

ANGUS COUNCIL

ANGUS COUNCIL – 27 FEBRUARY 2020

ANGUSalive CHARGES REVIEW AND BUDGET SETTLEMENT 2020/21

REPORT BY DIRECTOR OF FINANCE AND DIRECTOR OF STRATEGIC POLICY,  
TRANSFORMATION & PUBLIC SECTOR REFORM

**ABSTRACT**

This report presents the review of charges for services delivered by ANGUSalive as well as the proposed 2020/21 budget settlement between Angus Council and ANGUSalive.

**1. RECOMMENDATION**

- 1.1 It is recommended that the contents of this report are noted and approved as part of Angus Council's 2020/21 revenue and capital budget setting process, including the review of charges proposals set out in **Annex 1**.

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

- 2.1 This report contributes to the following local outcomes contained within the Angus Local Outcomes Improvement Plan and Locality Plans:
- Improved physical, mental and emotional health and well-being.

**3. BACKGROUND**

- 3.1 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.
- 3.2 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 Agreement.
- 3.3 The Director 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.
- 3.4 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.
- 3.5 With respect to the level of fees and charges to be levied, whilst ANGUSalive prepares and considers proposals for those fees and charges, the Service Agreement with ANGUSalive stipulates that it is for the Council to approve the levels proposed.

- 3.6 The charges proposals in this report were considered and approved from an ANGUSalve business and operational perspective at the ANGUSalve Finance & Audit Sub-Committee on 31 January 2020.
- 3.7 No final decision or agreement had been reached in regard to the management fee settlement in advance of the ANGUSalve Finance & Audit Sub-Committee on 31 January 2020. Directors considered and noted two scenarios outlined to provide an indication of the potential savings requirement. Scenario 1 confirmed the previously agreed saving of £300,000 required in 2020/21. Scenario 2 advised an additional reduction over and above may be required given the projected significant level of financial pressure on the Council's budgets and gave an indication that a management fee reduction of some £458,000 may be required in 2020/21. An update will be provided at the Board meeting on 28 February 2020.

#### 4 2019/20 APPROVED BUDGET AND PROJECTED OUTTURN

- 4.1 ANGUSalve's approved revenue budget was specifically set to deliver a net income of £200,000 in 2019/20 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 2019/20 revenue budget included a management fee from Angus Council of £4.112m as follows:

	<u>£m</u>
Income	
• Management Fee	4.112
• All Other Income	5.242
Total Gross Income	9.354
Gross Expenditure	9.154
<b>Net Income</b>	<b>0.200</b>

- 4.2 No adjustments to the management fee have so far been necessary during 2019/20.
- 4.3 The latest outturn position for ANGUSalve is based on actual income received / expenditure incurred up to 31 December 2019 and projects a year end net income of circa £348,000.
- 4.4 The achievement of a net income position continues to be vital to ANGUSalve for 2 main reasons:
1. to maintain a sufficient level of reserves as required by the Office of the Scottish Charity Regulator (OSCR); and
  2. to continue to allow contributions to be made into the Equipment and IT R&R Funds for investment in the assets utilised by ANGUSalve.

Regular equipment and technology 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.

- 4.5 Based on the trend of the last couple of years, it is anticipated that the full £348,000 projected net income will be utilised to maintain the R&R Fund and reserves positions. This is however a decision that the ANGUSalve Board will reach at its meeting of 8 May 2020 once the final year-end position is known through the final accounts process.

#### 5 DETERMINING THE 2020/21 MANAGEMENT FEE

- 5.1 The level of the management fee is subject to discussion between Angus Council and the ANGUSalve Board. During the setting of the 2018/19 budget however (including the ANGUSalve management fee), 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.

- 5.2 2020/21 is the third year of that agreement and initial expectations were that the management fee payable to ANGUSalve would be established in line with the agreement.
- 5.3 Given the projected significant level of financial pressure on the Council's budgets however, it is considered that there should be an additional reduction over and above the £300,000 in 2020/21.
- 5.4 The overall budget proposals being presented today therefore provide for a management fee reduction of £458,000 in 2020/21 – i.e. an additional £158,000 from initial expectations.
- 5.5 Uplifts for pay award, increments and living wage will though still be added back to the management fee.

## 6 2020/21 Proposed Management Fee

- 6.1 On the basis of the above, the budget settlement (management fee payable) for ANGUSalve for 2020/21 would be as follows:

	£m
Base management fee (per section 4 above)	4.112
Add: 2020/21 Staff costs uplift (estimate)	0.247
Less: Saving requirement (per section 5 above)	0.458
<b>Proposed 2020/21 Management Fee</b>	<b>3.901</b>

- 6.2 The proposed settlement would result in a net cash reduction in the management fee payable of £211,000 from the 2019/20 base management fee.
- 6.3 Notwithstanding, as the £247,000 estimated staff cost uplift merely matches estimated rises in the associated staff costs, the full £458,000 must be saved from the overall ANGUSalve budget, which may require a range of measures to be considered.
- 6.4 The proposed management fee level therefore represents a significant savings requirement. Members should be in no doubt that delivering on this savings requirement will pose a significant challenge for ANGUSalve.
- 6.5 Although not without challenge, senior officers of ANGUSalve consider the higher level of savings in 2020/21 to be achievable without any direct impact on service delivery but have indicated that further savings in future years will require a more fundamental review of service provision across Angus. Officers from the Council and ANGUSalve intend to begin work on this early in the new financial year.

## 7. 2020/21 REVIEW OF CHARGES

- 7.1 As noted above, whilst it is for ANGUSalve to prepare and consider the levels of fees and charges with respect to their business operations, the Service Agreement with the Council stipulates that it is for the Council to approve any such proposals.
- 7.2 To this end, the Finance & Audit Sub-Committee of ANGUSalve considered a report by the ANGUSalve Chief Executive at its meeting of 31 January 2020 which set out detailed proposals for the charges to be levied by ANGUSalve in the 2020/21 financial year.
- 7.3 The report to the Sub-Committee, including the detailed charges appendix, is attached as **Annex 1** to this report. This is the result of a significant piece of work to review income levels, customer trends and charging options.

- 7.4 The Sub-Committee approved the proposals from an ANGUSalve business and operational perspective.
- 7.5 As required by the Service Agreement, Members are now asked to approve the charges proposals attached.

## **8. FINANCIAL IMPLICATIONS**

- 8.1 There are no immediate financial implications arising from the recommendations of this report.
- 8.2 The management fee 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.
- 8.3 The financial implications from approval of the review of charges sit directly with ANGUSalve rather than the Council, however approval of the fees and charges levels will assist ANGUSalve in addressing the financial and business implications arising from the proposed significant management fee reduction.

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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.

List of Annexes:

Annex 1: Charging and Pricing Review report to the ANGUSalve Finance & Audit Sub-Committee