

ANGUS COUNCIL

5 NOVEMBER 2020

ANGUSALIVE: UPDATE

**REPORT BY VIVIEN SMITH, DIRECTOR OF STRATEGIC POLICY, TRANSFORMATION
& PUBLIC SECTOR REFORM**

ABSTRACT

This report provides an update in relation to ANGUSalive, including progress with the current recovery plans and the initial steps of the transformation project agreed at Council in September.

1. RECOMMENDATIONS

1.1 It is recommended that the Council:

- (i) Note the current temporary operating position set out in ANGUSalive's recovery plans included in Appendix 1;
- (ii) Agree the interim changes to the Services Specification which will form the content of a formal change notice between the Council and ANGUSalive which will reflect the current temporary operating position included in Appendix 1;
- (iii) Agree to the trial integration of Library services and face-to-face ACCESS services in Arbroath, with these services being delivered from the existing Arbroath Library facility;
- (iv) Note the successful conclusion of the ANGUSalive accounts for 2019/20, and that the projected cash flows for the next 12 months, viewed alongside the package of support measures agreed by the Council, provide assurance that ANGUSalive is considered to be a going concern over this challenging period and up to end of October 2021 when the next assessment will be due;
- (v) Note that ANGUSalive has made successful applications for external grant funding to contribute to the charity's recovery and renewal planning, amounting to £344,752 (up to 21 October 2020), with details included in Appendix 2 of this report (note: this figure excludes funding received via the Coronavirus Job Retention Scheme and this information will be included in the next update report); and
- (vi) Note the progress with the initial steps of the transformation project, including the financial overview information and analysis of performance data currently being progressed as part of the project, all as detailed in section 5 and Appendix 3 (Exempt) of this report.

2. ALIGNMENT TO THE COMMUNITY PLAN/ COUNCIL PLAN

2.1 This report contributes to the following local outcome(s) contained within the Community Plan:

- An inclusive and sustainable economy
- A skilled and adaptable workforce
- Attractive employment opportunities
- The best start in life for children
- More opportunities for people to achieve success
- Improved physical, mental and emotional health and well-being
- Safe, secure, vibrant and sustainable communities

3. BACKGROUND

3.1 Reference is made to Report 224/20, considered by the Council at its meeting on 10 September 2020. That report provided an update in relation to ANGUSalve, the Council's Arms-Length External Organisation (ALEO), following the suspension of the delivery of the services specification during the COVID-19 pandemic. It also set out the emerging issues as a result of the pandemic on the ANGUSalve business model and outlined the next steps as the organisation moves through the recovery phases and, in partnership with the Council, progresses to develop proposals for transformational change required to achieve a sustainable future.

4. CURRENT OPERATING POSITION UPDATE

4.1 Overview

4.1.1 The current temporary operating position is set out in ANGUSalve's recovery plans included in Appendix 1. These recovery plans are evolving on a daily/ weekly basis and the information set out in Appendix 1 represents the position as at Monday 19 October 2020.

4.2 Proposed Temporary Amendments to Services Specification

4.2.1 The current temporary operating position set out in Appendix 1 does not fully meet the requirements of the current operational services specification as agreed between the Council and ANGUSalve and as operated prior to COVID 19.

4.2.2 The current position is temporary as a result of the pandemic. ANGUSalve are continuing to make every effort to align the timeframe for re-opening services with the phases provided for in the guidance emerging from the Scottish Government's 'route map through and out of the crisis'. This remains an evolving situation where changes to national and sector specific guidance continues to be made regularly and often require rapid implementation by organisations.

4.2.3 Accordingly, members are asked to consider the content of these recovery plans set out in Appendix 1 and agree they can form the content of a formal change notice between the Council and ANGUSalve which will reflect this interim position.

4.2.4 It is highlighted that, in accordance with recommendation (v) of Report 224/20, agreement to proceed with this change notice on these terms will not reduce the Council Management Fee agreed in Report 81/20. This is a temporary position through the current recovery phases up to 31 March 2021.

4.2.5 A further report updating members with the latest position will be brought to the full Council meeting on 17 December 2020 for agreement as the next iteration of recovery planning is progressed over the next few weeks.

4.3 ACCESS Office Provision

4.3.1 Specific attention is drawn to ANGUSalve's recovery plans in relation to face-to-face ACCESS service provision. Members will already be aware that during lockdown, the face-to-face ACCESS services were closed (six of those service points being within the integrated Libraries and one stand-a-lone service point in Arbroath), and all public enquiries were then undertaken via the Council Contact Centre.

4.3.2 The gradual easing of lockdown measures, and the continued closure of the face-to-face ACCESS services, has gradually placed a significant increase in demand on the Council's Contact Centre service. While this has encouraged some customers to 'channel shift' and take up on-line options supporting the implementation of the Council's digital strategy, other measures have now also been put in place to address the increased Contact Centre demand.

4.3.3 In addition, discussions were initiated with ANGUSalve to design an appropriate return of face-to-face ACCESS services. These discussions took into consideration the current financial pressures facing ANGUSalve, current re-opening proposals for libraries, digital offerings and data relating to the historic use of the various face-to-face ACCESS service locations.

4.3.4 While it is still the Council's medium term intention to shift a number of these face-to-face services to a 'digital first' approach, it is also acknowledged there needs to be an interim face-to-face option, and that some services (e.g. homelessness) will most likely continue to require a physical presence, and a digital solution may not be possible for some time to come.

4.3.5 The discussions have resulted in finding a solution which has seen the re-introduction of face-to-face ACCESS services from ANGUSalve libraries commencing on 5 October 2020, with the opening times informed by the historical demand data relating to footfall usage. Actual demand going forward will also be monitored to allow the initial provision to be amended as required, while taking cognisance of ANGUSalve's ongoing business viability considerations (e.g. maximising benefits from government backed support schemes).

4.3.6 In Arbroath, the recovery plans have been developed to deliver face-to face ACCESS services from the existing Arbroath Library facility on a trial basis. Members will be aware that Arbroath was the only burgh in Angus where integration had not yet been undertaken, with Library services and ACCESS services operating from separate buildings located in very close proximity. This integrated approach has proven to have many service delivery benefits in the other burghs. Only minor layout changes will be required to the Arbroath Library facilities to support this approach.

4.3.7 The ANGUSalve transformation project will consider the potential for the integrated approach continuing into the future in Arbroath, however this will be subject to considering all the implications relating to the current ACCESS office facility (i.e. the Old Parish Church building in Kirk Square, Arbroath), which is connected to the Common Good Fund.

4.5 Going Concern – Angus Council and National Support

- 4.5.1 The assessment of ANGUSalve as a going concern is a requirement of the company's final accounts process as well as to provide reassurance to the Council on the position of the company.

This assessment is very much focussed on the company's cash flow position and whether there are sufficient projected resources to maintain the company through the 12-month period following the signing of the latest set of annual accounts. This is different from whether the company's accounts show a net income or net expenditure position at the end of the financial year.

The latest ANGUSalve accounts (covering financial year 2019/20) were concluded and signed by the Board on 23 October, hence the 12-month going concern assessment covers the period to the end of October 2021.

The projected cash flows for that period, viewed alongside the package of support measures agreed by the Council, provide assurance that ANGUSalve is a going concern. The ANGUSalve board and the company's auditors have agreed this position.

The cash flow projections have been prepared in an environment of significant uncertainty and include a number of assumptions which have been made on the basis of the known information available at the point of finalising the ANGUSalve accounts. There is therefore some risk given the fluctuating position that some of these assumptions prove to be inaccurate depending on how measures to tackle the pandemic progress.

In particular, assumptions have had to be made in respect of how sports facility income may progress as the route map to deal with the pandemic progresses. Currently, whilst the picture is expected to be variable month-on-month, the trend is expected to show a gradual rise in facility/ activity usage and hence a gradual increase in income levels. Any change to the ability of sports facilities to provide services and activities could however impact significantly on the income assumptions.

The Finance team supporting ANGUSalve are however maintaining a close detailed watch on the cash flow position and amending the underlying assumptions as relevant guidance changes and operational plans develop. Should anything change that materially affects the going concern view this will be flagged up to the ANGUSalve board and external auditors. The trustees will need to keep a careful eye on the position to ensure that the charity continues to trade legally.

The ongoing updates to the cash flow projections will inform the financial aspects of each of the update reports to be presented to each upcoming full Council meeting.

- 4.5.2 The Coronavirus Job Retention Scheme (CJRS) remains scheduled to end on 31 October 2020 and on 24 September 2020 the Chancellor announced a new Job Support Scheme (JSS) which will run for six months from 1 November 2020 until the 30 April 2021. The JSS looks very different to the current CJRS from the limited information currently available and is said to be designed to protect "viable" jobs.

In the final four months of the CJRS the charity has found the flexible furlough (part-time working) permitted by the latest conditions associated with the CJRS from 1 July 2020 helpful in support of the gradual and limited reopening of some services.

As highlighted in Report 224/20 the charity is required to fund in full any hours worked and the employer contribution towards furloughed workers have also increased each month from August to October. Both factors have resulted in an additional financial burden on the charity over this period at a time when income generation remains severely impacted compared to the same period last year.

Successful applications to obtain CJRS grant funds for the period to the end of August have been received by the charity. The claim for September has already been submitted with grant funds due to be received before the end of October. One further CJRS claim is expected to be made for the October period during November.

There are very few details currently available about the JSS other than those contained in a high level “fact sheet” which was published when this Scheme was announced by the Chancellor. Detailed guidance for employers is urgently required to confirm eligibility of the charity to make applications to the JSS and understand how it will operate in practice for both employees and the charity.

The Board is unable to make decisions about the JSS and arrangements cannot be communicated to employees until further information is provided by HMRC and the UK government about the Scheme. A specific update on this matter will be provided to Members in the next update report scheduled for 17 December 2020.

- 4.5.3 The Scottish Government Finance Secretary announced a Lost Income Scheme for local authorities and trusts on 8 September 2020. Further guidance and information on the details is awaited to confirm the support available to the charity locally.

ANGUSalive has also made successful applications for external grant funding to contribute to the charity’s recovery and renewal planning. The total value of the successful funding applications is £344,752.58 (up to 21 October 2020) and further details are included in Appendix 2. This figure excludes funding received via the Coronavirus Job Retention Scheme (CJRS).

- 4.5.4 The 2019/20 annual accounts and audit process has been completed in extremely challenging circumstances with all participants (ANGUSalive staff, Finance support staff and external audit staff) working and interacting remotely.

Despite the challenges faced, account statements for the financial year 2019/20 were presented for scrutiny to the ANGUSalive Finance & Audit Subcommittee on 25 September 2020.

The external audit of the ANGUSalive group accounts, comprised of the charity and trading subsidiary, has now been completed and the Report and consolidated financial statements for the year 1 April 2019 to 31 March 2020 were presented to the full Board for final review, approval and signature at their meeting on 23 October 2020. Following the successful conclusion of the external audit of the ANGUSalive group accounts for 2019/20 the final position can be reflected in the Council’s group accounts for the same financial year.

The package of support measures for the current financial year agreed by members on 10 September 2020 (report 224/20 refers) have enabled the ANGUSalive 2019/20 Accounts to be prepared and audited on a going concern basis. A letter of comfort has been provided by the Council to ANGUSalive and the external auditor to confirm the approved arrangements detailed in report 224/20.

- 4.5.5 As noted above, further details of government support available through the Lost Income Scheme and Job Support Scheme are still awaited and only one month of Sport & Leisure income data is available since these services started to reopen. Until more information is forthcoming and services have been open for longer, it is not yet possible to determine whether the £458k provision in the Council's revised General Fund Revenue Budget (Report 211/20 refers) will require to be reinstated in relation to the Council's Change programme savings that are apportioned to ANGUSalive in the current financial year 2020/21. This decision would be subject to members' approval in due course if required.

The changing landscape for guidance locally may also have an impact on income generation opportunities if Angus moves under stricter restrictions in the future. For example, group exercise has been withdrawn from the list of permitted activities in the five Health Board areas within the 'Central Belt'. A new tier system for Scotland is due to be announced and the detail within this for the culture, sport and leisure sector will be critical to understand.

5. ANGUSALIVE TRANSFORMATION PROJECT UPDATE

5.1 Overview

- 5.1.1 Following Council approval to proceed with the 'ANGUSalive Transformation Project' at its meeting on 10 September 2020, initial work has been progressed to explore and analyse ANGUSalive's financial and performance information/ data. This work is still in progress and is looking across all the discrete areas of the business activity to identify key issues and opportunities for change and improvement.

5.2 Review of Financial Information

- 5.2.1 A financial analysis of ANGUSalive's business model has been undertaken based on the information contained in ANGUSalive's draft annual accounts for 2019/20. The summary information is included in Appendix 3. It is highlighted that this appendix is exempt as it contains commercially sensitive financial information.

5.3 Review of Performance Information

- 5.3.1 Understanding the performance information relating to demand for ANGUSalive services is crucial in order to inform the change and transformation opportunities going forward.
- 5.3.2 ANGUSalive are in the process of collating all the necessary information to provide an objective evidence-base to support future decision making. This will initially be used to make comparisons against the 2015 Services Specification to identify where potential opportunities may exist with minimal impact to citizens' needs.
- 5.3.3 Performance information since re-opening is also in the process of being analysed and it is planned that this along with prior year information will be provided in the December update to members.

5.4 Aligning Recovery with developing the future Service Specification

- 5.4.1 As highlighted in Report 224/20, it is important in due course that emerging options/ proposals are dovetailed as far as practicable with ANGUSalive's recovery plans.

- 5.4.2 However, this is challenging against the uncertain backdrop that current national expectations for private and public leisure services are only to return to 80% of their previous income levels over the next 18 - 24 months. This forecast may now be scaled back following the introduction of increased restrictions in Scotland and other part of the UK. For the purposes of the cash flow projections which underpin the going concern assessment noted earlier, it is assumed that ANGUSalve may be able to get back 75% income levels by the end of financial year 2021/22.
- 5.4.3 It is also anticipated that customer preference and demand will change as the country begins to recover from the COVID-19 pandemic. This also present risks in making any final decisions on potential changes to the Service Specification in the short term. Members may recall that several other business risks were set out in Report 224/20.
- 5.4.4 Due to this uncertainty, it is planned to develop options/ proposals for the forthcoming Financial Year 2021/22, shaped around scenarios reflecting a gradual return to business, which can be tailored in response to various factors such as customer behavioural changes and the national guidelines and instructions resulting from the COVID-19 pandemic.
- 5.4.5 As further information becomes available and options/ proposals start to emerge to inform the development of the new Services Specification, ANGUSalve will include consultation and engagements with their customers to help understand what the new market is looking for from a culture, sport and leisure offering.
- 5.4.6 All this data will be used to inform and influence the shaping of the Services Specification throughout the first three-year cycle of the Business Plan. This will be the subject of further reports and members' agreement in due course.

6. FINANCIAL IMPLICATIONS

- 6.1 Various financial aspects have been included throughout the body of the report and these will be further reviewed and expanded upon in future update reports. This will include whether there is likely to be a need to call on the Council support package either in the current and/ or next financial year.
- 6.2 There are no other specific financial implications at this time in respect of this update report.

7. RISK

- 7.1 While this report includes some positive information in relation to ANGUSalve being considered in accounting terms as being a going concern over the next 12-month period up to end of October 2021, there continues to be high levels of risk surrounding the factors that support ANGUSalve achieving that position.
- 7.2 In particular, it is emphasised that the cash flow projections have been prepared in an environment of significant uncertainty and include a number of assumptions which have been made on the basis of the known information available at the point of finalising the ANGUSalve accounts. There is therefore a high risk given the fluctuating position that some of these assumptions prove to be inaccurate depending on how measures to tackle the pandemic progress.

8. CONSULTATION

- 8.1 The Chief Executive Officer of ANGUSalve has been consulted in the preparation of this report.

9. EQUALITIES IMPACT/ FAIRER SCOTLAND DUTY ASSESSMENTS

- 9.1 There is no update to the Equalities Impact and Fairer Scotland Duty assessments which were prepared in relation to Report 224/20.

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

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Appendices:

- Appendix 1 – ANGUSalve Recovery Plans
- Appendix 2 – ANGUSalve Successful External Funding Summary
- Appendix 3 - Review of Financial Information (Exempt)