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| HIGH LIFE HIGHLAND  REPORT TO BOARD OF DIRECTORS  21 March 2019 | AGENDA ITEM 8  REPORT No HLH2/19 |

## **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 period ending 31 January 2019.  It is recommended that Directors note:   1. the current financial position of High Life Highland as detailed in **Appendix A;** 2. the financial results for the 10 months to January 2019 report a positive variance to budget of £70K; 3. the projected final out-turn for the year is a surplus to budget of £87K; 4. there has been no breach of internal controls during financial year 2018/19; 5. the update on the proposed workplace car parking levy; 6. the update on the staff pay award; and 7. the award of contracts as detailed in **paragraph 7.1**. |

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| **1.** | **Business Plan Contribution** |
| 1.1 | This report supports the highlighted Business Outcome 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 subsidiary. |
| **3.** | **Financial Performance to January 2019** |
| 3.1  3.2  3.3  3.4 | The out-turn figure for the period to January 2019 has been prepared.  HLH’s consolidated financial performance for the year is summarised by the 9 business areas at **Appendix B.** The out-turn for the period is split by cost category (revenues, staff costs and other costs) at **Appendix C**.  The net position is £70K positive to budget with a commentary on the major variances (over £5K) provided at**Appendix D**.  The projected final outturn for the year is a surplus to budget of £87K. |
| **4.** | **Annual Review of the Effectiveness of Internal Control** |
| 4.1 | |  | | --- | | The Finance and Audit Committee review all breaches of the Financial Regulations. There has been no breach of internal controls to report during financial year 2018/19. | |
| **5.**  5.1 | **Workplace Car Parking Levy**  The Scottish Government has pledged to hand Scotland’s 32 local authorities powers to introduce a workplace parking levy (WPL) if they so wish. The decision to introduce and the design and implementation will be left to Councils including the extent, operation and cost. |
| 5.2 | The introduction of this levy would see employers pay an annual tax to the council for every parking space they provide for employees. Employers could then choose whether to pass on the cost to their staff. |
| 5.3 | As the levy would only apply to employers who provide more than 10 parking spaces, and with most of High Life Highland facilities providing public parking, with the exception of the HLH Ardross Street Offices where there are 8 designated spaces for staff parking, it is hoped High life Highland would in this case be exempt from any WPL. |
| 5.4 | As there is no indication at this time that Highland Council plan to implement the WPL it is recommended that a watching brief is kept on this issue for now. |
| **6.** | **Staff Pay Award** |
| 6.1 | An agreement has been reached on a national three year pay award for non-teaching staff covering the period 1 April 2018 to 31 March 2021. |
| 6.2 | From 1 April 2018, 3.5% will be applied to salaries up to £80K. For salaries on or above £80K, a flat rate of £1,600 will apply. In financial years 2019/20 and 2020/21, a 3% increase will be applied for each year. |
| **7.**  7.1 | **Tenders Approved/Contracts Awarded**   |  |  |  |  | | --- | --- | --- | --- | | **Supplier** | **Service Details** | **Contract Period** | **Value** | | CanRehab Ltd | Level 4 Cancer Rehab Exercise Training | Feb 19-Mar 21 | Initial £15.5K | | Future Fit Training | Pilates Training | Feb 19-Jan 20 | £16K | | Gladstone Software | Membership Cards | Mar 19-Mar 23 | £50K | | The Design Concept | Redesign of Culloden and Fort William Libraries | Feb 19-Aug 19 | £15.5K | | Inverness Tennis Academy | Facility Management Services at Bellfield Park | Apr 19-Mar 24 | £25K | |
| **8.** | **Policy Review** |
| 8.1 | The Anti Bribery policy has been considered in line with the review schedule with no changes required at this time. |
| **9.** | **Implications** |
| 9.1  9.2  9.3 | Resource Implications – there are no new resource implications associated with the recommendations of this report.  Legal Implications – there are no new legal implications associated with the recommendations of this report.  Risk Implications – the year end position remains a best estimate subject to Audit. |
| **Recommendations** It is recommended that Directors note:   1. the current financial position of High Life Highland as detailed in **Appendix A;** 2. the financial results for the 10 months to January 2019 report a positive variance to budget of £70K; 3. the projected final out-turn for the year is a surplus to budget of £87K; 4. there has been no breach of internal controls during financial year 2018/19; 5. the update on the proposed workplace car parking levy; 6. the update on the staff pay award; and 7. the award of contracts as detailed in **paragraph 7.1**. | |

Designation: Chief Executive

Date: 8 March 2019

**Consolidated** **2018/19: April 2018 – January 2019** **APPENDIX A**

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| **`** | **Annual Budget** | **Budget (YTD)** | **Actual (YTD)** | **Variance (YTD)** |
| Income | 31,534,015 | 23,582,351 | 24,181,364 | 594,311 |
| Other Costs | (8,322,215) | (4,373,174) | (4,886,301) | (513,127) |
| Staff Costs | (23,211,800) | (18,933,558) | (18,944,338) | (10,780) |
| **Surplus/(Deficit)** | **0** | **275,619** | **350,725** | **70,404** |

**APPENDIX B**

**Variance by Sector**

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| --- | --- | --- | --- | --- |
|  | **Annual Budget** | **Budget (YTD)** | **Actual (YTD)** | **Variance (YTD)** |
| Adult | (674,114) | (494,543) | (456,764) | 37,779 |
| Archives | (596,507) | (416,657) | (376,426) | 40,231 |
| Arts | (272,024) | (218,684) | (215,386) | 3,298 |
| Facilities | (1,812,961) | (1,568,278) | (1,603,137) | (34,859) |
| Libraries | (3,472,444) | (2,628,905) | (2,633,108) | (4,203) |
| Management | (2,957,118) | (1,637,340) | (1,615,233) | 22,107 |
| Museums | (631,491) | (449,697) | (420,803) | 28,894 |
| Music Tuition | (1,253,327) | (1,481,848) | (1,512,698) | (30,850) |
| Outdoor | (557,828) | (403,370) | (401,933) | (3,265) |
| SLA | 14,305,791 | 11,522,856 | 11,522,856 | 0 |
| Sports | (591,692) | (793,452) | (794,274) | (822) |
| Youthwork | (1,486,285) | (1,154,463) | (1,142,369) | 12,094 |
| **Surplus/(Deficit)** | **0** | **275,619** | **350,725** | **70,404** |

**Variance by Category 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 |  | 17,150 | 25,947 | 151% |  | (473,711) | 21,610 | -5% |  | (37,982) | (9,778) | 26% |
| Archives |  | 273,465 | (20,055) | -7% |  | (664,857) | 64,944 | -10% |  | (25,265) | (4,658) | 18% |
| Arts |  | 27,582 | 52,163 | 189% |  | (186,919) | (8,399) | 4% |  | (59,347) | (40,466) | 68% |
| Facilities |  | 8,996,646 | 157,246 | 2% |  | (8,607,687) | (89,077) | 1% |  | (1,957,237) | (103,028) | 5% |
| Libraries |  | 104,896 | (22,618) | -22% |  | (2,190,746) | 33,846 | -2% |  | (543,055) | (15,431) | 3% |
| Management |  | 143,294 | (40,468) | -28% |  | (1,465,749) | 26,581 | -2% |  | (314,885) | 35,994 | -11% |
| Museums |  | 541,706 | 195,597 | 36% |  | (728,876) | (74,043) | 10% |  | (262,527) | (92,660) | 35% |
| Music Tuition |  | 639,835 | 22,887 | 4% |  | (1,749,945) | (9,516) | 1% |  | (371,738) | (44,221) | 12% |
| Outdoor |  | 70,721 | 4,482 | 6% |  | (410,713) | 3,553 | -1% |  | (63,378) | (11,300) | 18% |
| SLA |  | 12,098,112 | 0 | 0% |  | 0 | 0 | 0 |  | (575,256) | 0 | 0% |
| Sports |  | 589,293 | 112,844 | 19% |  | (1,275,037) | 13,485 | -1% |  | (107,708) | (127,151) | 118% |
| Youthwork |  | 79,651 | 106,286 | 133% |  | (1,179,318) | 6,236 | -1% |  | (54,796) | (100,428) | 183% |
| **Surplus / (Deficit)** |  | **23,582,351** | **594,311** | **3%** |  | **(18,933,558)** | **(10,780)** | **0%** |  | **(4,373,174)** | **(513,127)** | **12%** |

**Appendix D**

**Variances over £5,000**

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| **Sector** | **Variance** | **Note** |
| Adult | 37,779 | This positive variance is mainly due to staff vacancies and income received for the provision of ESOL (English for Speakers of Other Languages) courses. |
| Archives | 40,231 | Vacancies in Lochaber, Skye and Inverness have resulted in a positive variance to budget. All posts have now been filled with a Trainee Archivist appointed in Skye following the difficulty in recruiting a fully qualified candidate. |
| Facilities | (34,859) | Additional expenditure relating to Health & Safety as well the need to replace fitness equipment has resulted in a negative variance to budget. |
| Management | 22,107 | Vacancies in Business Support and Finance have contributed to a positive variance to budget. |
| Museums | 28,898 | Income from Donations has continued to perform well though has been offset with increased staffing costs during busier times. |
| Music Tuition | (30,850) | With significant growth in music tuition fees planned to fund budget pressures in the coming financial year, additional spend on musical instruments was undertaken to accommodate additional students. |
| Youthwork | 6,094 | This positive variance to budget is largely due to increased income including a donation of £14K from the Caol Youth Centre Management Committee. |