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

## **2025/26 BUDGET APPROVAL - Report by Chief Executive**

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| **Recommendation** This report provides Directors with a summary of the operating budget for 2025/26, together with details of planned savings measures and price increases.  It is recommended that Directors:   1. approve the operating budget for 2025/26 as summarised in **Appendix A**; 2. note the net pressure of £894k and The Highland Council’s agreed financial support of £894k plus £690k funding for the 2025/26 pay award and c£396k for the increase in employers National Insurance contributions; 3. agree to the income and efficiencies at **Appendix B**; and 4. approve the undesignation of the £300k pay related reserve. |

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| **1.** | **Business Plan Contribution** |
| 1.1 | 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.**  2.1 | **Background**  This report confirms the detail of the Charity’s revenue budget for 2025/26 and provides a summary of the savings measures required to be implemented. |
| 2.2  2.3 | In accordance with the revised Service Delivery Contract (SDC), THC will fund the 2025/26 pay award based on a 2.5% uplift, a higher than anticipated pay award would be subject to further negotiation. In addition, per THC’s 2025/26 Revenue Budget paper of 6 March 2025, whilst funding from central government has yet to be confirmed, indications are that THC will receive 60% of the cost of increased National Insurance contributions with the same percentage passed over to HLH.    The legacy of inflationary increases in wages and other operating costs has resulted in a net budget pressure of £894k for 2025/26; this is after HLH income and efficiencies of £2.577m and the proposed utilisation of £813k unrestricted reserves. In support, THC has agreed additional one-off financial support of £894k. |
| **3.**  3.1 | **Budget 2025/26 Approval**  **Appendix A** details the draft budget 2025/26 for approval. |
| 3.2  **4.**  4.1  4.2 | **Appendix B** details the savings and net pressure of £894k.  **Unrestricted Reserves**  Following the introduction of CoSLA-negotiated pay modelling revision to local authority pay scales, a designated reserve of £300k was approved by the Board at its meeting on 14 March 2023,  Since the introduction of the new pay scales in February 2024 it is considered that a designated reserve for this purpose is no longer required. |
| 4.3 | Directors are recommended to approve the undesignation of the £300k pay modelling related reserve. |
| **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 2025/26 as summarised in **Appendix A**; 2. note the net pressure of £894k and The Highland Council’s agreed financial support of £894k plus £690k funding for the 2024/25 pay award and c£396k for the increase in employers National Insurance contributions; 3. agree to the income and efficiencies at **Appendix B**; and 4. approve the undesignation of the £300k pay related reserve. | |

Designation: Chief Executive

Date: 7 March 2025

Authors: Steve Walsh, Chief Executive

Neil Johnston, Head of Finance

**APPENDIX A**

**Draft Budget (2025/26)**

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|  | **Budget (24/25)** | | **Pressures** | **Income** | **Efficiencies** | **Financial Support** | **Reserves** | **Budget (25/26)** |
| **Adult** | **(745,947)** | | **0** | **745,947** | **0** |  | **0** | **0** |
| Income | 20,582 | | 0 | (20,582) | 0 |  | 0 | 0 |
| Other Costs | (48,301) | | 0 | 48,301 | 0 |  | 0 | 0 |
| Staff Costs | (718,228) | | 0 | 718,228 | 0 |  | 0 | 0 |
| **Archives** | **(787,804)** | | **(54,600)** | **0** | **33,065** |  | **0** | **(809,339)** |
| Income | 294,206 | | 0 | 0 | 0 |  | 0 | 294,206 |
| Other Costs | (42,722) | | 0 | 0 | 0 |  | 0 | (42,722) |
| Staff Costs | (1,039,288) | | (54,600) | 0 | 33,065 |  | 0 | (1,060,823) |
| **Community Venues & Engagement** | **(756,589)** | | **(125,815)** | **0** | **0** |  | **0** | **(882,404)** |
| Income | 505,095 | | 0 | 0 | 0 |  | 0 | 505,095 |
| Other Costs | (120,717) | | 0 | 0 | 0 |  | 0 | (120,717) |
| Staff Costs | (1,140,967) | | (125,815) | 0 | 0 |  | 0 | (1,266,782) |
| **Leisure** | **(3,228,335)** | | **(572,774)** | **1,163,518** | **(65,145)** |  | **0** | **(2,702,736)** |
| Income | 12,016,353 | | 0 | 1,300,463 | (65,145) |  | 0 | 13,251,671 |
| Other Costs | (2,642,605) | | 0 | (106,945) | 0 |  | 0 | (2,749,550) |
| Staff Costs | (12,602,083) | | (572,774) | (30,000) | 0 |  | 0 | (13,204,857) |
| **Libraries** | **(3,885,346)** | | **(152,648)** | **1,138** | **0** |  | **0** | **(4,036,856)** |
| Income | 49,559 | | 0 | 4,591 | 0 |  | 0 | 54,150 |
| Other Costs | (542,528) | | 0 | (3,453) | 0 |  | 0 | (545,981) |
| Staff Costs | (3,392,377) | | (152,648) | 0 | 0 |  | 0 | (3,545,025) |
| **Management** | **(3,021,451)** | | **(216,421)** | **0** | **227,397** |  | **0** | **(3,010,475)** |
| Income | 507,387 | | 0 | 0 | 0 |  | 0 | 507,387 |
| Other Costs | (1,104,096) | | (30,000) | 0 | 160,000 |  | 0 | (974,096) |
| Staff Costs | (2,424,742) | | (186,421) | 0 | 67,397 |  | 0 | (2,543,766) |
| **Museums & Galleries** | **(1,119,567)** | | **(81,615)** | **40,000** | **0** |  | **0** | **(1,161,182)** |
| Income | 996,193 | | 0 | 60,553 | 0 |  | 0 | 1,056,746 |
| Other Costs | (616,908) | | 0 | (20,553) | 0 |  | 0 | (637,461) |
| Staff Costs | (1,498,852) | | (81,615) | 0 | 0 |  | 0 | (1,580,467) |
|  | | **Budget (24/25)** | **Pressures** | **Income** | **Efficiencies** | **Financial Support** | **Reserves** | **Budget (25/26)** |
| **Museums & Galleries** | | **(1,119,567)** | **(81,615)** | **40,000** | **0** |  | **0** | **(1,161,182)** |
| Income | | 996,193 | 0 | 60,553 | 0 |  | 0 | 1,056,746 |
| Other Costs | | (616,908) | 0 | (20,553) | 0 |  | 0 | (637,461) |
| Staff Costs | | (1,498,852) | (81,615) | 0 | 0 |  | 0 | (1,580,467) |
| **Music Tuition** | | **(2,963,393)** | **(167,320)** | **0** | **0** |  | **0** | **(3,130,713)** |
| Income | | 593,801 | 0 | 0 | 0 |  | 0 | 593,801 |
| Other Costs | | (443,507) | 0 | 0 | 0 |  | 0 | (443,507) |
| Staff Costs | | (3,113,687) | (167,320) | 0 | 0 |  | 0 | (3,281,007) |
| **Rangers** | | **(507,045)** | **(28,830)** | **7,036** | **0** |  | **0** | **(528,839)** |
| Income | | 83,500 | 0 | 37,000 | 0 |  | 0 | 120,500 |
| Other Costs | | (45,120) | 0 | (7,093) | 0 |  | 0 | (52,213) |
| Staff Costs | | (545,425) | (28,830) | (22,871) | 0 |  | 0 | (597,126) |
| **Sports** | | **(820,169)** | **(100,341)** | **0** | **0** |  | **0** | **(920,510)** |
| Income | | 1,188,907 | 0 | 0 | 0 |  | 0 | 1,188,907 |
| Other Costs | | (118,671) | 0 | 0 | 0 |  | 0 | (118,671) |
| Staff Costs | | (1,890,405) | (100,341) | 0 | 0 |  | 0 | (1,990,746) |
| **Youthwork** | | **(1,948,793)** | **0** | **1,948,793** | **0** |  | **0** | **0** |
| Income | | 113,678 | 0 | (113,678) | 0 |  | 0 | 0 |
| Other Costs | | (88,704) | 0 | 88,704 | 0 |  | 0 | 0 |
| Staff Costs | | (1,973,767) | 0 | 1,973,767 | 0 |  | 0 | 0 |
| **Service Fee** | | **17,020,439** | **0** | **(1,609,753)** | **65,145** |  | **0** | **15,475,831** |
| Income | | 17,020,439 | 0 | (1,609,753) | 65,145 |  | 0 | 15,475,831 |
| **Financial Support** | | **2,764,000** | **(2,764,000)** | **0** | **0** | **894,000** | **0** | **894,000** |
| Income | | 2,764,000 | (2,764,000) | 0 | 0 | 894,000 | 0 | 894,000 |
| **Reserves** | | **0** | **0** | **0** | **0** | **0** | **813,223** | **813,223** |
| Income | | 0 | 0 | 0 | 0 |  | 813,223 | 813,223 |
| **Surplus/(Deficit)** | | **0** | **(4,264,364)** | **2,296,679** | **260,462** | **894,000** | **813,223** | **0** |

**PRESSURES AND SAVINGS APPENDIX B**

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| **Pressures** | **£** |
| Residual Funding Gap (25/26) | 2,764,000 |
| Pay Award (2.5%) | 689,521 |
| NIC Increase (38%) | 659,110 |
| Staffing Pressures | 121,733 |
| New Website | 30,000 |
| **Total Pressure** | **4,264,364** |
|  |  |
| **Income** | **£** |
| Pay Award Funding (2.5%) | 689,521 |
| NIC Funding (60%) | 395,466 |
| Additional North Coast Visitor Centre Funding | 40,000 |
| Highlife - 6.95% (rounded) price increase + 0.25% growth per month | 1,031,692 |
| Active Scheme Card | 40,000 |
| PAYG Leisure Price (6.95%) | 100,000 |
| **Total Income** | **2,296,679** |
|  |  |
| **Efficiencies** | **£** |
| Staffing Efficiencies | 100,462 |
| Insurance Premium | 160,000 |
| **Total Efficiencies** | **260,462** |
|  |  |
| **Reserves** | **£** |
| Pay Modelling | 300,000 |
| Unrestricted Reserves | 513,223 |
| **Total Reserves** | **813,223** |
|  |  |
|  | **£** |
| **Net Pressure** | **(894,000)** |