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

## **2024/25 BUDGET APPROVAL - Report by Chief Executive**

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| **Recommendation** This report provides Directors with a summary of the operating budget for 2024/25, together with details of planned savings measures and price increases.  It is recommended that Directors:   1. approve the operating budget for 2024/25 as summarised in [**Appendix A**](https://www.hlhinfo.com/userfiles/file/Board/Meetings/Board_Meetings/2024/28032024/APPENDIX-A-ITEM-8.docx); 2. note the net pressure of £2.764m and The Highland Council’s proposed financial support of £2.764m plus £573k funding for the 2024/25 pay award; 3. agree to the income and efficiencies at [**Appendix B**](https://www.hlhinfo.com/userfiles/file/Board/Meetings/Board_Meetings/2024/28032024/APPENDIX-B-ITEM-8.docx); and 4. approve the recommended price increases in Section 4 of the report. |

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| **1.** | **Business Plan Contribution** |
| 1.1 | 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 all of the outcomes in 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.**  2.1 | **Background**  This report confirms the detail of the Charity’s revenue budget for 2024/25 and provides a summary of the savings measures required to be implemented. |
| 2.2  2.3 | Following discussions between senior officers of High Life Highland and the Highland Council (THC), THC have agreed to fund the 2024/25 pay award in line with the pre 2017 contractual arrangement. This increases the Service Fee by £573k based on a 3% uplift, a higher than anticipated pay award would be subject to further negotiation. Further work is currently underway in formalising this agreement into a permanent amendment to the Service Delivery Contract.  Inflationary increases in wages and other operating costs in conjunction with slower than anticipated recovery of income in a challenging economic environment has resulted in a net budget pressure of £2.764m for 2024/25; this is after HLH income and efficiencies of £2.174m. In support, THC has proposed additional one-off financial support of £2.764m. |
| **3.**  3.1 | **Budget 2024/25 Approval**  [**Appendix A**](https://www.hlhinfo.com/userfiles/file/Board/Meetings/Board_Meetings/2024/28032024/APPENDIX-A-ITEM-8.docx) details the draft budget 2024/25 for approval. |
| 3.2  **4.**  4.1  4.2 | **[Appendix B](https://www.hlhinfo.com/userfiles/file/Board/Meetings/Board_Meetings/2024/28032024/APPENDIX-B-ITEM-8.docx)** details the savings and net pressure of £2.764m.  **Price Increases**  Monthly *high****life***prices are currently £24.85 for an individual subscription and £37.40 for a family subscription. A proposed 6.95% increase would increase prices to £26.60 and £39.99 respectively.  The table below details planning assumptions including growth and projected attrition rates for a 6.95% price increase. Growth rates are conservative given the continuing impact of inflation with attrition rates based on experience of previous price increases. The proposed price increase would generate an additional £901k in revenue with total projected income of £7.987m for the year.   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Month** | **Projected Subcriptions** | **Monthly Gain/Loss** | **% Change** | **Projected Income (£)** | | April | 19,592 | 23 | 0.12% | 655,605 | | May | 19,552 | (40) | -0.20% | 654,294 | | June | 19,513 | (39) | -0.20% | 652,986 | | July | 19,562 | 49 | 0.25% | 654,618 | | August | 19,719 | 157 | 0.80% | 659,855 | | September | 19,433 | (286) | -1.45% | 650,287 | | October | 19,730 | 297 | 1.53% | 660,237 | | November | 19,769 | 39 | 0.20% | 661,557 | | December | 19,680 | (89) | -0.45% | 658,580 | | January | 20,359 | 679 | 3.45% | 681,301 | | February | 20,750 | 391 | 1.92% | 694,382 | | March | 21,006 | 256 | 1.23% | 702,923 | | **Total** |  | **1,437** |  | **7,986,625** | |
| 4.3 | Having considered the pricing report detailed at [**Appendix C**](https://www.hlhinfo.com/userfiles/file/Board/Meetings/Board_Meetings/2024/28032024/F-Item-8C-Budget-Approval-Pricing-App-C.docx)**,** members of the Finance and Audit Committee agreed at the 12 February 2024 meeting to recommend approval of the proposed increases to the HLH Board on 26 March 2024 as part of the 2024/25 Budget approval. |
| **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 2024/25 as summarised in [**Appendix A**](https://www.hlhinfo.com/userfiles/file/Board/Meetings/Board_Meetings/2024/28032024/APPENDIX-A-ITEM-8.docx); 2. note the net pressure of £2.764m and The Highland Council’s proposed financial support of £2.764m plus £573k funding for the 2024/25 pay award; 3. agree to the income and efficiencies at [**Appendix B**](https://www.hlhinfo.com/userfiles/file/Board/Meetings/Board_Meetings/2024/28032024/APPENDIX-B-ITEM-8.docx); and 4. approve the recommended price increases in Section 4 of the report. | |

Designation: Chief Executive

Date: 18 March 2024

Authors: Steve Walsh, Chief Executive

Neil Johnston, Head of Finance

**APPENDIX A**

**Draft Budget (2024/25)**

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|  | **Budget (23/24)** | **Pressures** | **Income** | **Efficiencies** | **Financial Support** | **Budget (24/25)** |
| **Adult** | (737,186) | (4,900) | 0 | 6,168 | 0 | (735,918) |
| Income | 20,582 | 0 | 0 | 0 |  | 20,582 |
| Other Costs | (54,469) |  | 0 | 6,168 |  | (48,301) |
| Staff Costs | (703,299) | (4,900) | 0 | 0 |  | (708,199) |
| **Archives** | **(750,110)** | **(28,302)** | **(139)** | **2,208** | **0** | **(776,343)** |
| Income | 294,345 |  | (139) | 0 |  | 294,206 |
| Other Costs | (44,930) | 0 | 0 | 2,208 |  | (42,722) |
| Staff Costs | (999,525) | (28,302) | 0 | 0 |  | (1,027,827) |
| **Facilities** | **(4,076,766)** | **(730,480)** | **1,062,364** | **44,016** | **0** | **(3,700,866)** |
| Income | 11,439,083 |  | 1,062,364 |  |  | 12,501,447 |
| Other Costs | (2,799,738) | (167,000) |  | 44,016 |  | (2,922,722) |
| Staff Costs | (12,716,111) | (563,480) |  |  |  | (13,279,591) |
| **Libraries** | **(3,688,777)** | **(155,412)** | **13,215** | **0** | **0** | **(3,830,974)** |
| Income | 36,344 |  | 13,215 | 0 |  | 49,559 |
| Other Costs | (542,528) | 0 | 0 | 0 |  | (542,528) |
| Staff Costs | (3,182,593) | (155,412) | 0 | 0 |  | (3,338,005) |
| **Management** | **(3,011,249)** | **(385,354)** | **(84,660)** | **422,437** | **0** | **(3,058,826)** |
| Income | 552,047 |  | (84,660) | 0 |  | 467,387 |
| Other Costs | (1,050,603) | (68,597) |  |  |  | (1,119,200) |
| Staff Costs | (2,512,693) | (316,757) | 0 | 422,437 |  | (2,407,013) |
| **Museums & Galleries** | **(1,005,684)** | **(128,755)** | **33,203** | **0** | **0** | **(1,101,236)** |
| Income | 900,638 |  | 87,055 | 0 |  | 987,693 |
| Other Costs | (559,058) |  | (53,852) | 0 |  | (612,910) |
| Staff Costs | (1,347,264) | (128,755) | 0 | 0 |  | (1,476,019) |

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|  | **Budget (23/24)** | **Pressures** | **Income** | **Efficiencies** | **Financial Support** | **Budget (24/25)** |
| **Music Tuition** | **(2,849,832)** | **(113,410)** | **(151)** | **0** | **0** | **(2,963,393)** |
| Income | 563,801 |  | 30,000 | 0 |  | 593,801 |
| Other Costs | (413,356) |  | (30,151) |  |  | (443,507) |
| Staff Costs | (3,000,277) | (113,410) |  |  |  | (3,113,687) |
| **Rangers** | **(465,589)** | **(28,797)** | **(8,284)** | **0** | **0** | **(502,670)** |
| Income | 91,784 |  | (8,284) |  |  | 83,500 |
| Other Costs | (45,120) |  |  |  |  | (45,120) |
| Staff Costs | (512,253) | (28,797) | 0 | 0 |  | (541,050) |
| **Sports** | **(637,596)** | **(125,074)** | **20,995** | **1,000** | **0** | **(740,675)** |
| Income | 1,152,912 |  | 20,995 | 0 |  | 1,173,907 |
| Other Costs | (108,271) | 0 | 0 | 1,000 |  | (107,271) |
| Staff Costs | (1,682,237) | (125,074) |  | 0 |  | (1,807,311) |
| **Youthwork** | **(1,849,298)** | **(238,927)** | **88,786** | **0** | **0** | **(1,999,439)** |
| Income | 39,892 |  | 88,786 |  |  | 128,678 |
| Other Costs | (91,273) | (8,831) |  |  |  | (100,104) |
| Staff Costs | (1,797,917) | (230,096) | 0 | 0 |  | (2,028,013) |
| **Service Fee** | **16,073,339** | **0** | **573,000** | **0** | **0** | **16,646,339** |
| Income | 16,073,339 | 0 | 573,000 | 0 |  | 16,646,339 |
| **Financial Support** | **2,998,748** | **(2,998,748)** | **0** | **0** | **2,764,000** | **2,764,000** |
| Income | 2,998,748 | (2,998,748) |  | 0 | 2,764,000 | 2,764,000 |
| **Surplus/(Deficit)** | **0** | **(4,938,159)** | **1,698,330** | **475,829** | **2,764,000** | **(0)** |

**PRESSURES AND SAVINGS APPENDIX B**

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| **Pressures** | **£** |
| Residual Funding Gap (23/24) | 2,998,748 |
| Unbudgeted Staff Pay Award (23/24) | 1,121,983 |
| Staff Pay Award (24/25) | 573,000 |
| Operating Cost Pressures | 244,428 |
| **Total Pressure** | **4,938,159** |
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| **Income** | **£** |
| Highlife Price Increase & Growth | 901,411 |
| PAYG Leisure | 165,728 |
| Pay Award Funding (24/25) | 573,000 |
| Other Misc Income | 58,191 |
| **Total Income** | **1,698,330** |
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| **Efficiencies** | **£,000** |
| Staffing Efficiencies | 158,437 |
| Vacancy Management | 264,000 |
| Misc Efficiencies | 53,392 |
| **Total Efficiencies** | **475,829** |
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| **Net Pressure** | **2,764,000** |