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| **HIGH LIFE HIGHLAND**  **REPORT TO BOARD OF DIRECTORS**  **26 MARCH 2024** | AGENDA ITEM  REPORT No HLH/ /24 |

**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 Q3 2023/24 and other relevant matters.  It is recommended that Directors note:   1. the results for the period to December 2023 detailed in **Appendix A** reports a net deficit of £1.37m; 2. the draft year-end outturn of a net deficit of £60k; 3. the financial support from The Highland Council and the projected level of unrestricted reserves; 4. no breaches of internal controls have been reported in the past quarter; 5. the update on the manual pay cheque issue; 6. no data breaches reportable to the Information Commissioner have been reported in the past quarter; 7. the implementation of Pay Modelling; 8. the award of contracts at paragraph 8.1; 9. agree the suggested amendment to the Scheme of Delegation; and 10. the update on Fraud Prevention training and policy review. |

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| **1.**  1.1 | **Business Plan Contribution**  High Life Highland’s (HLH) purpose is Making Life Better. The HLH Business Plan contains eleven Business Outcomes which support the delivery of this purpose, and this report supports the following highlighted Business Outcomes from the 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 | Directors receive regular reports detailing the financial performance of the charity and its trading company. |
| **3.** | **Financial Performance for Quarter 3 2023/24** |
| 3.1  3.2  3.3  3.4 | The results for the period to December 2023 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 9 business categories in **Appendix B** and by cost category (income, staff costs and other costs) at **Appendix C**. Commentary on the performance of each service is provided in **Appendix D**.    The net position for the 9 months to the end of December is a deficit of £1.37m with a projected year end deficit of £60k. The forecasted year-end deficit has improved by £450k since the half-year forecast due to a better than expected income outturn and further savings in staff costs through vacancy management.  Income is projected to be largely on target with a forecast negative variance of £74k (0.2%). *high****life*** income for the month of December was £584k from 18,581 subscriptions with monthly predicted revenue of £612k in March.  The outturn for Staff Costs is forecast to be £89k over budget (0.3% negative variance) with the additional pressure of the above budget pay award mitigated by substantial savings through vacancy management across all services. Whilst the savings have contributed significantly to a projected break-even position at the year end, this has impacted on service delivery and income generation in some areas. |
| 3.5 | A saving of £104k in Other Costs is projected at the year end (2% positive variance) including gym equipment savings in Leisure Facilities. |
| 4.  4.1 | **HLH Reserves and The Highland Council Financial Support**  Included within the current year’s revenue budget is a pledge of additional financial support of up to £3m from The Highland Council. As in the previous financial year, it is anticipated that The Highland Council will ask HLH to expend its existing Unrestricted Reserves to reduce the amount of financial support required therefore leaving HLH with zero reserves at the year end. A summary of projected reserves is detailed in the table below:   |  |  |  |  | | --- | --- | --- | --- | |  | **1st April 2023 (£,000)** | **Year-End Deficit (£,000)** | **31st March 2024 (£,000)** | | Unrestricted | 195 | (195) | 0 | | Designated - Inverness Leisure Capital Works | 140 |  | 140 | | Designated - Pay Modelling Backpay | 300 |  | 300 | | **Total** | **635** | **(195)** | **440** | |
| **5.** | **Internal Controls** |
| 5.1 | There have been no breaches of internal control in this quarter. |
| 5.2 | Directors will recall the audit issue raised by our external auditors at the Board Meeting of 31 August regarding the issue of manual pay cheques where just over 200 of our employees were being paid by manual cheque due to a bank mandate not being submitted. |
| 5.2.1 | A list of the employees has been provided by The Highland Council’s Payroll Section and work is now underway to move all of these employees to e-payments and ensure all new employees are set up this way. |
| **6.**  6.1 | **Data Breaches**  There have been no data breaches reportable to the Information Commissioner in the last quarter. |
| **7.** | **Pay Modelling** |
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| 7.1  7.2 | At the 14 March 2023 Board meeting, Directors approved the creation of a £300k designated reserve to fund two years backpay following the introduction of a CoSLA-negotiated revised pay scale providing pay progression for employees currently earning the Living Wage.    Following consultation with The Highland Council’s Payroll Section and testing, the implementation of the new pay scale with backpay to 1 April 2023 took place on 28 February 2024. The detail of further backpay will be the subject of negotiation with the unions. |
| **8.** | **Fraud Prevention Training** |
| 8.1 | Following a request at the November Finance and Audit Committee meeting to cascade iHASCO fraud prevention training, courses were allocated to budget holders at the end of January requesting completion by March 2024. |
| 8.2 | HLH’s Anti Bribery policy has also been reviewed in line with the schedule and is fit for purpose with no amendments required at this time. |
| **9.** | **Tenders Approved/Contracts Awarded** |
| 9.1 | Following consideration by the Chair and Vice Chair, the Chair of Finance and Audit in conjunction with the Chief Executive, Mares SpA (Zoggs) were awarded the contract for Retail sales goods for the period March 2024 to March 2027. The following contracts have also been awarded: |
|  | |  |  |  |  | | --- | --- | --- | --- | | Own Company Label Scotland Ltd | Inverness Castle – Own Brand Whisky Label | Nov 23-Sep 25 | £25k | | Spider Entertainment Services Ltd | Inverness Castle – Operations Management Partner | Nov 23-Sep 25 | £178k | |
| 9.2 | The December 2023 HLH Board meeting asked for a review of the Scheme of Delegation, to consider the inclusion of a policy for approving tenders when the need falls between Board meetings. |
| 9.2.1 | The revised Scheme of Delegation is attached at **Appendix E.** Paragraph 1.5.1 (iii) now includes an addition to allow the delegation of authority to a minimum of two of the three office bearers (Chair/Vice Chair of the HLH Board, Chair of the Finance and Audit Committee) in conjunction with the Chief Executive to approve tenders when the need falls between Board meetings. The Scheme of Delegation has been reviewed in line with the schedule with no other changes required at this time. |
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| **10.** | **Implications** |
| 10.1 | Risk Implications – there are no new risk implications associated with the recommendations of this report. |
| 10.2 | Equality Implications – there are no new equality implications associated with the recommendations of this report. |
| 10.3 | Legal Implications – there are no new legal implications associated with the recommendations of this report. |
| 10.4 | Resource Implications – there are no new resource implications associated with the recommendations of this report. |
| **Recommendation**  It is recommended that Directors note:   1. the results for the period to December 2023 detailed in Appendix A reports a net deficit of £1.37m; 2. the draft year-end outturn of a net deficit of £60k; 3. the financial support from The Highland Council and the projected level of unrestricted reserves; 4. no breaches of internal controls have been reported in the past quarter; 5. the update on the manual pay cheque issue; 6. no data breaches reportable to the Information Commission have been reported in the past quarter; 7. the implementation of Pay Modelling; 8. the award of contracts at paragraph 8.1; 9. agree the suggested amendment to the Scheme of Delegation; and 10. the update on Fraud Prevention training and policy review. | |

Designation: Chief Executive

Date 7 March 2024

Author: Neil Johnston, Head of Finance

**Consolidated 2023/24: April to December APPENDIX A**

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|  | **Budget** | **Actual (YTD)** | **Forecast (Year end )** | **Variance (Year End)** |
| Income | 34,256,743 | 23,785,041 | 34,182,312 | (74,431) |
| Staff Costs | (28,547,397) | (21,107,716) | (28,635,873) | (88,476) |
| Other Costs | (5,709,346) | (4,047,984) | (5,605,715) | 103,631 |
| **Surplus/(Deficit)** | **0** | **(1,370,659)** | **(59,276)** | **(59,276)** |

**Variance by Sector APPENDIX B**

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| --- | --- | --- | --- | --- |
|  | **Budget** | **Actuals YTD** | **Forecast (Year end )** | **Variance (Year End)** |
| Adult | (691,777) | (503,168) | (673,687) | 18,090 |
| Archives | (750,110) | (533,506) | (709,819) | 40,291 |
| Facilities | (4,076,766) | (2,969,708) | (4,367,709) | (290,943) |
| Libraries | (3,688,777) | (2,499,462) | (3,508,506) | 180,271 |
| Management | (3,056,658) | (2,155,276) | (3,083,887) | (27,229) |
| Museums & Galleries | (1,005,684) | (725,252) | (997,875) | 7,809 |
| Music Tuition | (1,664,832) | (2,203,309) | (1,668,781) | (3,949) |
| Rangers | (465,589) | (348,354) | (496,516) | (30,927) |
| Service Fee | 14,887,087 | 12,055,005 | 14,887,087 | 0 |
| HC Financial Support | 3,000,000 | 0 | 3,000,000 | 0 |
| Sports | (637,596) | (192,905) | (685,301) | (47,705) |
| Youthwork | (1,849,298) | (1,294,724) | (1,754,282) | 95,016 |
| **Surplus/(Deficit)** | **0** | **(1,370,659)** | **(59,276)** | **(59,276)** |

**Variance by Category APPENDIX C**



**Commentary by Service APPENDIX D**

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|  | **Variance (Year End)** | **Notes** |
| Adult | 18,090 | Savings in Other Costs including Thematic Projects and Travel, above budget pay award mitigated through vacancy management. 24/25 Budget includes provision for cost of 23/24 pay award. |
| Archives | 40,291 | Above budget pay award mitigated through vacancy management including maternity leave. Income target for room hire unachievable following reduction in lets and lower than anticipated conservation income. 24/25 Budget includes provision for cost of 23/24 pay award. |
| Facilities | (290,943) | Projected to achieve 99% of income target at year end. Staffing Costs projected to be over budget due to the above inflation pay award partly mitigated through vacancy management and savings in Other Costs. 24/25 Budget includes provision for cost of 23/24 pay award. |
| Libraries | 180,271 | Positive projected variance to budget due to significant savings in Staff Costs through vacancy management. 24/25 Budget includes provision for cost of 23/24 pay award. |
| Management | (27,229) | Above budget pay award mitigated through vacancies in Business Support, Marketing, ICT and Human Resources, partially offset Other Costs pressure including £35k increase in insurance premium. 24/25 Budget includes provision for cost of 23/24 pay award and increase in Other Costs. |
| Museums & Galleries | 7,809 | Income on target, additional staff costs due to above budget pay award mitigated by savings through vacancy management and Other Costs. 24/25 Budget includes provision for cost of 23/24 pay award. |
| Music Tuition | (3,949) | Projected overspend in Staff Costs due to above budget pay award mitigated by vacancy management savings and savings in equipment purchase and repairs. 24/25 Budget includes provision for cost of 23/24 pay award. |
| Rangers | (30,927) | Pressure from above budget pay award partly mitigated through savings in Other Costs. Negative income variance due to lower than anticipated bunkhouse revenue with Management working to improve uptake in the new financial year. 24/25 Budget includes provision for cost of 23/24 pay award. |
| Service Fee | 0 | On budget |
| HC Financial Support | 0 | On budget |
| Sports | (47,705) | Income projected to be above budget due to additional income from Summer Activities and Coaching partially mitigating projected overspend in staffing costs due to above budget pay award. 24/25 Budget includes provision for cost of 23/24 pay award |
| Youthwork | 95,016 | Projected positive variance to budget due to savings in auxiliary staff costs and Other Costs. Management working to ensure auxiliary staffing budgets for sessional work are fully utilised in the new financial year. |
| **Surplus/(Deficit)** | **(59,276)** |  |

**HIGH LIFE HIGHLAND APPENDIX E**

**SCHEDULE OF MATTERS RESERVED TO THE BOARD AND SCHEME OF DELEGATION TO OFFICERS (Reviewed HLH Board February 2022) –Procurement approval requirements updated February 2024.**

**Introduction**

This document sets out the powers reserved to the Board of High Life Highland and the powers which may be delegated to the Chief Executive and it should be referred to as the “Scheme of Delegation”.

It should be noted that the Board of High Life Highland remains accountable for all its functions, even those delegated to the Chief Executive, and would therefore expect to receive information about the exercise of delegated functions to enable it to maintain a monitoring role.

The Board will review the effectiveness of the Scheme every two years and make amendments as required.

**Role of the Chief Executive**

The Chief Executive is the accountable officer of High Life Highland and is responsible and accountable to the Board for discharging the functions specified in the Service Delivery Contract.

The Chief Executive has authority over all other employees so far as is necessary for efficient management and for carrying out High Life Highland’s functions.

In discharging the functions of High Life Highland the Chief Executive may use whatever means considered appropriate. He/she must act within the law, the Financial Regulations and any Code of Practice adopted by the Board from time to time and have regard to the approved Business Plan and Service Delivery Contract with The Highland Council.

**The Scheme of Delegation**

1. **Matters reserved for Board approval**
   1. **Governance** 
      1. The following matters are reserved to the Board:-
2. Appointment of the Chair and Vice Chair
3. Appointment of Solicitors for High Life Highland
4. Appointment of the Company Secretary
5. Review and approval of Standing Orders and the Scheme of Delegation
6. Approval of arrangements for dealing with complaints
7. Approval of all High Life Highland Policies
8. Approval of the timetable for Policy Review
9. Approval of the Freedom of Information Publication Scheme
10. Approval of the organisation’s response to public consultations
11. Approval for proposals on litigation against or on behalf of High Life Highland that risk the reputation or financial vitality of High Life Highland
12. Establishment and dissolution of committees with the exception of those detailed in the Memorandum and Articles of Association
13. Approval of procedures for the evaluation of the effectiveness of the Board
14. Review of the Register of Interests for Directors and staff
15. Approval of the Directors and staff Code of Conduct and Guidance for the acceptance of Gifts and Hospitality
    * 1. The Chief Executive is responsible for all other governance matters (with the exception of 1.1.3), specifically:-
16. Acting as the Board’s accountable officer
17. Implementation of the governance schemes and policies as agreed by the Board and review as per agreed timetable.
18. Managing High Life Highland’s operational buildings
19. Undertaking the review of internal controls and publication of a governance statement
20. Ensuring that the performance of High Life Highland across The Highland Council area in relation to agreed standards is reported appropriately
21. Approval of proposals for action on litigation against or on behalf of High Life Highland and informing the Board at the earliest opportunity.
    * 1. The Company Secretary is responsible for governance matters, as follows:-
22. Recording and reporting on the Board’s governance arrangements
23. To ensure proper governance documentation are in place e.g Register of Interests
24. To ensure the Company complies with required standards of corporate governance and can demonstrate open and transparent decision making and to advise the Board on such matters
25. To ensure all appropriate returns are made to Companies House
26. To ensure proper administrative arrangements are in place to record meetings of the Board and Committees as detailed in the Memorandum and Articles of Association.
    1. **Strategy, plans and budgets** 
       1. The following matters are reserved to the Board:-
27. Definition of the Company’s vision, mission, aims and objectives
28. Ownership of the Business Plan
29. Approval of the annual revenue and capital budget
30. Monitoring of performance and budget and strategic priorities
31. Approval of the organisation’s policies and procedures for the management of risk
32. Approval of business cases requiring additional revenue and/or capital resources above approved budgets
    * 1. The Chief Executive is responsible for all other strategy, planning and budgeting matters, specifically:-
33. Preparation of the annual budget and controlling income and expenditure
34. Ensuring appropriate systems are in operation for planning, monitoring, evaluating and reviewing performance for all service areas
35. Preparation and effective and efficient delivery of the Business Plan
36. Advising the Board on strategic issues
37. Undertaking a review of risks and maintenance of the risk register
38. Making long term assessments of resources, needs and commitments and to co-ordinate advice on forward planning
39. Advising the Board on general policy and to ensure that all proposals are consistent with policy
40. Ensuring that the Board’s policies and programmes are implemented, both at an area wide and local level
41. Acting as a policy advisor to The Highland Council on matters relevant to the work of High Life Highland
    1. **Staffing** 
       1. The following matters are reserved to the Board:-
42. Appointment, appraisal and dismissal of the Chief Executive, where applicable
43. Approval of all High Life Highland Policies.
44. Approval of any organisation restructuring which involves any voluntary or compulsory redundancy
    * 1. The Chief Executive is responsible for all other staffing matters, specifically:-
45. The engaging and deployment of all staff in accordance with the appointments procedure provided that there is no increase in agreed staffing levels unless contained within agreed budgets
46. Managing High Life Highland’s staff effectively having regard to statutory responsibilities including Health and Safety
47. Implementation of the policies and procedures as agreed by the Board
48. Organisational restructuring which does not involve voluntary or compulsory redundancy
49. Setting of terms and conditions of employment
    1. **Financial arrangements** 
       1. The following matters are reserved to the Board:-
50. Approval of the appointment of a banker
51. Approval of the writing-off of any debt in excess of £5K
52. Approval of outline and final business case for capital investment
53. Approval of all High Life Highland Policies
54. Approval of the Financial Regulations and Contract Standing Orders
55. Any other matter that is of significant financial or reputational risk to the Board or any material issue of principle
    * 1. The Chief Executive is responsible for all other financial matters, specifically:-
56. Authorisation of cheques and transfers in accordance with Board approved bank Mandates as updated from time to time
57. Ensuring that financial management conforms to the Company’s Financial Regulations and Contract Standing Orders
58. Implementation of the credit control policy
59. Maintenance of petty cash funds
60. Collection of income and payment of expenditure
61. Implementation of the policies and procedures as agreed by the Board
62. Ensuring steps are taken to safeguard assets of the organisation
63. Ensuring that capital expenditure is planned and monitored continually so that High Life Highland’s plans are actioned, including the prompt implementation of associated revenue elements
64. Ensuring expenditure is planned and monitored continually so that it is within approved estimates and meeting the outcome of the Business Plan
    1. **Procurement**
       1. The following matters are reserved to the Board:-
65. Approval of all High Life Highland Policy
66. Approval of any award of a contract/tender *which exceeds* the UK Find a Tender level (currently £189,330 over a four year period)
67. In the case of a need to approve any award of a contract/tender *which exceeds* the UK Find a Tender level (currently £189,330 over a four year period) **outwith** the Board meeting schedule, approval is delegated to a minimum of two office bearers (i.e. Chair, Vice Chair of the Board, Chair of the Finance and Audit Committee) in conjunction with the Chief Executive.
    * 1. The Chief Executive is responsible for all other purchasing matters, specifically:-
68. Approval of any award of a contract/tender *up to* the UK Find a Tender level (currently £189,330 over a four year period)
69. Authorising contracts/appointments which have been approved by the Board
70. Implementation of the policy and procedures agreed by the Board.
    * 1. In the case of a tender approved by the Chief Executive in excess of £25K and which was not the lowest priced tender received, a report on the selection process should be made to the Board.
    1. **Income generation**
       1. The following matters are reserved to the Board
71. Approval of all capital fund raising and associated income generation programmes
    * 1. The Chief Executive is responsible for all other income generation matters, specifically:-
72. Generating income growth opportunities for High Life Highland, presenting such proposals to the Board where there may be an associated financial or reputational risk to the company
    1. **Auditing and reporting** 
       1. The following matters are reserved to the Board
73. Approval of the annual report and audited financial statements
74. Appointment of internal auditor
75. Approval of the terms of reference and membership of the Finance and Audit Committee
    * 1. The Chief Executive is responsible for all other auditing and reporting matters, specifically:-
76. All responsibilities required of the accountable officer
77. Preparation of the annual report and financial statements
78. Preparation of the annual governance statement
    1. **Management of properties new to HLH or the return of property to owner** 
       1. The following matters are reserved to the Board:-
79. Approval of the commencement of management or acquisition of property in the ownership of bodies other than The Highland Council
80. The ceasing of management or disposal of property, approval of revised staffing arrangements and return of property to owners
    * 1. The Chief Executive is responsible for all other property matters, specifically:-
81. Approval of the commencement of management of property in the ownership of The Highland Council with the transfer of property being reported to the Board for information
82. The ceasing of management of property, approval of revised staffing arrangements and return of property to The Highland Council
83. **Delegation of authority**
    1. In addition, the following matters are delegated to the Board’s Committees, each of which will report to the Board:-
84. The Finance and Audit Committee is responsible for those issues outlined in Articles 111-113 of the Memorandum and Articles of Association
85. The Nominations Committee is responsible for those issues outlined in Articles 114-117 of the Memorandum and Articles of Association
86. The Chief Executive’s Performance Review Committee is responsible for (a) agreeing the annual performance objectives and targets for the Chief Executive; (b) agreeing an annual Personal Development Plan with the Chief Executive; (c) reviewing performance against the agreed objectives and targets with the Chief Executive, at least twice a year; and (d) considering if the Board should use an external independent facilitator to establish a performance management scheme in future.
    1. The Chief Executive is not restricted from exercising his/her own delegation to his/her staff for any matter for which he/she is responsible. However, action taken under that authority must be taken in the name of the Chief Executive as relevant in that particular case and remains his/her responsibility.
    2. The Chief Executive is accountable for the actions of all officers and volunteers taken on to assist the Company in meeting its aims and objectives.
87. **Emergency/Urgent decisions**

**3.1** The Chief Executive is empowered to take emergency/urgent action on behalf of the Board in matters which would normally have been considered by the Board itself but where no meeting of the Board is available for that purpose. On all such occasions, he/she shall consult first with the Chair, or in his/her absence the Vice Chair, before taking action and shall seek endorsement of the action at the next Board meeting whilst in the meantime also reporting the action to Directors as quickly as practically possible