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

**FINANCE REPORT - Report by Chief Executive**

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| **Summary**  The purpose of this report is to update Directors on the financial performance of High Life Highland for the period ending 31January 2020 and other relevant matters.  It is recommended that Directors note:   1. the results for the period April 2019 to January 2020 detailed in **Appendix A** reports a negative variance to budget of £65K with the HLH year-end outturn forecast to be a negative variance to budget of circa £81K; 2. there has been no breach of internal controls reported in the past quarter; 3. there have been no data breaches reported in the last quarter; 4. approve the fixed asset agreement between the charity and the trading company attached in **Appendix E**; and 5. the award of contracts as detailed in **paragraph 7.1.** |

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| **1.**  1.1 | **Business Plan Contribution**  This report supports the highlighted Business Outcomes 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 | Directors of HLH receive a Finance Report on a quarterly basis. The primary purpose of the report is to summarise the financial performance of the charity and its subsidiaries. |
| **3.**  3.1  3.2 | **Financial Performance to 31 January 2020**  The results for the period to 31 January 2020 have been prepared. HLH’s consolidated financial performance for the period is summarised in **Appendix A**. The results for the period are further split by the nine business categories in **Appendix B** and by cost category (income, staff costs and other costs) at **Appendix C**.  The net position is a negative variance to budget of £65K, with a commentary on the major variances (over £5K) provided in **Appendix D**. The year-end forecast is negative variance to budget of circa £81K. This is an improvement of £39K on the Q2 outturn which was previously reported at £120K. |
| **4**.  4.1 | **Internal Controls**  There has been no breach of internal controls reported in the last quarter. |
| **5.** | **Data Breaches** |
| 5.1 | There have been no data breaches reported in the last quarter. One potential breach was checked with the Data Protection Officer who confirmed it was not reportable. |
| **6.** | **Financial Audit Recommendations 2018/19** |
| 6.1  6.2  **7.**  7.1 | The final outstanding audit recommendation from 2018/19 was for a formal agreement to be put in place documenting the trading company’s use of fixed assets belonging to the charity.  Directors are asked to approve the agreement between the charity and the trading company attached in **Appendix E**.  **Tenders Approved/Contracts Awarded**   |  |  |  | | --- | --- | --- | | Joint award  Sally Purdy Creativity in Care | Adult Learning Activities | Jan 20-Jan 24 | | Fitness Training Scotland | Exercise Referral Instructor Training | Feb 20-Feb 23 | |
| **8.** | **Implications** |
| 8.1 | Resource Implications – there are no new resource implications associated with the recommendations of this report. |
| 8.2 | Legal Implications – there are no new legal implications associated with the recommendations of this report. |
| 8.3 | Equality Implications – there are no new equality implications associated with the recommendations of this report. |
| 8.4 | Risk Implications – there are no new risk implications associated with the recommendations of this report. |
| **Recommendation**  It is recommended that Directors note:   1. the results for the period April 2019 to January 2020 detailed in **Appendix A** reports a negative variance to budget of £65K with the HLH year-end outturn forecast to be a negative variance to budget of circa £81K; 2. there has been no breach of internal controls reported in the past quarter; 3. there have been no data breaches reported in the last quarter; 4. approve the fixed asset agreement between the charity and the trading company attached in **Appendix E**; and 5. the award of contracts as detailed in **paragraph 7.1**. | |

Designation: Chief Executive

Date: 7 March 2020

**Consolidated 2019/20: April 2019 to January 2020**  **APPENDIX A**

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| --- | --- | --- | --- | --- |
|  | **Annual Budget** | **Budget (YTD)** | **Actuals YTD** | **Variance (YTD)** |
| Income | 31,692,491 | 22,957,547 | 22,850,893 | (106,654) |
| Other Costs | (7,780,843) | (4,422,556) | (4,431,283) | (8,727) |
| Staff Costs | (23,911,648) | (20,135,573) | (20,085,294) | 50,279 |
| **Grand Total** | **0** | **(1,600,582)** | **(1,665,684)** | **(65,102)** |

**Variance by Sector APPENDIX B**

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| --- | --- | --- | --- | --- |
|  | **Annual Budget** | **Budget (YTD)** | **Actuals YTD** | **Variance (YTD)** |
| Adult | (655,339) | (517,248) | (488,335) | 28,913 |
| Archives | (592,837) | (501,532) | (502,259) | (727) |
| Arts | (289,762) | (243,286) | (253,202) | (9,916) |
| Facilities | (1,625,560) | (1,824,662) | (2,004,136) | (179,474) |
| Libraries | (3,508,236) | (2,870,125) | (2,806,298) | 63,827 |
| Management | (2,756,334) | (2,201,591) | (2,197,724) | 3,867 |
| Museums | (629,150) | (493,968) | (473,627) | 20,341 |
| Music Tuition | (1,361,930) | (1,253,700) | (1,255,095) | (1,395) |
| Outdoor | (532,234) | (408,006) | (396,065) | 11,941 |
| SLA | 14,046,813 | 10,329,175 | 10,329,175 | 0 |
| Sports | (555,169) | (328,030) | (315,988) | 12,042 |
| Youthwork | (1,540,262) | (1,287,609) | (1,302,130) | (14,521) |
| **Grand Total** | **0** | **(1,600,582)** | **(1,665,684)** | **(65,102)** |

**Variance by Category APPENDIX C**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Income** | | |  | **Staff Costs** | | |  | **Other Costs** | | |
|  |  | **Budget (YTD)** | **Variance (YTD)** | **%** |  | **Budget (YTD)** | **Variance (YTD)** | **%** |  | **Budget (YTD)** | **Variance (YTD)** | **%** |
| Adult |  | 28,394 | 20,798 | 73% |  | (501,869) | 6,158 | -1% |  | (43,773) | 1,957 | -4% |
| Archives |  | 252,902 | (8,127) | -3% |  | (704,509) | 8,043 | -1% |  | (49,925) | (643) | 1% |
| Arts |  | 15,041 | 5,665 | 38% |  | (205,804) | (1,071) | 1% |  | (52,523) | (14,510) | 28% |
| Facilities |  | 9,343,172 | (194,392) | -2% |  | (9,100,891) | 9,278 | 0% |  | (2,066,943) | 5,640 | 0% |
| Libraries |  | 82,896 | (12,408) | -15% |  | (2,343,785) | 58,975 | -3% |  | (609,236) | 17,260 | -3% |
| Management |  | 25,500 | 13,735 | 54% |  | (1,487,922) | 1,100 | 0% |  | (739,169) | (10,968) | 1% |
| Museums |  | 688,931 | 27,967 | 4% |  | (846,952) | (2,616) | 0% |  | (335,947) | (5,010) | 1% |
| Music Tuition |  | 787,017 | (483) | 0% |  | (1,871,557) | 10,978 | -1% |  | (169,160) | (11,890) | 7% |
| Outdoor |  | 135,445 | 16,588 | 12% |  | (447,837) | (3,991) | 1% |  | (95,614) | (656) | 1% |
| SLA |  | 10,352,175 | 0 | 0% |  |  |  |  |  | (23,000) | 0 | 0% |
| Sports |  | 1,141,794 | 18,443 | 2% |  | (1,355,234) | (26,180) | 2% |  | (114,590) | 19,779 | -17% |
| Youthwork |  | 104,280 | 5,560 | 5% |  | (1,269,213) | (10,395) | 1% |  | (122,676) | (9,686) | 8% |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Grand Total** |  | **22,957,547** | **(106,654)** | **0%** |  | **(20,135,573)** | **50,279** | **0%** |  | **(4,422,556)** | **(8,727)** | **0%** |

**Variances over £5,000 APPENDIX D**

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| --- | --- | --- |
| **Sector** | **Variance (£)** | **Note** |
| **Adult** | 28,913 | Positive variance largely due to income received for the provision of ESOL (English for Speakers of Other Languages) classes. |
| **Arts** | (9,916) | Additional expenditure on exhibits has resulted in a negative variance to budget. |
| **Facilities** | (179,474) | Pay as You Go leisure income has decreased significantly while growth in ***high****life* membership has slowed in the last year. |
| **Libraries** | 63,827 | Vacancy management plus a planned reduction in spending on the Libraries Resources Fund has contributed to reducing the projected year-end deficit. |
| **Museums** | 20,341 | Donations at the Highland Folk Museum have increased 6% on the previous year resulting in a positive variance to budget. |
| **Outdoor** | 11,941 | Income from outdoor activity courses including sea kayaking, yoga paddleboarding and bushcraft has been higher than budgeted. |
| **Sports** | 12,042 | A planned reduction in spend on equipment to reduce the projected year-end deficit in addition to higher than anticipated income from Summer Activities has been partially offset by increased Staff Costs due to sickness and maternity cover. |
| **Youthwork** | (14,521) | Negative variance due to Staff Costs being higher than budgeted due to sickness cover and expenditure pressures associated with the Highland Youth Parliament. |

**APPENDIX E**

**AGREEMENT**

between

**High Life Highland**

and

**High Life Highland (Trading) C.I.C**

**Use of High Life Highland Fixed Assets by High Life Highland (Trading) C.I.C**

The following fixed assets owned by High Life Highland and accounted for on its balance sheet shall be made available for use to High Life Highland (Trading) C.I.C for nil consideration:

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| --- | --- | --- |
| **Asset** | **Purchase Value (£)** | **Location** |
| Caterpod Catering Trailer | 14,733 | Inverness Leisure |
| Costa Coffee Machine | 9,800 | Inverness Leisure |
| Car Parking Machines | 15,155 | Ben Nevis Visitor Centre |

The costs of maintenance and repairs to these fixed assets shall be borne by High Life Highland (Trading) C.I.C.

**Signed for on behalf of High Life Highland:**

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Ian Ross, Chair

Date: …………………………………………………………………………….

**Signed for on behalf of High Life Highland (Trading) C.I.C:**

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David Finlayson, Chair

Date: ……………………………………………………………………………..