

ANGUS COUNCIL

ANGUS COUNCIL – 21 FEBRUARY 2019

ANGUSalive BUDGET SETTLEMENT 2019/20

**REPORT BY HEAD OF FINANCE AND LEGAL AND HEAD OF STRATEGIC POLICY,
TRANSFORMATION & PUBLIC SECTOR REFORM**

ABSTRACT

This report summarises the proposed 2019/20 budget settlement between Angus Council and ANGUSalive.

1. RECOMMENDATION

It is recommended that the contents of this report are noted and approved as part of Angus Council's 2019/20 revenue and capital budget setting process.

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN / CORPORATE PLAN

This report contributes as a whole to the achievement of the local outcomes and corporate priorities within the Local Outcome Improvement Plan and Corporate Plan.

3. BACKGROUND

Whilst the responsibility for ensuring there is provision of leisure, cultural and ACCESS office services remains with the Council, the delivery of these services transferred from the Council to the ANGUSalive Charitable Trust on 1 December 2015. ANGUSalive is wholly owned by Angus Council but has an independent Board who manage the company's affairs. The ANGUSalive Board has 5 Independent Directors and 4 Angus Councillor Directors.

ANGUSalive is funded in part by income generated from fees and charges but also receives a Management Fee from the Council to part fund the services provided. The Management Fee payment requires ANGUSalive to deliver services on behalf of the Council which are covered by a Service Level Agreement.

The Head of Strategic Policy, Transformation & Public Sector Reform is responsible for managing the Council's day to day relationship with ANGUSalive and for ensuring the Management Fee element of the budget is appropriately managed.

Preparing a budget for ANGUSalive therefore requires a partnership approach. Decisions have to be made by the Council in relation to the Management Fee and services it wants ANGUSalive to provide in return, and by the ANGUSalive Board on how it wishes to deliver the services required by the Council, while taking cognisance of its own obligations acting in the best interests of the Company.

The proposals in this report were considered and approved at the ANGUSalive Finance & Audit Sub Committee on 25 January 2019 and will also be considered by the full Board on 22 February 2019.

4. 2019/20 BUDGET PROPOSALS

4.1 2018/19 Approved Budget and Projected Outturn

- ANGUSalve's approved revenue budget was specifically set to deliver a net income of £200,000 in 2018/19 to allow a base level of Renewal & Repair (R&R) Fund contribution to be made to maintain the annual equipment replacement programme that is essential to maintaining the customer base. The initial 2018/19 revenue budget included a management fee from Angus Council of £3.968m as follows:

	<u>£m</u>
Gross Expenditure	9.092
Management Fee	3.968
All Other Income	<u>5.324</u>
Gross Income	9.292
Net Income / (Expenditure)	<u>0.200</u>

- It should be noted that the above position excludes any allowance relating to the 2018/19 pay award as this is yet to be agreed. Once agreed, the management fee will be uplifted accordingly with the gross expenditure also rising by an equivalent amount.
- Further adjustments to the management fee have been undertaken during 2018/19 taking the 2018/19 management fee to £3.916m as set out below:

	<u>£m</u>
Initial Management Fee	3.968
Reduction to reflect integrated ACCESS services	(0.044)
Reduction to reflect National Insurance changes	(0.008)
Revised Management Fee	<u>3.916</u>

- It should be noted however that further National Insurance changes will result once the 2018/19 pay award is agreed.
- The latest outturn position for ANGUSalve was presented to the ANGUSalve Finance & Audit Sub Committee meeting of 25 January 2019 based on actual income received / expenditure incurred up to 31 December 2018. A year end net income position of circa £264,000 is currently projected.
- The achievement of a net income position continues to be vital to ANGUSalve for 2 main reasons:
 - to build a sufficient level of reserves as required by the Office of the Scottish Charity Regulator (OSCR); and
 - to allow contributions to be made into Angus Council's Recreation R&R Fund for investment in the assets utilised by ANGUSalve.

Regular equipment refresh / replacement is essential to maintain ANGUSalve's customer base and facility usage. Future replacement of legacy IT equipment will ensure continuity of service as well as improvements in the customer and employee experience by enabling the organisation to keep up to date with changes in technology.

- The £264,000 projected net income will therefore be utilised in full to maintain the R&R Fund and reserves positions.

4.2 Determining the 2019/20 Management Fee

- The management fee is essentially subject to discussion and negotiation between Angus Council and the ANGUSalve Board. During the setting of the 2018/19 budget (including the ANGUSalve management fee) however, it was agreed that the ANGUSalve management fee would reduce by £300,000 in each of the 3 years 2018/19 to 2020/21 but would in turn be uplifted for staff costs such as pay award, increments and living wage.
- The 2019/20 management fee payable to ANGUSalve will therefore be established in line with this agreement using the revised 2018/19 management fee of £3.916m as a base.

4.3 2019/20 Proposed Management Fee

- On the basis of the above, the proposed budget settlement (management fee payable) for ANGUSalve for 2019/20 has been determined as follows:

	<u>£m</u>	<u>Commentary</u>
Base management fee (per 4.2 above)	3.916	18/19 pay award uplift pending
<i>Add:</i> 18/19 Pay award (estimate)	<u>0.292</u>	3.5% assumed pay award uplift
Updated base management fee (estimate)	4.208	
<i>Add:</i>		
19/20 Staff costs uplift (estimate)	0.250	3% assumed pay award uplift
<i>Less:</i>		
Saving requirement	(0.300)	
 Proposed 2019/20 Management Fee	 <u>4.158</u>	

- The proposed settlement would result in a cash reduction in the management fee payable of £50,000 from the 2018/19 updated base management fee.

5. FINANCIAL IMPLICATIONS

There are no immediate financial implications arising from the recommendations of this report.

The proposals outlined in this report are subject of approval through other reports on the Agenda of this meeting and have been reflected in the net expenditure summary and Council Tax calculation.

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NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.