 10,000 |
| Libraries | Culloden Library Staffing | 18,000 |
| Sports | Summer Activities Staffing | 2,000 |
| **Total** |  | **238,500** |

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| **Reductions** |  | **£** |
| Adult | Partnership & Accreditation | 10,000 |
| Adult | Equipment & Travel | 5,000 |
| Arts | St Fergus Art Gallery | 20,000 |
| Libraries | Mobile Libraries | 30,000 |
| Libraries | Kinlochleven Library | 10,000 |
| Libraries | Resource Fund | 30,000 |
| Museums | Independent Museums Officer | 42,000 |
| Youth | Youth Achievement Officer discretionary budget. | 3,000 |
| **Total** |  | **150,000** |
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| **Total** |  | **1,428,954** |

**APPENDIX C**

**PRICING REVIEW – HEADLINE SUMMARY**

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| HLH SECTION | ACTIVITY/SERVICE | PROPOSED CHANGES | COMMUNICATIONS |
| Facilities  *highlife* card | *High****life***card – the all-inclusive (pay monthly/annually) access card to leisure facilities has undergone a thorough review that included four focus groups across the Highlands – as well as an online survey seeking the views of customers in terms of “value for money” and the “tipping point” at which members would *consider* cancelling the membership subscription.  Current charges for *high****life*** card is:   * Individual = £20.60 pcm * Family = £31 pcm | Increase *high****life*** card by 5%  The all-inclusive card would therefore increase to the following pricing structure:  Individual = £21.70  Family = £32.60  The work has also factored in a small %age of attrition based on the number of users that have not used their cards in the last six months. | *There are clear guidelines in terms of the Direct Debit Code with which the Charity must comply.*  *This involves primary members (i.e. those paying the DD) being informed 10 days prior to the date on which the ‘new’ DD will be drawn from the member’s bank account.*  *Notifications are being sent out by email where possible and by ‘snail mail’ where an email address is not held. The letter will also include information about the Charity and how the price increase will be contributing to the running of the wider charity.* |
| Facilities  Pay-as-you-go Income | Pay-as-you-go (PAYG) income. This relates to all non-*high****life*** related income where customers are paying an individual admission charge per activity.  The pricing review identified that the PAYP charges adopted by HLH sit in the top quartile of similar charges across Scotland (based on **sport**scotland biennial report on pricing charges).  It has also been highlighted that participation in PAYP activities is decreasing despite the same level of activities being available. | Freeze on all PAYG activities for 2020/21.  There would be an ongoing assessment throughout the year in terms of participation – to identify whether price-point was a contributory factor in reductions in activity-users. | *There is no planned publicity of the fact that HLH is not increasing PAYP charges – however, the fact will be referenced should any external contacts be made regarding any of the other pricing increases referred to in this Appendix.* |
| Facilities  Room hires and lets | Lets associated with indoor facilities such as halls, meeting rooms, swimming lanes etc. HLH has a three-band letting policy (Charitable/Community Group; Semi-Commercial; Commercial) | Proposal to increase current charges across all bands by 5%. | *Users will be informed in writing (email/post) and updated as to the fact that as of 1st April 2020 or any booking made beyond this point will be made at the ‘new’ charge.* |
| Facilities  Introduction of “Manager’s Specials” | As part of the leisure facilities’ offering, every site has made available all *high****life*** activities for £1 per activity over the course of three individual sessions per week (daytime, evening and weekend). These sessions were known as “Happy Hour”.  The pricing review highlighted that this historical offer potentially prevents *high****life*** “prospects” from joining the wider all-inclusive scheme due to the Happy Hour being such good value for money. | Remove “Happy Hour” completely and replace with Manager’s Specials.  The “Manager’s Special” will allow site Managers to assess activities/ programmes that need a boost or increase in attendances – and will allow Managers to offer a special class for £1 for no more than one month.  This will also allow Managers to adopt an element of pricing and promotional ownership for their respective locations. | *Customers and users will be advised through on-site posters and notifications around other price increases that the “happy hour” activities are being removed.*  *At the same time, the notifications will advise customers and users of the first “£1 Manager’s Special” at the site in which the notice is displayed.*  *The “£1 Manager Special” will also be advertised on the individual site’s social medial pages.* |
| Music Tuition | Since adopting the music tuition from The Highland Council in 2018 a charge of £26.50 per child per month.  This sum is paid by Direct Debit on a monthly basis.  The pricing review identified that there had been no pricing increases in music tuition since the services commenced with HLH. | Proposal to increase by £1.50 per child per month.  Monthly charge will therefore become £28.00 per child per calendar month. | *As payment for music tuition are undertaken by Direct Debit – the same process will be carried through as outlined above for the high****life*** *card.* |
| Events and Outdoor  Concerts and events | To date, HLH has charged commercial organisations a standard rate of £1,000 for the venue hire (i.e. Bught Park/Northern Meeting Park) and then £1 per ticket thereafter.  There is a single pricing policy applied across all lets with an element of discretion built in for charitable events. | Proposal to adopt the standard three-tier pricing policy as applied across other services:   * Community and charity rates; * Semi-commercial; and * Commercial   With larger-scale promoters being undertaken on a “by negotiation” position based on the type of event and likely projected income to the third party. | *Any existing bookings made on the previous arrangement will be honoured.*  *Promoters and Event Organisers will be invited to meet face-to-face with key HLH Senior Managers to discuss the price increases for events and concerts for 2020 and beyond.*  *HLH Managers will also liaise with colleagues in The Highland Council working in similar services and dealing with larger scale events.* |
| Events and Outdoor  Pitch lets | Covering outdoor spaces and pitches, hired/let to groups, clubs and organisations; HLH has a three-band letting policy (Charitable/Community Group; Semi-Commercial; Commercial). | Proposed 5% increase to all bands of pitch lets | *Users will be informed in writing (email/post) and updated as to the fact that as of 1st April 2020 there will be a new three-tier pricing structure and advised of their ‘classification’. They will also be advised that any booking accepted beyond this point will be made at the appropriate ‘new’ charge for that band.* |
| Museums  Inverness Castle Viewpoint | The income from the popular tourism attraction in the City Centre shares profit on a 50:50 basis with The Highland Council.  The attraction currently charges an Adult and Under 16 entry charge thus:   * Adult = £5 * Under 16 = £3 | It is proposed to increase the pricing per head by £1 to the following charges:   * Adult = £6 * Child = £4 | *Customer and visitors will be advised of the new pricing increase via posters and notices in and around the Inverness Castle Viewpoint.*  *Colleagues in THC will be advised of the price increase on the basis the ICV operates on a profit-share.* |
| Museums  Highland Folk Museum | Currently Highland Folk Museum operates on a donation model – as endorsed by an independent report by Ernst and Young in 2015 highlighting the potential benefits of an “aggressive donations strategy” at the location.  The donation model has remained in place since 2015 and has continued to develop and increase year-on-year.  The pricing review consider the options of introducing charges at HFM; however in doing so the following considerations would be required:   * Requires a minimum of 12-month lead in time to accommodate the requirements of tour operators for future bookings; * Will require a specific and substantial marketing campaign; * Level of infrastructure work required in order to secure the site | Proposal to maintain donations model for 2020/21 and undertake an updated independent review of status quo versus charging model during the next 12 months – to report back to the Board. | *There are no communications issues associated with this matter at this stage.* |
| Archives  Room hire and lets | Offering access to groups, clubs and organisations on a single-tier letting principle. | Proposal to rationalise the room hires/lets with the existing three-band pricing policy thus introducing increased levels of pricing charges depending on the group. What would have been the existing charge will also be increased by 5%. | *Customers will be advised using posters and notices on site in the Archive Centre.*  *Existing users will be informed in writing (email/post) and updated as to the fact that as of 1st April 2020 there will be a new three-tier pricing structure and advised of their ‘classification’. They will also be advised that any booking accepted beyond this point will be made at the appropriate ‘new’ charge for that band.* |
| Archives  Family History Research | The Archive services have been promoting their family history services through social media; presentations and talks to groups and organisations. Current charge = £30.  The pricing review identified that there was scope to increase the prices for all family history whilst still remaining competitive and attractive. | Proposal to increase all family history products/services by 10% | *Groups and organisations will be advised at the time of booking of the pricing structure.*  *Any pre-existing bookings will be honoured at the previously quoted price; and customers will be advised in writing (email/post) that the prices are being increased as of 1st April 2020.* |
| Sport and Outdoor  Activities | Outdoor Activities Service currently offers a number of activities. Many of these are undertaken on a donations model. However, some are chargeable to the customer (currently £39 for full day rate)  The pricing review identified the opportunity to increase the charges to remain competitive | Proposed to the adult full-day activity day-rate to £45 per person. The individual will also receive a 15% discount if they have a *high****life*** all-inclusive card. | *Customers will be advised of the pricing changes through online and social media advertising for the activities after 1st April 2020.* |
| Sport and Outdoor  School sessions | The Outdoor Activities Services offer a service to schools pupils looking to engage with the service. These sessions are currently charged at £200 for a class/group activity. | It is proposed to increase the charge to £230 per full day. | *As with other services – pre-existing bookings will be honoured. Schools and Organisations will be advised of ‘new’ pricing structure when it re-engages with the service.* |
| Sport and Outdoor  MIDAS Training | MIDAS Minibus training is offered both internally and externally to organisations (The Highland Council, NHS) and delivered by HLH staff. The member of staff delivering the training is one of very few in the Highlands and therefore offers a captive market.  The MIDAS training is currently offered at £100 per individual. | It is proposed to increase the per person charge to £120 | *Pre-agreed contracts will be honoured at the current pricing levels.*  *All new contracts and sessions and will be charged at the ‘new’ rate and customers/ clients will be advised in writing of the changes to the pricing structure through any future quotes/bookings.* |
| Rangers Service  School engagement | The Outdoor Activities Services offer a service to school pupils looking to engage with the service. These sessions are currently offered at no charge for a class/group activity. | In order to build consistency with other services in line with adopting a standardised pricing charge for school engagement group (i.e. recharged to THC) it is proposed to introduce a session charge of £30. | *Schools and Organisations will be advised of ‘new’ pricing structure when it re-engages with the service.* |
| Ranger Service  Ranger-for-hire | The Ranger Service offer individual members of staff to undertake private sessions for groups or organisations. There were previously charged at £26ph and only undertaken Mon-Fri.  The charge was set whereby no “enhanced” rates were offered to staff during weekend sessions – despite there being a consumer demand for the sessions to take place at that time. | Proposal is to have a “flat-rate” charging session whereby sessions can be operated seven days and charging £35ph regardless of whether the sessions is weekday or weekend. | *The pricing review information will be communicated to customers when the respective group/organisation/ individual seeks a quotation to engage with the ‘RFH Service’.*  *The new weekend sessions will be publicised – thus generating additional positive publicity for the Rangers’ service – as a side issue from the actual pricing increase aspect.* |
| Facilities  “School’s Out” Swimming Lessons | To date swimming lessons during the “School’s Out” (school summer holiday programme) have been completely free of charge to *high****life*** cardholders.  The pricing review identified that these were high demand lessons and therefore consumer demand was there to justify a charge being levied. | It is proposed that as of Easter Holiday “School’s Out” programme that *high****life*** cardholders will be charged £10 per block of lessons. (Price for PAYG customer = £25) | *The charges for school-holiday swimming lessons will be relayed through the PR and Advertising for the “School’s Out” programme. The advertising will take place online through the “School’s Out” website and through the wider HLH social media pages.* |