|  |  |
| --- | --- |
| HIGH LIFE HIGHLAND  REPORT TO BOARD OF DIRECTORS  31 March 2022 | AGENDA ITEM  REPORT No HLH/ /22 |

## **2022/23 BUDGET APPROVAL - Report by Chief Executive**

|  |
| --- |
| **Summary** This report provides Directors with a summary of the operating budget for 2022/23, together with details of planned savings measures and price increases.  It is recommended that Directors:   1. approve the operating budget for 2022/23 as summarised in **Appendix A**. 2. note the net pressure £1.575m and The Highland Council’s creation of a £1m earmarked reserve to provide additional financial support in 2022/23 in addition to the planned utilisation of HLH unrestricted reserves; 3. agree to the mitigations and efficiencies of £1.374m at **Appendix B**; and 4. agree to the recommended price increases in Section 4 of the report. |

|  |  |
| --- | --- |
| **1.** | **Business Plan Contribution** |
| 1.1 | This report supports all the Business Outcomes from the High Life Highland (HLH) Business Plan:   1. **Seek to continuously improve standards of health and safety.** 2. **Commit to the Scottish Government’s zero carbon targets and maintain the highest standards in environmental compliance.** 3. **Use research and market analysis to develop and improve services to meet customer needs.** 4. **Increase employee satisfaction, engagement and development to improve staff recruitment and retention.** 5. **Improve the financial sustainability of the company.** 6. **Value and strengthen the relationship with THC.** 7. **Develop and deliver the HLH Corporate Programme and seek to attract capital investment.** 8. **Use research and market analysis to develop and deliver proactive marketing and promotion of HLH and its services.** 9. **Initiate and implement an ICT digital transformation strategy across the charity.** 10. **Develop and strengthen relationships with customers, key stakeholders and partners.** 11. **Deliver targeted programmes which support and enhance the physical and mental health and wellbeing of the population and which contribute to the prevention agenda.** |
| **2.** | **Background** |
| 2.1  2.2  2.3  2.4 | This report confirms the detail of the Charity’s revenue budget for 2022/23 and provides a summary of the savings measures required to be implemented.  The net increase in funding from The Highland Council (THC) is £43,544 in accordance with the funding agreement between HLH and THC.  Losses in income are projected to continue into 2022/23 resulting in a net budget pressure of £1.575m, this is after HLH mitigation and efficiencies of £1.374m. In support, THC has created a £1m earmarked reserve to provide additional financial support as approved at the THC meeting on 3 March 2022.    In addition, HLH will utilise its own unrestricted reserves to meet the shortfall in income. |
| **3.**  3.1 | **Budget 2021/22 Approval**  **Appendix A** details the draft budget 2022/23 for approval. |
| 3.2  **4.**  4.1 | **Appendix B** details the savings and net pressure of £1.575m.  **Leisure Price Increases**  Monthly ***High****life* prices are currently £21.70 for an individual subscription and £32.60 for a family subscription. A proposed 5% increase (rounded up) would make them £22.80 and £34.30 per month. Benchmarking from Community Leisure UK indicates that this increase is in line with other similar organisations in Scotland and locally. The individual price would be lower than our nearest price competitor, which charges £22.99 per month for its basic membership (others are around £30). A 5% increase is considered reasonable because:   * Inflation has increased and the consequences of not making a small increase now could be felt longer-term if inflationary pressure dictates that prices have to increase significantly in future years; * Competitors’ offerings are narrower than the High Life Highland one; * the recent gym refurbishment in Inverness and planned improvements across the region will continue to improve the High Life Highland product; * Feedback from customer surveys has consistently and strongly indicated that the offer represents excellent value for money; and that the majority of customers would be prepared to pay more; and * The ***high****life* Budget Rate of 50p will retain the ‘social safety net’ that allows hard pressed families to enjoy HLH facilities. |
| **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. |
| **Recommendations** It is recommended that Directors:   1. approve the operating budget for 2022/23 as summarised in **Appendix A**. 2. note the net pressure £1.575m and The Highland Council’s creation of a £1M earmarked reserve to provide additional financial support in 2022/23 in addition to the planned utilisation of HLH unrestricted reserves; 3. agree to the mitigations and efficiencies of £1.374m at **Appendix B**; and 4. agree to the recommended price increases in Section 4 of the report. | |

Designation: Chief Executive

Date: 15 March 2022

Authors: Steve Walsh, Chief Executive

Neil Johnston, Head of Finance

**APPENDIX A**

**Draft Budget (2022/23)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Annual Budget (21/22)** | **Pressures from unfunded contract costs** | **Covid-related pressures** | **Operational Pressures** | **Mitigation** | **Efficiencies** | **Use of Reserves/THC Funding** | **Annual Budget (22/23)** |
| **Adult** | **648,849** | **29,747** |  |  | **(25,689)** |  |  | **652,907** |
| Income | (20,582) |  |  |  |  |  |  | (20,582) |
| Other Costs | 58,057 |  |  |  |  |  |  | 58,057 |
| Staff Costs | 611,374 | 29,747 |  |  | (25,689) |  |  | 615,432 |
| **Archives** | **606,267** | **26,783** |  |  | **(9,000)** |  |  | **624,050** |
| Income | (295,086) |  |  |  |  |  |  | (295,086) |
| Other Costs | 42,172 |  |  |  | (9,000) |  |  | 33,172 |
| Staff Costs | 859,181 | 26,783 |  |  |  |  |  | 885,964 |
| **Arts** | **277,730** | **7,313** |  |  |  | **(52,724)** |  | **232,319** |
| Income | (33,100) |  |  |  |  | 10,075 |  | (23,025) |
| Other Costs | 73,152 |  |  |  |  | (16,366) |  | 56,786 |
| Staff Costs | 237,678 | 7,313 |  |  |  | (46,433) |  | 198,558 |
| **Facilities** | **2,132,619** | **725,632** | **1,370,803** | **291,987** | **(640,000)** | **(325,667)** |  | **3,555,374** |
| Income | (11,822,553) | (30,346) | 1,370,803 | 64,000 |  | (325,667) |  | (10,743,763) |
| Other Costs | 2,276,863 | 6 |  | 227,987 |  |  |  | 2,504,856 |
| Staff Costs | 11,678,309 | 755,972 |  |  | (640,000) |  |  | 11,794,281 |
| **Libraries** | **3,478,577** | **142,687** |  |  | **(211,200)** | **(46,000)** |  | **3,364,064** |
| Income | (104,880) |  |  |  |  |  |  | (104,880) |
| Other Costs | 712,795 |  |  |  | (211,200) |  |  | 501,595 |
| Staff Costs | 2,870,662 | 142,687 |  |  |  | (46,000) |  | 2,967,349 |
| **Management** | **2,749,710** | **88,498** |  |  |  |  |  | **2,838,208** |
| Income | (306,238) | (270,205) |  |  |  |  |  | (576,443) |
| Other Costs | 846,508 | 13,000 |  |  |  |  |  | 859,508 |
| Staff Costs | 2,209,440 | 345,703 |  |  |  |  |  | 2,555,143 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Annual Budget (21/22)** | **Pressures from unfunded contract costs** | **Covid-related pressures** | **Operational Pressures** | **Mitigation** | **Efficiencies** | **Use of Reserves/THC Funding** | **Annual Budget (22/23)** |
| **Management Fee/HLH Reserves** | **(14,514,795)** | **(43,544)** |  |  |  |  | **(1,575,005)** | **(16,133,344)** |
| Income | (14,514,795) | (43,544) |  |  |  |  | (1,575,005) | (16,133,344) |
| **Museums** | **582,283** | **51,465** |  | **31,392** |  |  |  | **665,140** |
| Income | (914,605) |  |  | 161,000 |  |  |  | (753,605) |
| Other Costs | 381,046 |  |  | (37,380) |  |  |  | 343,666 |
| Staff Costs | 1,115,842 | 51,465 |  | (92,228) |  |  |  | 1,075,079 |
| **Music Tuition** | **1,411,521** | **58,271** |  |  | **(15,250)** |  |  | **1,454,542** |
| Income | (1,594,949) | (86,971) |  |  |  |  |  | (1,681,920) |
| Other Costs | 384,734 |  |  |  | (15,250) |  |  | 369,484 |
| Staff Costs | 2,621,736 | 145,242 |  |  |  |  |  | 2,766,978 |
| **Outdoor** | **411,281** | **34,357** |  |  |  |  |  | **445,638** |
| Income | (422,717) |  |  |  |  |  |  | (422,717) |
| Other Costs | 157,015 |  |  |  |  |  |  | 157,015 |
| Staff Costs | 676,983 | 34,357 |  |  |  |  |  | 711,340 |
| **Sports** | **556,582** | **61,425** |  |  |  |  |  | **618,007** |
| Income | (1,105,662) |  |  |  |  |  |  | (1,105,662) |
| Other Costs | 109,668 |  |  |  |  |  |  | 109,668 |
| Staff Costs | 1,552,576 | 61,425 |  |  |  |  |  | 1,614,001 |
| **Youthwork** | **1,659,376** | **72,624** |  |  | **(48,905)** |  |  | **1,683,095** |
| Income | (58,492) |  |  |  |  |  |  | (58,492) |
| Other Costs | 100,487 |  |  |  |  |  |  | 100,487 |
| Staff Costs | 1,617,381 | 72,624 |  |  | (48,905) |  |  | 1,641,100 |
| **Surplus/(Deficit)** | **0** | **1,255,258** | **1,370,803** | **323,379** | **(950,044)** | **(424,391)** | **(1,575,005)** | **0** |

**PRESSURES AND SAVINGS APPENDIX B**

|  |  |
| --- | --- |
| **Pressures from unfunded contract costs** | **(£)** |
| Service Fee Increase (0.3%) | (43,544) |
| Additional 21/22 Pay Award | 362,142 |
| 22/23 Pay Award (3%) | 791,501 |
| Additional National Insurance | 145,159 |
| **Total** | **1,255,258** |
|  |  |
| **Covid-related pressures** | **(£)** |
| Loss of ***High****life* Income | 778,000 |
| Loss of Other Income (Leisure) | 592,803 |
| **Total** | **1,370,803** |
|  |  |
| **Operational Pressures** | **(£)** |
| Business Critical Operational Costs | 227,987 |
| Castle Viewpoint Loss of Income | 31,392 |
| Macdonald Aviemore Resort Swimming Pool | 64,000 |
| **Total** | **323,379** |
|  |  |
| **Total Pressure** | **2,949,440** |
|  |  |
| **Mitigation** | **(£)** |
| Staff Costs (reduced opening hours - Leisure) | 640,000 |
| Libraries Resource Fund | 211,200 |
| Musical Equipment & Repairs | 15,250 |
| Youthwork Sessional Budget | 48,905 |
| Adult Sessional Budget | 25,689 |
| Archives Operating Costs | 9,000 |
| **Total** | **950,044** |
|  |  |
| **Efficiencies** | **(£)** |
| Creative Learning Post | 52,724 |
| Increased Catering Income | 53,667 |
| Senior Network Librarian | 26,000 |
| Leisure Price Increases | 65,000 |
| ***High****life* price increase | 207,000 |
| Libraries Staff Costs | 20,000 |
| **Total** | **424,391** |
|  |  |
| **Total Mitigation & Efficiencies** | **1,374,435** |
|  |  |
| **Net Pressure** | **1,575,005** |