|  |  |
| --- | --- |
| **HIGH LIFE HIGHLAND** **REPORT TO BOARD OF DIRECTORS****19 March 2025** | AGENDA ITEM REPORT No HLH /25 |

**FINANCE REPORT - Report by Chief Executive**

|  |
| --- |
| **Summary**The purpose of this report is to update Directors on the financial performance of High Life Highland for Q3 2024/25 and other relevant matters.It is recommended that the Directors note:1. the results for the period to December 2024 detailed in **Appendix A** reports a net deficit of £1.35m;
2. the draft year-end outturn of a net surplus of £264k;
3. no breaches of internal controls have been reported in the past quarter;
4. the recommendation from OSCR; and
5. there have been no data breaches reportable to the Information Commissioner in the past quarter
 |

|  |  |
| --- | --- |
| **1.**1.1 | **Strategic Contribution**High Life Highland’s (HLH) purpose is **Making Life Better**. The HLH Strategy for 2025-2030, contains five strategic objectives which support the delivery of this purpose, and this report supports all of the outcomes in the strategy. **1.** Delivery of affordable, accessible, and inclusive services across the region.**2. Maximise and grow our income to re-invest across our services.****3.** Ensure a consistent high value of delivery across HLH services.4. Commit to the net zero and sustainability agenda**.****5. Efficient and effective service delivery through our people and processes.** |
| **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 trading company. |
| 2.2 | The financial content of this report has been scrutinised by the 10 February 2025 Finance and Audit Committee. |
| **3.** | **Financial Performance for Quarter 3 2024/25**  |
| 3.13.23.33.4 | The results for the period to December 2024 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 £1.35m with a projected year end surplus of £264k. The forecasted year-end deficit has improved by £511k since the half-year forecast due mainly to the reduction in the cost of the annual insurance premium, arranged on behalf of HLH by The Highland Council (THC), in addition to further savings in Leisure staffing costs. Following a change in the administration of insurance cover at THC, the charge was reduced from the original quote of £450k to £150k.  Income is projected to achieve 99.9% of budget with a forecast negative variance of £42k. The outturn for Staff Costs is forecast to be £200k under budget (0.7% positive variance) with vacancy management savings in Management, Museums & Galleries and Youthwork.  |
| 3.5 | A saving of £107k in Other Costs is projected at the year-end (2% positive variance) including the aforementioned insurance saving.  |
| **4.**  | **Service Fee Adjustments** |
| 4.1 | The CoSLA negotiated pay award implemented in November 2024 was higher than the 3% included within the annual budget, with staff earning under £35k receiving a flat uplift of £1,219.40 and all other staff receiving an increase of 3.6%. In accordance with the conditions of the revised Service Delivery Contract, additional funding of £374,100 was agreed with THC.   |
| 4.2 | Following the transfer of the Adult & Youth services to THC on 1 December 2024, the remaining proportion of the respective budgets (£884,638) was transferred to THC with a corresponding reduction in Service Fee. All savings achieved through vacancy management up to December were retained by HLH.  |
| **5.**  | **Internal Controls** |
| 5.1 | There have been no breaches of internal control in this quarter.  |
| 5.2 | Following submission of the annual return to the Scottish Charity Regulator (OSCR) the following feedback was received:*We would recommend that a charity has a bank or building society account in the name of the charity which is exclusively for the transactions of the charity. This means that it is much easier to monitor the income and expenditure of the charity and ensure that transactions related to the charity are properly identified. It also makes it easier for charity trustees to monitor the activities of the charity and the independent examiner or auditor to properly undertake their work. The charity trustees should consider the charity’s banking arrangements moving forward.* |
| 5.2.1 | Our Auditors, Saffery, have confirmed they are satisfied HLH’s transactions are properly identified and separate from Highland Council, enabling them to properly undertake their work.  |
| 5.2.2 | Following discussion at the Finance and Audit Committee meeting on 10 February 2025 it was agreed that the Chair of the Finance and Audit Committee respond to OSCR confirming that HLH would review its banking arrangements; and a report detailing the pros and cons of HLH having its own bank account be considered at the next Finance and Audit Committee before then being considered at the June Board meeting.  |
| 5.2.3 | A verbal update will be provided at the meeting.  |
| **6.**6.1 | **Data Breaches**There have been no data breaches reportable to the Information Commissioner in the last quarter. |
| **7.** | **Implications** |
| 7.1 | Risk Implications – there are no new risk implications associated with the recommendations of this report. |
| 7.2 | Equality Implications – there are no new equality implications associated with the recommendations of this report. |
| 7.3 | Legal Implications – there are no new legal implications associated with the recommendations of this report. |
| 7.4 | Resource Implications – there are no new resource implications associated with the recommendations of this report. |
| **Recommendation**It is recommended that the Directors note:1. the results for the period to December 2024 detailed in **Appendix A** reports a net deficit of £1.35m;
2. the draft year-end outturn of a net surplus of £264k;
3. no breaches of internal controls have been reported in the past quarter;
4. the recommendation from OSCR; and
5. there have been no data breaches reportable to the Information Commissioner in the past quarter
 |

Designation: Chief Executive

Date 28 February 2025

Author: Neil Johnston, Head of Finance

**Consolidated 2024/25: April to December APPENDIX A**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  **Budget** |  **Actual (YTD)** |  **Forecast (Year end )** |  **Variance (Year End)** |
| Income | 35,313,516  | 25,469,484  | 35,271,301  | (42,215) |
| Staff Costs | (29,366,683) | (22,299,869) | (29,167,165) | 199,518  |
| Other Costs | (5,946,833) | (4,518,519) | (5,839,716) | 107,117  |
| **Surplus/(Deficit)** | **0**  | **(1,348,904)** | **264,420**  | **264,420**  |

 **Variance by Sector APPENDIX B**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  **Budget** |  **Actuals YTD** |  **Forecast (Year end )** |  **Variance (Year End)** |
| Adult | (486,549) | (517,005) | (487,265) | (716) |
| Archives | (757,804) | (542,837) | (732,815) | 24,989  |
| Facilities | (3,984,924) | (3,182,380) | (4,070,954) | (86,030) |
| Libraries | (3,735,346) | (2,663,369) | (3,735,010) | 336  |
| Management | (3,285,451) | (2,054,524) | (3,063,980) | 221,471  |
| Museums & Galleries | (1,119,567) | (840,114) | (1,110,752) | 8,815  |
| Music Tuition | (2,963,393) | (2,183,583) | (2,930,534) | 32,859  |
| Rangers | (507,045) | (319,341) | (478,827) | 28,218  |
| Sports | (820,169) | (318,419) | (816,534) | 3,635  |
| Youthwork | (1,239,553) | (1,212,086) | (1,208,710) | 30,843  |
| Service Fee | 16,135,801  | 12,484,754  | 16,135,801  | 0  |
| HC Financial Support | 2,764,000  | 0  | 2,764,000  | 0  |
| **Surplus/(Deficit)** | **0**  | **(1,348,904)** | **264,420**  | **264,420**  |

**Variance by Category APPENDIX C**



**Commentary by Service APPENDIX D**

|  |  |  |
| --- | --- | --- |
|  |  **Variance (Year End)** | **Notes** |
| Adult | (716) | The service transferred to Highland Council on 1 December with 4/12 of the annual budget and a corresponding reduction in service fee. |
| Archives | 24,989  | Positive projected variance to budget due to additional income from Nucleus Archive in conjunction with savings in staffing and operating costs.  |
| Facilities | (86,030) | Small projected underspend in staffing of £40k (0.3% variance). Projected shortfall in income due to fewer bookings at Strathpeffer Pavilion, lower PAYG at Inverness Leisure and partial closure of Ben Nevis Visitor Centre at the start of the year. Overspend in Other Costs due increase in utility charges and bank transaction fees.  |
| Libraries | 336  | On budget |
| Management | 221,471  | £170k saving Other Costs due to reduction in Insurance Premium (£300k reduction from previous forecast) with additional efficiencies through vacancies Business Support. |
| Museums & Galleries | 8,815  | Income at Highland Folk Museum and North Coast Visitor Centre projected to be £59k below budget mitigated by savings in staffing and cost of sales.  |
| Music Tuition | 32,859  | Savings in staffing costs through vacancy management plus additional income resulting in forecasted positive position.  |
| Rangers | 28,218  | Positive projected variance to budget due to additional income from sale of sports equipment and strong performance of bunkhouses. |
| Sports | 3,635  | Additional income from Summer Activities Programme balanced by additional coaching staff costs. Positive budget variance due to saving in operational costs.  |
| Youthwork | 30,843  | The service transferred to Highland Council on 1st December with 4/12 of the annual budget and a corresponding reduction in service fee. Significant savings achieved through vacancy management and utilisation of external grant funding.  |
| Service Fee | 0  | On budget |
| HC Financial Support | 0  | On budget |
| **Surplus/(Deficit)** | **264,420**  |   |