|  |
| --- |
|  |
| HIGH LIFE HIGHLAND REPORT TO BOARD OF DIRECTORS19 March 2025 | AGENDA ITEM REPORT No HLH/ /25 |

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

|  |
| --- |
| **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.
 |

|  |  |
| --- | --- |
| **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. |
| 2.22.3 | 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.**4.14.2 | **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)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  **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**

|  |  |
| --- | --- |
| **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)** |