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| HIGH LIFE HIGHLAND  REPORT TO BOARD OF DIRECTORS  11 December 2018 | AGENDA ITEM  REPORT No HLH /18 |

## **FINANCE REPORT - Report by Chief Executive**

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| **Summary** This report provides Directors with an update on the financial performance of High Life Highland for the six month period to September 2018.  It is recommended that Directors:   1. note the results for the period report a positive variance of £62K in **Appendix A**; 2. note the projected final out-turn for the year is a surplus to budget of c. £110K; and 3. approve the opening of a bank account to facilitate contactless donations. |

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| **1.** | **Business Plan Contribution** |
| 1.1 | This report supports the highlighted Business Outcomes from the High Life Highland (HLH) Business Plan:   1. **To advance sustainable growth and financial sustainability** 2. **Deliver the Service Delivery Contract with THC** 3. Improving staff satisfaction 4. Improving customer satisfaction 5. A positive company image 6. Services designed around customers and through market opportunities 7. Sustain a good health and safety performance 8. A trusted partner |
| **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 organisation and its subsidiaries. |
| **3.** | **Financial Performance for the six months to September 2018.** |
| 3.1  3.2  3.3 | The out-turn figure for the period to 30 September 2018 has been prepared.  The consolidated financial performance, reports a surplus to budget of £62K as detailed in **Appendix A.** The results for the period are further split by cost category (revenues, staff costs, other costs) and the 9 business areas in **Appendix B**.    A commentary on the major variances (over £5K) is provided at**Appendix C**. |
| **4.**  4.1 | **Policy Update**  The Risk Management Policy was reviewed in September 2018 and deemed fit for purpose with no changes required. |
| **5.** | **High Life Highland Bank Account** |
| 5.1 | As contactless and online payments are increasingly replacing cash transactions, new technology is available for charities to accept contactless donations. This was highlighted in the BBC News recently when Mayor of London Sadiq Khan launched 35 new contactless donations terminals in the city. |
| 5.2  5.3  5.4  5.5  5.6 | As a prerequisite to benefitting from this technology, the bank account linked to the contactless donation terminals must be in the name of a registered charity.  With High Life Highland currently using The Highland Council’s bank accounts, a separate account would be needed to meet the requirements of the technology.  The Finance and Audit Committee considered this on an informal basis at its meeting on 29 November and was content with the principle and with its endorsement for the main Board.  It is intended to initially install the terminals for a 24 month trial period at the Highland Folk Museum, Inverness Museum & Art Gallery and Inverness Botanics with each machine rental costing £34.99 per month and a 2.95% transaction fee, with the option of increasing the number of terminals during this period should usage of the initial units warrant it.  It is requested that Directors agree to open a bank account in the name of High Life Highland. This account would be used solely for the purpose of collecting contactless donations and would be subject to stringent financial controls. All monies collected in the account would be transferred directly to the Highland Council’s Income Bank Account as with all other income. |
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| **6.** | **Implications** |
| 6.1  6.2  6.3 | Resource Implications – there are no new resource implications arising from the content of this report.  Legal Implications – there are no new legal implications arising from the content of this report.  Risk Implications – there are no new risk implications arising from the content of this report. |

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| **Recommendations** It is recommended that Directors:   1. note the results for the period report a positive variance of £62K in **Appendix A**; 2. note the projected final out-turn for the year is a surplus to budget of c. £110K; and 3. approve the opening of a bank account to facilitate contactless donations. |

Designation: Chief Executive

Date: 3 December 2018

**Consolidated** **2018/19: April – September** **APPENDIX A**

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|  | **Annual Budget** | **Budget (YTD)** | **Actual (YTD)** | **Variance (YTD)** |
| Income | 31,501,126 | 15,084,658 | 15,237,766 | 153,108 |
| Other Costs | (8,267,526) | (3,429,323) | (3,667,782) | (238,459) |
| Staff Costs | (23,233,600) | (11,537,389) | (11,389,702) | 147,687 |
| **Surplus / (Deficit)** | 0 | 117,946 | 180,282 | 62,336 |

**APPENDIX B**

**Variance by Sector 2018/19: April – September**

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| --- | --- | --- | --- | --- |
| **Sector** | **Annual Budget** | **Budget (YTD)** | **Actual (YTD)** | **Variance (YTD)** |
| Adult | (674,114) | (309,439) | (286,007) | 23,432 |
| Archives | (596,507) | (238,503) | (192,251) | 46,252 |
| Arts | (272,024) | (124,297) | (125,826) | (1,529) |
| Facilities | (1,812,961) | (887,089) | (904,829) | (17,740) |
| Libraries | (3,417,755) | (1,602,409) | (1,596,506) | 5,903 |
| Management | (2,956,918) | (1,467,955) | (1,459,342) | 8,613 |
| Museums | (631,491) | (209,222) | (220,897) | (11,675) |
| Music Tuition | (1,321,564) | (870,006) | (868,288) | 1,718 |
| Outdoor | (557,828) | (264,178) | (262,268) | 1,910 |
| SLA | 14,319,139 | 7,112,039 | 7,112,039 | 0 |
| Sports | (591,692) | (265,422) | (262,883) | 2,539 |
| Youthwork | (1,486,285) | (755,573) | (752,660) | 2,913 |
| **Grand Total** | 0 | 117,946 | 180,282 | 62,336 |

**Variance by Category 2018/19: April – September APPENDIX C**

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|  |  | **Income** | | |  | **Staff Costs** | | |  | **Other Costs** | | |
| **Sector** |  | **Budget (YTD)** | **Variance (YTD)** | **%** |  | **Budget (YTD)** | **Variance (YTD)** | **%** |  | **Budget (YTD)** | **Variance (YTD)** | **%** |
| Adult |  | 3,561 | (3,277) | -92% |  | (293,168) | 29,239 | -10% |  | (19,832) | (2,530) | 13% |
| Archives |  | 221,000 | (35,826) | -16% |  | (435,922) | 76,332 | -18% |  | (23,581) | 5,746 | -24% |
| Arts |  | 26,549 | 36,727 | 138% |  | (116,958) | 1,382 | -1% |  | (33,888) | (39,638) | 117% |
| Facilities |  | 5,509,162 | 83,774 | 2% |  | (5,176,983) | (68,277) | 1% |  | (1,219,268) | (33,237) | 3% |
| Libraries |  | 58,440 | (20,201) | -35% |  | (1,379,225) | 83,786 | -6% |  | (281,624) | (57,682) | 20% |
| Management |  | 104,248 | (36,639) | -35% |  | (910,503) | 45,130 | -5% |  | (661,700) | 122 | 0% |
| Museums |  | 475,495 | 97,261 | 20% |  | (419,341) | (79,404) | 19% |  | (265,376) | (29,532) | 11% |
| Music Tuition |  | 394,495 | 361 | 0% |  | (1,043,363) | (507) | 0% |  | (221,138) | 1,864 | -1% |
| Outdoor |  | 50,315 | (5,988) | -12% |  | (265,808) | 21,371 | -8% |  | (48,685) | (13,473) | 28% |
| SLA |  | 7,666,595 | 0 | 0% |  | 0 | 0 | 0% |  | (554,556) | 0 | 0% |
| Sports |  | 543,802 | 24,354 | 4% |  | (765,057) | 6,376 | -1% |  | (44,167) | (28,191) | 64% |
| Youthwork |  | 30,996 | 12,562 | 41% |  | (731,061) | 32,259 | -4% |  | (55,508) | (41,908) | 75% |
| **Surplus / (Deficit)** |  | 15,084,658 | 153,108 | 1% |  | (11,537,389) | 147,687 | -1% |  | (3,429,323) | (238,459) | 7% |

**APPENDIX D**

**Variances over £5,000 2018/19: April – September**

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| **Sector** | **Variance** | **Note** |
| Adult | 23,432 | While the posts in Fort William and Portree have now been filled, vacancies through the earlier part of the year have realised savings in the staffing budget. |
| Archives | 45,252 | This positive variance has been due largely to vacancies in Lochaber, Skye and Inverness. The archivist post in Skye has been a challenging position to fill and Management has revised the post to attract trainees as well as fully qualified members of the profession. |
| Facilities | (17,740) | Income growth, particularly the Highlife membership scheme, continues to perform well and above target although this is partially offset by higher staffing costs and additional expenditure relating to Health & Safety. |
| Libraries | 5,903 | Savings in staff costs through vacancy management have offset lower than budgeted income from fines and charges for audio-visual materials resulting a positive variance to budget. As this reduction in income reflects a long-term trend, Management will look to address the issue structurally in the preparation of the 2019/20 budget. |
| Management | 8,613 | Other Costs are on target while the savings generated through vacancies in Business Support and Finance have offset the non-achievement of corporate sponsorship income. This ongoing challenge will be addressed as part of next year’s budget. |
| Museums | (11,675) | With HLH taking over from the franchisee who left at the end of its contract period, there have been additional start-up costs at Inverness Museum & Art Gallery café, contributing to a negative to budget position at the half-year mark. As the café develops and builds custom it is envisaged that these costs will be recouped although this may be in the following financial year when it benefits from a full summer season. |