**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 24 February 2020 at 10.00 am.

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| **PRESENT** |  |
| Mr Michael Golding, DirectorMr Tom Heggie, DirectorMr Andrew Jarvie, DirectorMs Tracy Ligema, DirectorMr Duncan Macpherson, DirectorMrs Ella MacRae, DirectorMr Ian Ross, Director (by VC)Mr Mark Tate, Director | Mr Steve Walsh, Chief ExecutiveMr Douglas Wilby, Director of Sport and LeisureMr Neil Johnston, Finance Manager |

**Others Present:-**

Mr Ken Nicol, Board Director

**Officers In attendance:-**

Mr James Martin, Director of Corporate Services

Mr John West, Director of Culture and Learning

Mr Graham Cross, Commercial Manager

Mrs Jackie MacKenzie, Principal Business Support Manager

Ms Susan Menzies, Management Support Assistant

Miss Jane Maclennan, Company Secretary’s Office

**BUSINESS**

1. **Apologies for Absence**

There were no apologies for absence.

1. **Declarations of Interest**

There were no declarations of interest.

1. Appointment of Chair

Having been duly nominated and seconded, by Michael Golding and Ella MacRae respectively, the Committee **AGREED** to appoint Mark Tate as its Chair.

1. **Minutes of the Finance and Audit Committee of** **18 November 2019**

The minutes of the Finance and Audit Committee of 18 November 2019 had been circulated for information and were **NOTED**.

1. Matters Arising – Meeting of 18 November 2019

There had been circulated, for information, matters arising from the meeting of the Finance and Audit Committee held on 18 November2019.

The Committee **NOTED** the Matters Arising.

The Committee **AGREED** to take Item 10 at this juncture.

1. Strathpeffer Pavilion Business Case

There had been circulated Report No. HLH/FA/4/20 dated 11 February 2020 by the Chief Executive presenting the Business Case to compare the costs, risks and benefits of High Life Highland:-

1. withdrawing from Strathpeffer Pavilion transferring responsibility for the management and operation to Strathpeffer Pavilion Community Trust on 31 March 2020;

 against the option of:

1. maintaining the responsibility for the management and operation of Strathpeffer Pavilion to High Life Highland on 1 April 2020.

The background to Strathpeffer Pavilion and to HLH’s involvement was outlined. Since taking on the management and operation of the venue HLH had predominantly focused on the development of the location as a wedding, conference and events facility. Strathpeffer Pavilion Community Trust (SPCT) had been formed to purchase the venue from the Scottish Historic Buildings Trust but SPCT did not want to adopt the management and operation of the venue and had asked HLH to continue as a contracted operator. The terms of the draft 15-year Management Agreement was detailed to Directors who were also advised that there were formal break/review clauses built into the Agreement at 1, 5 and 10 years.

During discussion, the following points were made:-

* in response to a question, it was confirmed that it would not be necessary to update the Risk Register with any of the risk and mitigation measures;
* although HLH would retain all revenue generated at the venue and not pay any rent, the SPCT would be offered six free full facility lets each year for fundraising events and 12 room hire lets for Board meetings;
* there had been an increase in the number of weddings at the Pavilion since HLH took on its operation and the importance of further developing this business was recognised. It was hoped the additional resources being invested in marketing would help address this;
* there was significant community support for HLH’s continued involvement with the Pavilion and there was a danger that HLH’s reputation could be damaged if it decided to withdraw;
* SPCT would be responsible for capital works with HLH having responsibility for the day-to-day routine maintenance and it was expected HLH’s current arrangement with Highland Council in this regard would continue. Where possible local contractors would be used;
* an income projection over a period of 3 and 5 years would help inform any decision of enforcing a break clause;
* an issue of social media feedback was raised and addressed; and
* information was provided in relation to projected surpluses.

The Committee **AGREED** to retain the management and operation of Strathpeffer Pavilion to High Life Highland on 1 April 2020, entering into a fifteen-year agreement with the Strathpeffer Pavilion Community Trust to do this.

6. Finance Report

There had been circulated Report No HLH/FA/1/20 dated 17 February 2020 by the Chief Executive updating Directors on the financial performance of High Life Highland for Quarter 3 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 £64k negative variance to budget, with a projected year-end forecast of a negative variation to budget of circa £81k. The major variances were outlined together with assurances that senior management were implementing control measures including vacancy management and reducing discretionary spend. Directors were informed there had been no breaches of internal control or data breaches in the last quarter and Directors assured, in relation to the final outstanding audit recommendation from 2018/19, that a formal agreement would be in place by the end of the financial year documenting the Trading Company’s use of fixed assets belonging to the charity.

During discussion, the following points were made:-

* in response to a question, it was confirmed that the income received from Moray Leisure was accounted for in the figures;
* it was queried, and confirmed, that meetings were taking place with Highland Council officers in relation to the agreement whereby Highland Council would meet any shortfall in income resulting from the increase in the price for ***high****life* membership proposed by the Council in its 2019/20 budget. It was explained that the amount involved was negligible but the increase could also have had a negative effect on the growth of the scheme. In this regard, Directors were informed of the methodology used in collecting data from those cancelling subscriptions;
* in response to a question it was explained that the decrease in Pay as You Go leisure income was across the board;
* included in the Pay as You Go income was the concessionary 50p “Budget” entry fees;
* it was felt that the fitness equipment in Inverness Leisure was looking tired with the effect that some users were turning to other providers. In recognition on the need to continue to invest, a five-stage development plan was to be implemented. Support for this plan was forthcoming from sportscotland and developer contributions were also helping to fund this;
* discussion should take place with Council planning officers with a view to receiving further planning gain, bearing in mind the considerable housing development taking place around Inverness Leisure;
* discussions would also take place around recovery lost as a result of the unavailability of the pool in Aviemore and the delays encountered with works at Dingwall Leisure Centre;
* although savings were being made through vacancy management, it was important that this did not impact on the services provided; and
* there was merit in exploring with Highland Council if the current level of audit provision received from Highland Council as part of the Service Level Agreement was sufficient or if this needed to be uplifted, bearing in mind potential capacity and cost issues.

The Committee:-

1. **NOTED** the results for the period April to December 2019, detailed in Appendix A of the report, reported a negative variance to budget of £64K with the HLH year-end outturn forecast to be a negative variance to budget of circa £81K;
2. **NOTED** there had been no breach of internal controls reported in the past quarter;
3. **NOTED** there had been no data breaches reported in the last quarter;
4. **AGREED** both the rescheduling for 2020 Audit and the next three-year audit plan; and
5. ***AGREED*** *to explore if there was a need to increase the provision of audits with Highland Council.*
6. Risk Register Review

There had been circulated Report No HLH/FA/2/20 dated 6 February 2020 by the Chief Executive providing an update on High Life Highland’s Risk Register Review.

During discussion, the following points were made:-

* in relation to HLH22, a new Chief Executive had been appointed and the management team restructured and it was therefore suggested that the risk could now be reviewed downwards;
* in relation to HLH39, Service Delivery Fee from the Highland Council, it was questioned if this should be raised. However, information would be provided by the Chief Executive later in the meeting in relation to budget discussions which had taken place and which could therefore have a bearing on this;
* reflecting on the current concerns around the outbreak of the Coronavirus, High Life Highland should include a risk around external factors affecting HLH’s ability to operate. In regard to the Coronavirus itself Directors were informed that advice had been issued to facilities about how to minimise potential contamination; and
* there was still a lack of awareness of the good work of HLH and of its charitable status and it was important to address this.

The Committee:-

1. **NOTED** the review of the Risk Register; and
2. ***AGREED*** *to add a risk about external factors affecting HLH’s ability to operate.*
3. Project Register Update

There had been circulated Report No. HLH/FA/3/20 dated 11 February 2020 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:-

* when going out to tender in was important to be open and transparent with contractors as to the status of the project given the time and resources invested in preparing and submitting tenders;
* the proposed new post of Corporate Programme Manager would enable better coordination of the projects and for a new format of reporting to be developed proving greater detail, an example of which could be brought back to the next Finance and Audit Committee;
* it was hoped that improvements to the entrance at Inverness Leisure would speed up entry; and
* alternative payment methods such as American Express should be investigated.

 The Committee:-

1. **NOTED** the review of the Project Register; and
2. ***AGREED*** *that a revised format of the Project Register be brought back to the next Finance and Audit Committee.*

The Committee **AGREED** to take Item 7 at this juncture.

1. Budget Planning 2020/21

The Chief Executive gave a presentation on budget planning for financial year 2020/21 and the Pricing review currently underway. He detailed the movement in budget pressures since the Committee’s last meeting and how HLH intended to fill the gap. Highland Council would set its own budget on 5 March 2020 and this would then enable HLH to agree its budget at the Board meeting on 19 March 2020. Discussions with Highland Council had taken place and these had been constructive.

Turning to the Pricing Review, Directors were assured that any increase would be the responsibility of HLH. When considering an increase it was important to take cognisance of attrition rates and the potential effect it would have on families. A detailed review would take place but possible areas where additional income could be generated were outlined.

During discussion, the following points were made:-

* the potential income from the introduction of solar panels was suggested but it was explained this was a Council-led project;
* while assistance from the Council’s Change Fund was welcomed caution was expressed of the value of simply deferring a gap. However, others saw this as the Council’s recognition of the financial pressures faced by HLH and the need to ensure a sustainable future and growth;
* it was important to maximise leverage of funds wherever possible;
* in response to a question it was explained that the mobile library fleet was to reduce by one. However, this was in a relatively urban area where the impact would be minimised;
* it was important to highlight the additional benefits ***high****life* membership had;
* customers might be more tolerant of price increases if it was explained how their money was being used and that spend was not just confined to the Inverness area;
* in response to a question, it was felt that if HLH took over the running of the bar at events then this would make the holding of such events uneconomic to promoters;
* in response to a question, it was explained that any delay in introducing price increases would impact on HLH’s ability to achieve targeted savings;
* HLH’s positive relationship with Highland Council was welcomed and it was to HLH’s credit that it did not conduct budget negotiations through the media; and
* in recognising its importance, a communication plan should be included as part of the budget report to the Board.

The Committee:-

1. **NOTED** the position; and
2. ***AGREED*** *a communication plan form part of the Budget Report to the Board.*
3. Catering Strategy Update

A presentation was provided updating Directors on High Life Highland’s Catering Strategy during which the background to the development of catering within HLH was explained. Over the last 8 years the catering aspect had grown organically and it was therefore proposed to develop a vision which would involve bringing all catering in-house. This was in recognition that continued growth needed to be sustainable.

Directors welcomed the proposal, being of the view that this would enable HLH to offer a consistently high-quality product.

The Committee **NOTED** the position.

**AOCB**

The Chief Executive took the opportunity to inform Directors of a number of operational matters including the restructuring of his team, the development of marketing and communications and an on-going dispute with a contractor. In relation to the latter, it was hoped that an amicable arrangement would be arrived at, minimising disruption to customers and for HLH’s reputation to remain intact. Booklets containing customer comments had been provided by the contractor and were available for Directors. However, the Chief Executive expressed wellbeing concerns over what he considered to be harassment of HLH employees with constant out of hours e-mailing, over a sustained period from the Contractor. This has been raised with the Contractor and will be monitored by the Chief Executive personally.

At this juncture, Mr Tate reminded Directors that Mr Ross had been Chair of the Finance and Audit Committee and expressed his, and fellow Directors, appreciation.

The meeting ended at 12.35 pm