Agenda Item	9
Report No	RES/49/26

The Highland Council

Committee: **Corporate Resources**

Date: **19 November 2026**

Report Title: **High Life Highland Financial Update**

Report By: **High Life Highland Chief Executive**

1. Purpose/Executive Summary

1.1 This report updates Members on High Life Highland's (HLH) operational and financial position for 2026/27. The main focus of the paper is to present an update on the Inverness Castle Experience (TICE) following the HLH Chief Executive's presentation to this Committee on 27 August 2026. The paper provides assurance on the commitments made in the August paper to take measures to review and adjust the original TICE delivery group business case and create the operational conditions to generate a positive budget and financial position in FY 2027/28.

2. Recommendations

2.1 Members are asked to **note**:

i. the separate financial positions of HLH and TICE;
ii. the revised financial forecast and updates on ongoing actions taken to reduce the forecast deficit;
iii. financial year 2027/28 forecasts show a positive balance (excluding castle rent);
iv. the outcome of TICE peer reviews undertaken to date; and
v. the ongoing review of the original business case, including a programme of actions to reduce operating costs, grow income and improve financial sustainability.

3. Implications

3.1 Resource – Although the in-year financial position has improved since August, the Castle deficit requires resolution through the ongoing funding discussions with the Council. The current financial position does not support payment of the anticipated performance-related rent. Because HLH is a charity, TICE benefits from the VAT cultural exemption, this has been confirmed by HMRC through its non-statutory clearance request process.

3.2 Legal – Changes to funding, rental arrangements, contracts or the staffing structure will require consideration through the relevant Council and HLH processes. The revised operating structure briefed in August is progressing to plan. This report does not determine individual employment matters, nor does it seek approval to amend the lease or funding arrangements.

3.3 Risk – The principal TICE risks are lower than projected visitor demand and income, delay in achieving recurrent savings, and uncertainty over funding. The current operational risk to HLH is the impact of resources required to deliver a complex change programme across the wider charity. This is being carefully monitored by the HLH board. Continued cost control, monthly forecasts and transparent reporting and appropriate escalation where appropriate are essential elements of successful delivery of the transformation required.

3.4 Health and Safety - (risks arising from changes to plant, equipment, process, or people) Staffing and operating changes must maintain safe operation, appropriate visitor supervision, staff training and planned maintenance. Infrastructure and security savings will be tested against maintenance and service-continuity requirements.

3.5 Gaelic – the celebration and promotion of Gaelic language and culture has been integral to the design of the Inverness Castle Experience. Gaelic advisors were appointed at the outset of the project, and they have worked with the interpretation designers to maximise the opportunities to celebrate Gaelic throughout all of the experiences within the building, and outside in the grounds. Operational and content changes will preserve this contribution to the promotion of Highland culture.

4. Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, due regard must be given to the findings of any assessment.

4.3 This is an update report and therefore an impact assessment is not required.

5. Background

5.1 The Experience had a preview opening in December 2025, followed by full opening in February 2026. The Council's August report identified a potential current-year pressure of up to £2.5m including a £0.9m rental income target. This was based on successful implementation of in-year cost reduction measures briefed by HLH at the same Committee.

5.2 At the August Committee, Members sought re-assurance on financial reporting, pricing analysis, marketing and of customer feedback, supported by a closely monitored recovery plan. Members welcomed the mitigation already undertaken but required continued re-assurance given the pressure on Council reserves.

5.3 Since the previous update to Committee, HLH Board and management focus has been directed towards:

- Strengthening commercial performance to create a target operating model that matches the cost envelope to actual turnover

- Developing travel trade opportunities
- Enhancing market reach
- Progressing visitor quality standards and reacting to customer feedback
- Addressing property and infrastructure matters
- Embedding governance and performance monitoring arrangements.

6. General - High Life Highland Financial Position 2026/27

6.1 HLH was established to deliver its Public Service Obligations (PSOs) in Archives; Community Centres; Countryside Rangers; Libraries; Museums; Visitor Attractions; Music Development and Sport and Physical Activity on behalf of THC and at the same time deliver savings and protect, improve, and develop them. Each year, Arm's Length External Organisation (ALEO) status saves the Council c. £2.5m p.a. in non-domestic rates relief. Additionally, in the current financial year, HLH is delivering £36.16m in services from a management fee of £16.96m with the remaining £19.20m funded from income generated across the charity. The forecast financial position for High Life Highland for the year ending 31 March 2027 has been reviewed based on performance during the first six months of the year. The position reported in this section relates to the organisation's underlying operations and excludes TICE, which is considered separately from Section 7 onwards.

6.2 The forecast for the current financial year is an adverse variance of £0.254m. This is primarily due to staffing costs being above budget, non-achievement of planned staffing savings and lower-than-budgeted membership income. HLH is also absorbing the costs of three major projects that have been delayed (Queens Park track, Flume and Health Suite checks and Lighting upgrade) which are currently affecting Inverness Leisure operations, usage and income. Collectively, these projects have resulted in significant reductions in facility capacity, customer usage and income generation. Based on current forecasts, the combined financial impact of these closures and disruptions is estimated at £224,680 during 2026/27, excluding wider impacts on future membership growth and reputation of the organisation.

6.3 These pressures are partially offset by savings in other operating costs and favourable variances across several other services. Measures being taken by HLH to address the variance include increasing income, adjustments to opening hours at some sites as opportunities to do that arise, and use of reserves.

6.4 In overall terms, this represents 0.7% of turnover and management action is in place to ensure that a balanced budget is achieved this year and that the 3-year savings commitment to the Council of £516k **(agreed by Council March 2026)** are on track to be delivered.

	Budget	Actual (YTD)	Forecast (Year end)	Variance (Year End)
Income	36,163,745	18,048,785	36,146,850	(16,895)
Staff Costs	(30,122,546)	(15,521,986)	(30,440,305)	(317,759)
Other Costs	(6,041,199)	(3,414,967)	(5,960,870)	80,329
Surplus/(Deficit)	**0**	**(888,168)**	**(254,325)**	**(254,325)**

7. The Inverness Castle Experience Financial Position 2026/27

7.1 The financial position of The Inverness Castle Experience is accounted for and monitored separately from the other Public Service Obligations (PSOs) that High Life Highland delivers for the Council. This reflects the scrutiny, focus and resourcing required due to the scale and nature of the operation, the issues with the assumptions underpinning its original business plan and the funding relationship between HLH and The Highland Council.

7.2 The forecast for the year ending 31 March 27 is a deficit of £1.255m excluding rents due to The Highland Council, an improvement of £113k from the position reported at the Corporate Resources Committee on 27 August 26:

	Budget	Actual (YTD)	Forecast (Year end)	Variance (Year End)
Income	6,607,659	2,051,208	3,107,678	(3,499,981)
Staff Costs	(3,229,308)	(1,495,649)	(2,793,686)	435,622
Other Costs	(3,378,351)	(638,949)	(1,569,277)	1,809,074
Surplus/(Deficit)	**0**	**(83,390)**	**(1,255,285)**	**(1,255,285)**

When planned and expected rental income of £1.156m is factored in (being a baseline rent of £0.256m and a performance related rent of £0.900m) this represents an overall financial support requirement from the Council of £2.411m (compared with £2.524m at Quarter 1).

7.3 As previously reported, the principal cause of the forecast deficit is that visitor numbers and associated income are significantly below the levels assumed in the original TICE Delivery Group business plan. The changes to the target operating model briefed at the August committee are all progressing to plan.

8. Peer Review and Business Development

8.1 Following discussion at the August 2026 Corporate Resources Committee meeting, a joint peer review was established by The Highland Council and High Life Highland to provide independent challenge, identify opportunities for improvement and support the development of a more financially sustainable operating model for the Inverness Castle Experience. From a broader perspective, the review has also allowed both organisations to share best practice and has further consolidated the excellent working relationship that exists between the Council and its ALEO. The review is jointly overseen by the Assistant Chief Executive (Corporate) of The Highland Council and the Chief Executive of High Life Highland and involves officers from both organisations.

8.2 The review has been structured around four principal themes:

- Finance, business operations and growth
- Marketing
- Target Operating Model and Pricing; and
- Infrastructure.

8.3 These themes were selected to ensure that both operational performance and longer-term financial sustainability are considered in a systematic and evidence-based manner.

8.4 The peer review has provided valuable external challenge and assurance, while reinforcing a shared commitment by The Highland Council and High Life Highland to support the successful development of the Inverness Castle Experience and improve its long-term financial sustainability.

8.5 **Finance, Business Operations and Growth**

8.5.1 As part of the peer review process, a rigorous review of the TICE finances was conducted by the Council's Assistant Chief Executive (Corporate). The review was commercially focused, methodical and aimed at both analysis of the approach taken by HLH to financial monitoring and constructive challenge in respect of the forward planning process and associated risk awareness. The review raised a number of ongoing challenges that require discussions across the partnership, including future rental arrangements that protect the cultural VAT exemption and pricing models that meet local expectations whilst delivering commercial margins. It was agreed that in order to continue to add value, future reviews would focus on consistency, transparency and accountability.

8.6 **Marketing**

8.6.1 The Highland Council (THC) conducted a thorough peer review of the TICE Marketing Strategy. It recognised a strong operational plan with a high level of activity for a first year of operation, highlighting a good level of audience segmentation, partnership development and industry knowledge. The review offered recommendations to strengthen measurement and performance, many of which were underway or have since been adopted. Developments include enhanced audience segmentation through visitor personas, strengthened cross-promotion with Inverness Museum and Art Gallery, and expanded performance tracking covering revenue, bookings, web traffic and conversions. Recommendations to grow local engagement are reflected in new events, corporate bookings and year-round *high**life*** cardholder discounts. Content planning was praised for its detail, with future plans focusing on improved content balance, longer term editorial themes and story-led campaigns rooted in Highland heritage, supporting a continued emphasis on data-led marketing performance.

8.7 **Business Operations and Growth**

8.7.1 Much of the operational adjustments in respect of target operating model were covered as part of the finance peer review. Focus in respect of business operations has primarily been on optimising experience from retail offerings, with potential lessons and economies of scale that will benefit the wider HLH offer across its retail offering. Notably, the respective retail teams from the Storr and TICE have hosted each other on-site to share experience and best practice.

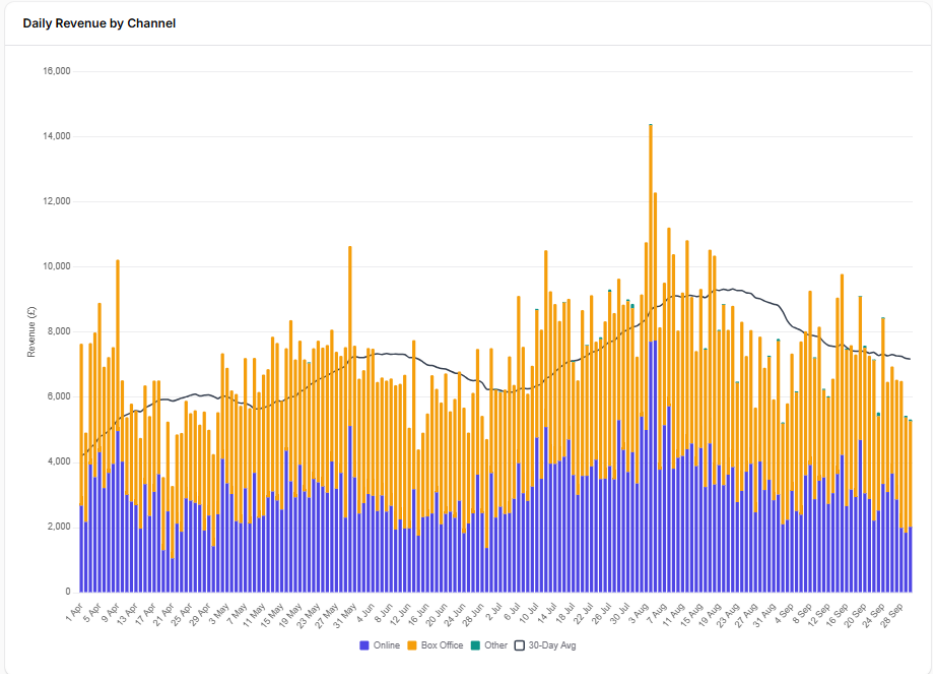
8.8 **Infrastructure**

8.8.1 The experience remains in the first-year defect period. Council officers have been leading the process to address the existing defects across the facility. Notably, some defects will take time to reach an acceptable solution, and it is likely that the defect

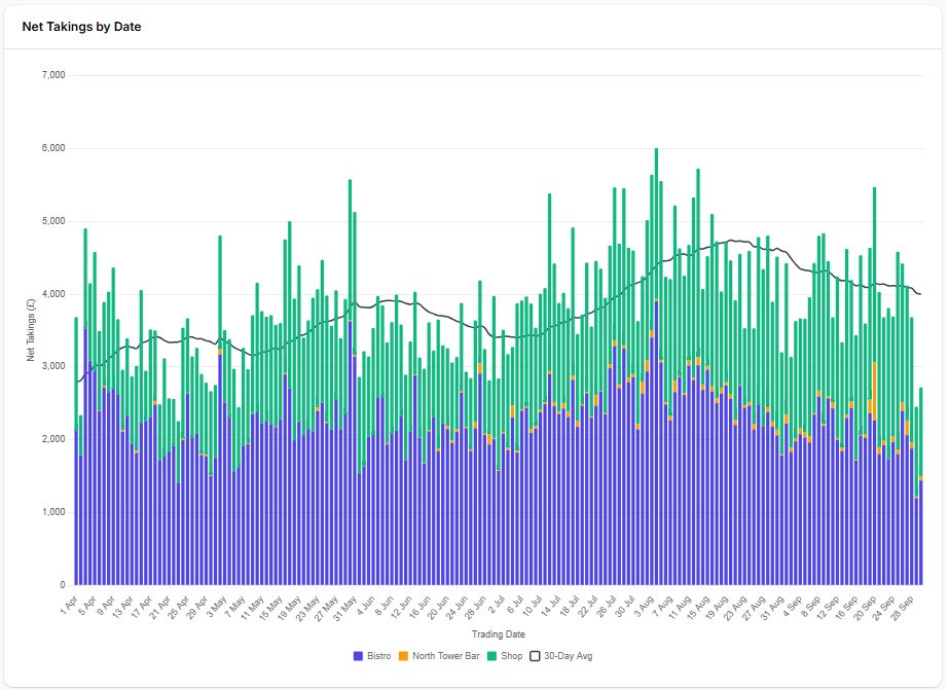
period will extend beyond the original agreed timeline to allow the contractor to address the issues. Notably, there is an issue with the Bistro flooring, the elevator to the viewing platform, the automatic doors and a number of more minor issues with windows and finish. Beyond the defect period, the Council's maintenance team will be the main interlocutor for works on the facility in order to assure that the asset is maintained to the highest standard.

9 Revenue

9.1 This graph shows the income from ticket sales to front entrance to the Castle Experience from 1 April to 30 September 2026. 69,855 customers paid to access the experience during the first two quarters of FY 26/27. The different colours show pre-booked and walk-up sales.



9.2 The following graph shows the income from food and beverage and retail. Retail has performed well during this first year of operation. Work is required to develop the food and beverage operation to improve profitability and reflect a business based on visitors to the attraction, rather than a destination dining venue in its own right.



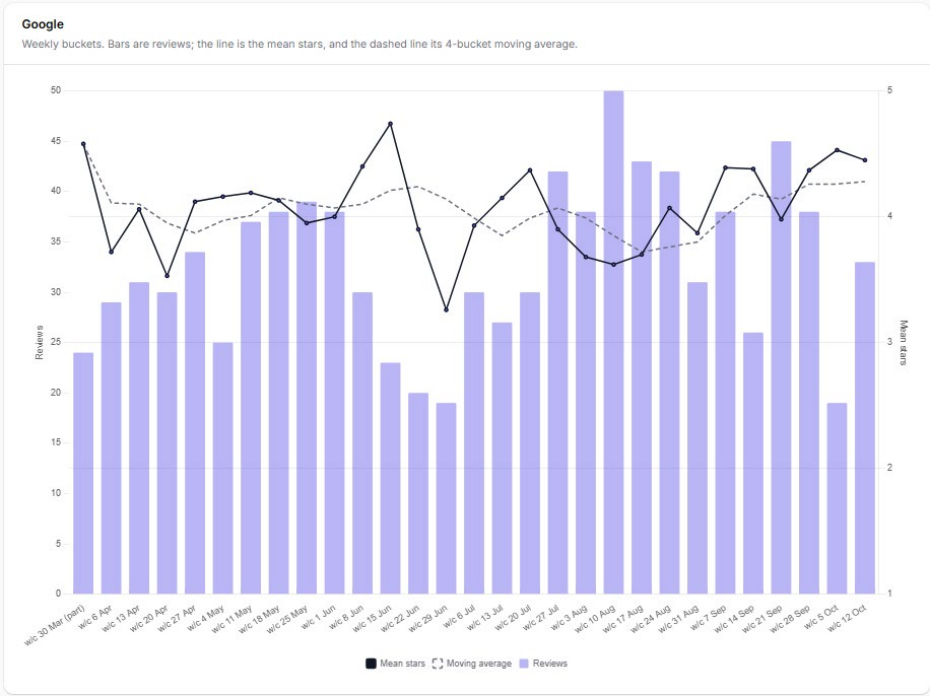
9.3 The revenue generated during the first 6 months of the operation equates to c. £11.5k per day in overall takings with the last quarter generating an average turnover of c. £14.5k per day. As we move into the shoulder / winter months there will be a sharp decline in revenue but the actual financial performance in the first high-season period presents a sound benchmark from which to base the target operating model for the next financial year. This information confirms that there is a sound basis for the Castle operation from which to build future business.

10. Review trends

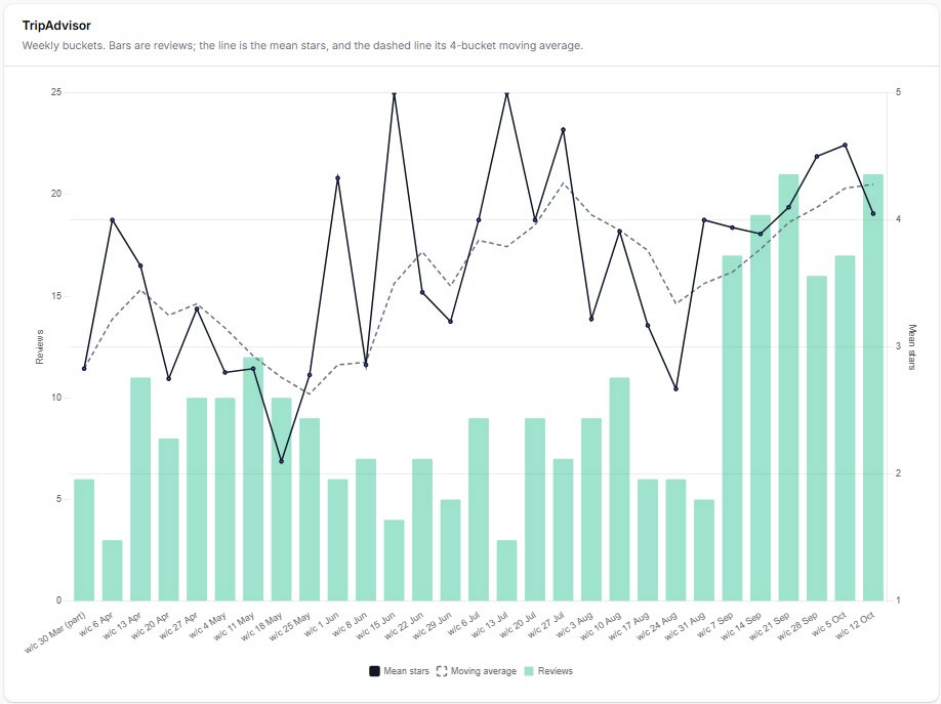
10.1 There are two main public channels where customers provide reviews: Google Reviews and TripAdvisor. HLH has its own data analytics to track review trends. There has been a focused effort to respond to customer feedback both in terms of direct responses online and the approach taken by the experience team to convey the basis of the interpretation and avoid any misconceptions around the content. Indications from review trends are that as multiple channels are used to explain the experience, there is also a concomitant improvement in review scoring, this is evidenced in the table below with the most recent month reflecting the staff effort in this area.

Period	Last 6 months	Last 3 months	Last 30 days
Tripadvisor	4.03	4.09	**4.47**
Google	4.09	4.07	**4.49**

10.2 **Google reviews** are more widely used and recognised and have, in recent weeks remained above 4.5 stars. Current Google status is an overall 4.1 from 5334 reviews



10.3 There have been fewer **TripAdvisor** reviews and consistency has been an issue with the responses and ratings tending to be either very positive or very negative depending on how the attraction content was viewed by customers. It is widely considered that a rating above four is desirable to encourage visitors and the team has been working to increase the number of reviews. The graph below shows an increase in the number of reviews and a more consistent star rating as a result with a 30-day average of 4.47. The current TICE **Tripadvisor** status is 3.9 from 452 reviews.



11. Accreditation

11.1 TICE has applied to the Scottish Association of Visitor Attractions for accreditation to its quality scheme. Recently, HLH facilities at the Highland Folk Museum and North Coast Visitor Centre have both achieved 4-star ratings. The target set for TICE was for HLH to create a 5-star experience and this is the aim as we move towards accreditation.

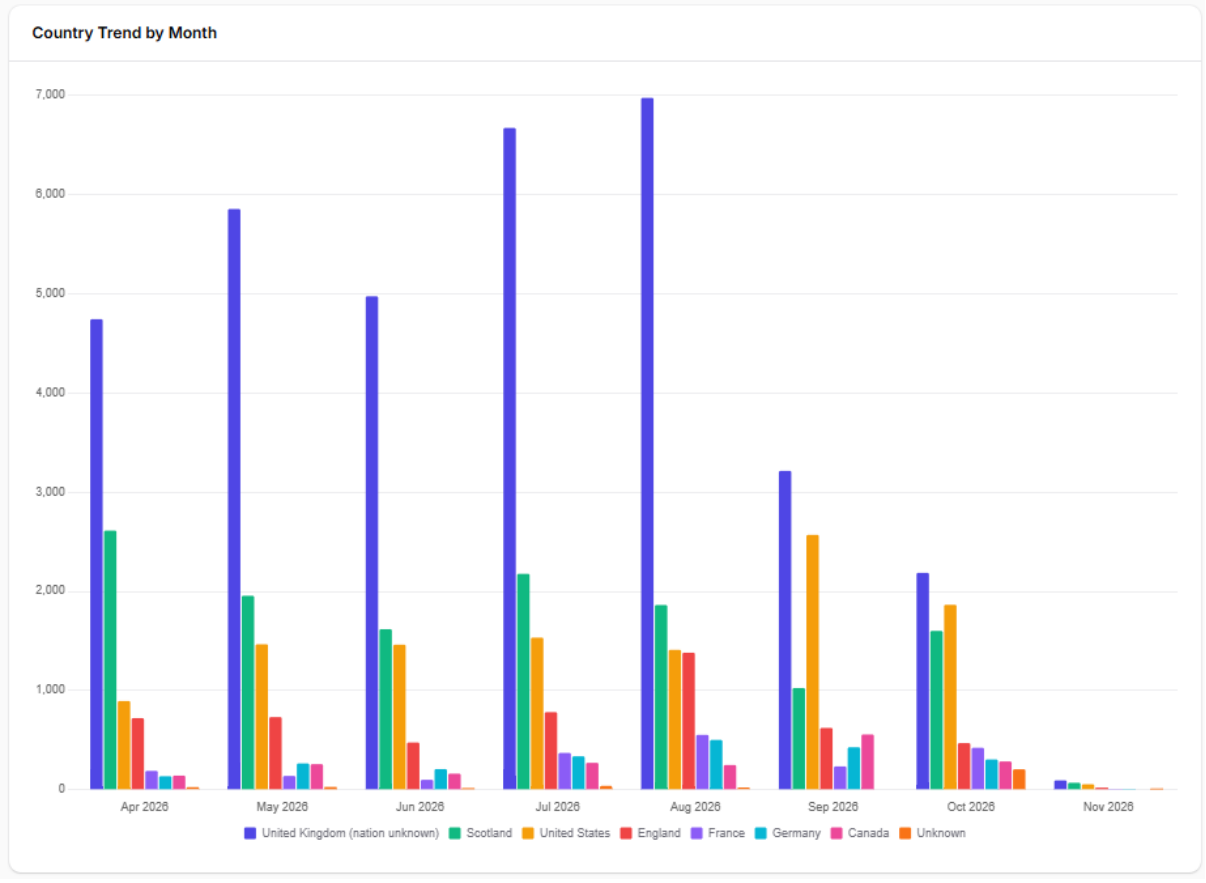
12. Travel Trade, Sales and Local Engagement

12.1 TICE continues to attract visitors from both domestic and international markets with areas of positive performance including:

- Visitor satisfaction levels
- Positive customer feedback and online reviews
- Growth in awareness of the attraction
- Increasing engagement with travel trade operators
- Growing recognition of the attraction as a gateway to wider Highland experiences.

12.2 Visitor Data

The graph below shows visitors, for the current financial year to date, by country of origin with the blue bar being UK visitors (note, a greater number of visitors in September and October specified which of the UK home nations they were from than in previous months). This information along with the total visitors from travel trade being 2.5% suggests that a focus on increasing travel trade business should be a key component of future business growth.



12.3 Performance continues to be monitored closely with particular attention being given to seasonal trends, conversion rates and secondary spend opportunities.

12.4 The August strategy identified coach and cruise business as the main source of future growth, with limited travel trade in the first operating season. HLH has undertaken familiarisation activity, engaged with VisitScotland and trade organisations, and launched online travel agency sales. Further VisitScotland partnership work is being developed.

12.5 The focus now is to convert engagement into confirmed bookings. The refreshed business plan should distinguish contracted business, credible sales opportunities and growth assumptions, including the net yield after discounts and commissions. The August assumption of 15% annual visitor growth should be tested against this evidence rather than carried forward unchanged.

12.6 Plans over the winter include local discounts, an anniversary offer, a “Kids for a Quid” campaign and longer-term prices for travel trade. A 10% local discount will also be offered year-round. Each offer is being evaluated on incremental net contribution, including the effect on existing full-price sales and catering and retail spend. The October proposals contain differing positions on future core prices; no unapproved Castle pricing benefit has been added to this report’s baseline forecast.

13. Partnership Activity

13.1 Productive discussions continue with VisitScotland and other national tourism partners with key areas of collaboration:

- Destination marketing
- International promotion
- Travel Trade Development
- Cruise market opportunities
- Business events activity
- Wider Highlands visitor dispersal initiatives.

13.2 Achieving recognised industry standards remains important both for visitor assurance and for strengthening the attraction’s reputation within the tourism sector. Progress continues towards accreditation and adoption of recognised visitor standards including:

- Visitor experience assessments
- Customer journey reviews
- Accessibility improvements
- Staff development activity
- Sector quality benchmarking

14. Next Steps

14.1 Achieve a sustainable target operating model, by:

- Managing operational costs
- Developing robust revenue streams including travel trade
- Finalising and implementing a streamlined staffing structure

14.2 Since August, HLH has reduced the forecast deficit through operational changes, staffing reductions and cost control measures. Further improvement is contingent upon successful delivery of the revised operating model, growth in travel trade and continued development of commercial income. While financial sustainability has not yet been achieved, the current review provides a structured route towards a viable operating position and greater certainty over future funding requirements. As work progresses, the focus is on preparing a budget for FY 27/28 that delivers a positive variance to budget for TICE and begins to return on the investment.

Designation: Chief Executive, High Life Highland

Date: 05 November 2026

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