

**ANGUS COUNCIL**

**17 DECEMBER 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 operating plans and the ongoing development of the transformation project previously agreed by the Council.

**1. RECOMMENDATIONS**

1.1 It is recommended that the Council:

- (i) Note the current temporary operating position set out in ANGUSalive's operational 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) Note the work that the ANGUSalive team has been doing in these most challenging of circumstances to keep services running wherever this has been possible, along with the current operating position update, all as detailed in section 4;
- (iv) Note the contribution ANGUSalive has made to support the local response to the pandemic, including HAART, Food Hubs, ACCESSline and Test & Protect;
- (v) Agree that the £458,000 2020/21 Change Programme savings target for ANGUSalive continues to be set aside as part of the budget planning for 2021/22;
- (vi) Note that ANGUSalive has made successful applications for external grant funding, including government support schemes, to contribute to the charity's short term business viability, amounting to £1,811,935.65 (up to 20 November 2020), with details included in Appendix 2 of this report; and
- (vii) Note the progress with the ongoing development of the transformation project, including the 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 272/20, considered by the Council at its meeting on 5 November 2020. That report provided an update in relation to ANGUSalve, including progress with the recovery plans at that time and the initial steps of the transformation project agreed at Council in September (Report 224/20 refers).
- 3.2 Since the time that Report 272/20 was written, the Scottish Government has updated its strategic guidance which is now set out in 'Scotland's Strategic Framework' in response to the second wave of the COVID-19 pandemic. That new guidance was put in place towards the end of October 2020 and includes the 'Protection Levels Framework' (level 0 to level 4) which sets out what activity is possible, depending on the levels being applied to the local authority area at the time.

### **4. CURRENT OPERATING POSITION UPDATE**

#### **4.1 Overview**

- 4.1.1 The current temporary operating position, taking cognisance of the new guidance and the current local circumstances, is set out in ANGUSalve's operational plans included in Appendix 1. These plans are evolving on a daily/ weekly basis and the information set out in Appendix 1 represents the position as at Monday 23 November 2020 (Note: Report 272/20 set out the previous position as at Monday 19 October 2020).
- 4.1.2 Angus moved from Level 2 into Level 3 of the Protection Levels Framework on Friday 13 November. This change has resulted in additional restrictions being in place which have impacted some of the services which can no longer be provided (e.g. group exercise classes) or cannot be restarted (e.g. adult sports club bookings) within the regulations to support the health and wellbeing, as well as for the enjoyment of, local communities.

#### **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 Accordingly, members are asked to consider the scope of services currently being delivered as 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.
- 4.2.3 Members are again reminded that, in accordance with recommendation (v) of Report 224/20, approved by Council on 10 September 2020, agreement to proceed with this change notice on these terms will not reduce the Council Management Fee agreed by full council on 27 February 2020 as detailed in Report 81/20. This is a temporary position agreed up to 31 March 2021.
- 4.2.4 A further report updating members with the latest position will be brought to the full Council meeting on 11 February 2021 for agreement as the next iteration of operational planning is progressed over the next few weeks. That position will of course largely depend on the position with the pandemic in Angus and the associated protection level that is being applied.

#### **4.3 Going Concern – Angus Council and National Support**

- 4.3.1 From Board level to front-line service delivery, it is acknowledged that the whole ANGUSalve team has been doing excellent work in the most challenging of circumstances to keep services running wherever this has been possible. This has also included contributions to the Humanitarian Assistance Angus Response Team (HAART), Food Hubs, ACCESSline and Test & Protect. Some of ANGUSalve's staff remain on furlough and continuing to maximise

the benefits from the Coronavirus Job Retention Scheme ("CJRS") remains critical to the ongoing short-term business viability.

4.3.2 Payment of £1,467,182.81 under the CJRS for the period to the end of October 2020 has been received by ANGUSalive.

In Report 272/20 members were advised the Chancellor had announced on 24 September 2020 a new Job Support Scheme (JSS) which would run for six months from 1 November 2020 until the 30 April 2021. The JSS guidance was subsequently withdrawn on 1 November 2020 since the Scheme was postponed after the Chancellor confirmed on 31 October 2020 that the CJRS was being extended for one month until December.

The UK Government made a further announcement on 5 November 2020 that the CJRS would remain open from 1 November 2020 until 31 March 2021. Under the extended Scheme, the cost to employers of retaining workers for hours not worked will be reduced compared to the cost of the Scheme in October 2020.

Furlough grant funding to employers to support wages will return to levels provided in August 2020. In respect of hours the employee does not work, the UK Government will pay 80% of wages (up to a cap of £2,500) and employers will pay employer National Insurance Contributions (NICs) and pension contributions. The UK Government will review the policy in January 2021 to decide whether economic circumstances are improving enough to ask employers to contribute more.

ANGUSalive contributions for hours not worked during the CJRS extension until 31 January 2021 will therefore be the same as in August 2020. The charity will also be required to fund in full (including National Insurance and pension contributions) any hours worked at a time when income generation remains severely impacted compared to the same period last year.

Flexible furloughing (part-time working) will be allowed in addition to full-time furloughing during the CJRS extension period. This is welcomed by ANGUSalive which has continued to find the flexible furlough permitted from 1 July 2020 helpful in support of the gradual and limited reopening of some services.

ANGUSalive must comply with the rules of the CJRS as defined by HMRC but the decision to participate and on what basis this is done is determined by each individual organisation. Extending furlough does not come without costs to employers and in line with many other charitable trusts in Scotland and across the UK, as well as organisations in other sectors, it has been necessary to take difficult decisions based on the current financial position.

The ANGUSalive Board met on 11 November 2020 to review the CJRS extension guidance provided by the UK Government in conjunction with the financial position of ANGUSalive now and over the longer term. The ANGUSalive Board approved furlough arrangements for the duration of the CJRS extension. Salaried employees and coaches, who have completed work for ANGUSalive since 14 September 2020 and continue to remain available for work, have been included in the furlough arrangements. These arrangements will continue to be closely monitored as the situation evolves.

Furlough arrangements for ANGUSalive from 1 November 2020 until 31 March 2021, including the UK Government review of the policy in January 2021, have been communicated to all salaried employees and coaches.

The claims for future pay periods will require to be submitted no later than 14 days after the end of the month. Five further CJRS claims are expected to be made for the extension period from November 2020 to March 2021 and estimates in this regard have now been incorporated in the charity's cash flow projections.

The Job Retention Bonus - a one-off payment to firms that had retained previously furloughed staff until the end of January 2021 (based on £1,000 per employee retained) will no longer be

paid in February, as the CJRS has been extended until the end of March 2021. This payment has therefore been removed from the charity's cash flow projections.

- 4.3.3 There is no update on the Lost Income Scheme for local authorities and trusts announced by the Scottish Government Finance Secretary on 8 September 2020. Additional information has been requested by COSLA and provided for both Angus Council and ANGUSalive as the culture, sport and leisure trust for the county. Further guidance and information on the confirmed allocation of funds across each local authority area is still awaited to confirm the support available to the charity locally.
- 4.3.4 To enable ANGUSalive's 2019/20 Accounts to be prepared and audited on a going concern, on 10 September 2020 full council agreed the package of support measures outlined in Report 224/20. An update is provided below on each of the financial support measures.

#### **Flexibility on the timing of agreed management fee payments**

The Quarter 3 management fee payment was made in line with the normal quarterly schedule and there is currently no cashflow requirement to make payments of the Council's agreed management fee to ANGUSalive earlier than the normal quarterly schedule in the last quarter of 2020/21. Flexibility is however expected to be required on the timing of agreed management fee payments for 2021/22.

The cash flow projections prepared for the Board and external auditors to support the 12-month going concern assessment for ANGUSalive covers the period to the end of October 2021. These cash flow projections assumed the Council's management fee for 2021/22 would be the same as the management fee in 2020/21. This will be considered in more detail as part of the Council's 2021/22 budget setting process.

#### **2020/21 Budget Savings**

The Council set aside funding equivalent to the 2020/21 Change Programme savings target for ANGUSalive of £458,000. This funding (subject to further member approval) could be provided if required as a top up to the existing agreed management fee for 2020/21. The cashflow projections to the end of the current financial year forecast that there will be no requirement to access the £458,000 in 2020/21. However, that position remains subject to change and could alter very quickly resulting in a requirement to request this support in the next report or during the new financial year in 2021/22. Accordingly, members are requested to agree that the £458,000 set aside in 2020/21, continues to be set aside as part of the budget planning for 2021/22.

ANGUSalive has been able to reinstate some income streams, at a very reduced level, operating within the current restrictions as these evolve over time. The first quarter since sports facilities (the most significant income source) reopened has yet to be concluded and now the financial impact of Angus moving into Level 3 on 13 November 2020 will need to be fully understood. There is also a more substantial risk associated with the potential move to Level 4, locally or nationally, in the future on the ability of the charity to generate income.

#### **Additional cash flow support of up to £0.5m**

There is no current requirement for additional cashflow support to allow the charity to remain as a going concern and meet everyday cash liabilities. Cashflow projections indicate that it is likely that this will be needed to help manage peaks in cash outflow versus available cash balances during 2021/22.

- 4.3.5 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 £1,811,935.65 (up to 20 November 2020) and further details are included in Appendix 2. This figure includes £1,467,182.81 funding received via the CJRS as detailed above.
- 4.3.6 Support received from the UK and Scottish Governments during 2020/21 in conjunction with internal measures taken by the charity has resulted in a current position where it is not

anticipated that ANGUSalve will need to access the Angus Council support package during 2020/21 although this remains subject to change.

The internal measures put in place across the charity during the public health emergency have all helped to protect cashflow and significantly improve the bottom line if these actions had not been taken.

The measures include, but are not limited to:

- managing the cost base through expedient negotiations with suppliers following lockdown to reduce expenditure;
- maximising the use of furlough whilst balancing use of resources to maintain the business and design then implement recovery plans;
- no recruitment to existing and newly vacant roles (1/6 of all posts in the establishment) as salaried employees have retired, left to study, moved to a position in another organisation, etc;
- fully utilised salaried employees and reduced use of casual workers.

The situation continues to be monitored very closely by the ANGUSalve Board of Directors and there are many factors which could change in positive (e.g. vaccination programme) or negative (e.g. additional restrictions) direction over the coming months. To maintain a going concern assessment to enable the charity to continue to trade legally during the new financial year it is expected that the support package will be required in 2021/22 based on the information available at this time.

The financial measures in the support package alone will not be sufficient and there is a continued need to transform the business to be sustainable over the longer term.

## **5. ANGUSALIVE TRANSFORMATION PROJECT UPDATE**

### **5.1 Overview**

5.1.1 Members may recall that Report 272/20 to full council on 5 November 2020 provided a financial summary of ANGUSalve's business model. This report has been prepared to provide more information in relation to ANGUSalve's performance information/ data. The analysis of performance information/ data, combined with the financial information, will be used to identify key issues and opportunities for change and improvement.

### **5.2 Review of Performance Information**

5.2.1 ANGUSalve have now collated a significant amount of 2019/20 facility specific usage, cost and resource data which will be used to inform future proposals for the Service Specification. However, this will require further time to interpret and understand the information presented prior to designing any proposals.

5.2.2 As being recommended nationally to ALEOs, the understanding of recovery performance information will be a key contributor in the design of future service proposals. ANGUSalve are currently recording this information as they adapt to the unpredictable restrictions being imposed within Angus.

5.2.3 The summary performance information is included in Appendix 3. It is highlighted that Appendix 3 is exempt as it contains commercially sensitive business intelligence.

5.2.4 Some new performance information since re-opening services after the first wave of the COVID-19 pandemic is also included in Appendix 3 to highlight areas where there is initial evidence that customer behaviour may be changing.

### **5.3 Aligning Recovery with developing the future Service Specification**

- 5.3.1 As highlighted in Reports 224/20 and 272/20, it is important in due course that emerging options/ proposals are dovetailed as far as practicable with ANGUSalve's recovery plans.
- 5.3.2 All this data and information 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 as the impact of Winter on the Protection Levels Framework become clearer.
- 6.2 There are no other specific financial implications at this time in respect of this update report.

## **7. RISK**

- 7.1 This report sets out the updated position with ANGUSalve due to the changing circumstances around income generation capability crystallised by the COVID-19 pandemic.
- 7.2 It continues to be emphasised that the cash flow projections are being 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 this time. 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 and further revisions will be necessary on an ongoing basis.

## **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 Operational Plans
- Appendix 2 – ANGUSalve Successful External Funding Summary
- Appendix 3 – Review of Performance Information (Exempt)