

ANGUS COUNCIL

ANGUS COUNCIL - 16 DECEMBER 2021

ANGUSALIVE: UPDATE

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

ABSTRACT

This report provides the latest update in relation to ANGUSalive, including information in relation to the current temporary operating arrangements, financial position and progress with the ongoing development of the ANGUSalive Transformation Project previously agreed by the Council.

1. RECOMMENDATIONS

1.1 It is recommended that the Council:

- (i) Agree ANGUSalive's current temporary operating arrangements, as set out in Appendix 1, representing interim changes to the Services Specification, and agree they can form the content of a formal change notice between the Council and ANGUSalive;
- (ii) Note that discussion is ongoing with NHS Tayside regarding the potential future requirements for using the current vaccination centres beyond 31 March 2022, particularly now in the context of the new COVID variant emerging, along with recovery of lost income and other costs borne by ANGUSalive/ Council through providing those facilities during the period 7 June 2021 to 31 March 2022 and potentially beyond;
- (iii) Note that ANGUSalive has continued to make successful applications for external grant funding, including government support schemes, to contribute to the charity's short term business viability, amounting to £3,315,201.47 (up to 26 November 2021), with details included in Appendix 2 of this report;
- (iv) Note the latest financial update, as set out in section 4.4 of this report;
- (v) Note the progress with the ongoing development of the Transformation Project, as set out in section 5 of this report; and
- (vi) Agree the procurement authority for the supply and installation of equipment, following the sourcing strategies as set out in section 5.1.1 (bullet point 5) below, with an estimated total value of £460,440, to be funded from ANGUSalive's Renewal & Repair Fund.

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 283/21](#) (including [Appendix 1](#) and [Appendix 2](#)), considered by the Council at its meeting on 17 September 2021 (carried forward from the original meeting which was adjourned on 9 September 2021), which was the latest in the series of reports to full Council keeping members up-to-date with the impact of the pandemic on ANGUSalive as a going concern, along with associated matters.

3.2 It is important to emphasise the ongoing and significant challenges faced by ANGUSalive and the related impact on the business operating model which is wholly dependent on (i) income generation (c55% of operating costs); and (ii) the Council management fee (c45% of operating costs). The key points/ risks to note are as follows:

- Income generation relative to pre-pandemic levels is currently only circa 60% for bACTIVE memberships, circa 40% for casual sports admissions and 10% to 40% for most other events/ activities. There is continued uncertainty in relation to how income generation may recover. Engagement nationally through Community Leisure Scotland, a members' association which represents charitable leisure and culture trusts, confirms this experience is aligned with the position across the country.
- ANGUSalive Board and Executive team have prudently managed staff vacancies emerging through the pandemic by not filling a number of vacant posts (around 21 FTE across 43 posts). Deployment of casual workers within the charity has also been minimised. These actions have established a vacancy saving of c£745k which is a key element being used as part of a range of measures to manage the challenging financial position.
- Council support measures have been put in place, including one-off funding solutions with delegated authority to the Director Finance which has been documented in previous reports (this package includes £265k lost income scheme grant and £458k budget saving set aside from 2020/21), to support the business on a 'going-concern' basis.
- Government support from the Coronavirus Job Retention Scheme (CJRS) ended on 30 September 2021, significantly increasing ANGUSalive's financial risk exposure.
- The impact of the reduced staff complement is reflected in a reduction to the level of services available in communities across Angus, designed to match greatest demand within the finances available. Despite this, the Council's commitment to the ongoing payment of the full management fee is essential to maintain the going-concern position.
- As part of addressing the Council's broader financial challenges, it is planned to reduce ANGUSalive's management fee by £250k (2022/23) and £210k (2023/24). Those savings have already been deferred by one financial year and currently feature in the Council's Change Programme.
- Considering all the above issues, delivering transformational change to ANGUSalive services over the short to medium term is now essential to achieve a longer-term, and sustainable solution.

4. CURRENT OPERATING POSITION UPDATE

4.1 Overview

4.1.1 In terms of ANGUSalive's current temporary operating arrangements, it is proposed that the opening hours for venues, as set out in the previous Report 283/21, continue without any change over the next few months and up to the end of March 2022.

4.1.2 These hours, along with the latest activity schedules, which have not changed since the previous report, are included in Appendix 1.

- 4.1.3 It is anticipated significant financial challenges for the charity will continue into the new financial year with the impacts of the pandemic still being experienced during 2022/23. Customer return to services remains significantly lower than pre-pandemic levels for a number of reasons. For example, this could potentially be related to a shift to online platforms combined with an increase in different leisure activities being undertaken at home; possibly reduced confidence going into indoor settings as well as making choices to limit these instances; and potentially less income being available within households for discretionary spend. Some of these changes in customer behaviour may be temporary through the ongoing pandemic, however others may extend beyond this period as the new way of doing things, with longer term implications for the provision of culture, sport and leisure services and ANGUSalve's business model.
- 4.1.4 Service level provision in 2022/23 will therefore continue to be affected and temporary operating arrangements will be required since it will not be possible to deliver the Services Specification within the budget available due to a combination of the ongoing reduction in earned income and planned decrease in the management fee. There will be some flexibility from April 2022 to make changes to the service offering, although increases in one area will almost certainly require a corresponding decrease in another area. The Council and ANGUSalve will work closely in partnership to consider the options based on customer demand and feedback since reopening.

4.2 Vaccination Centre Requirements

- 4.2.1 Members will recall from Reports 202/21 and 283/21 that Reid Hall, Forfar; Arbroath Community Centre; and Montrose Town Hall are being used as temporary vaccination centres in Angus (for influenza and COVID-19 jabs), supporting the request from NHS Tayside.
- 4.2.2 This arrangement is currently in place until 31 March 2022, with ANGUSalve permitted to stop taking bookings at these venues until after that time. Council officers have been working with NHS Tayside colleagues to establish the potential future requirements for using these facilities, including a sustainable strategy for vaccination roll-out going forward, particularly now in the context of the new COVID variant emerging. That work is currently in progress and needs to conclude as quickly as practicable to enable ANGUSalve to provide accurate information to customers about future availability of these venues.
- 4.2.3 The recovery of lost income and other costs borne by ANGUSalve/ Council through providing those facilities during the period 7 June 2021 to 31 March 2022 and potentially beyond, is being discussed with NHS Tayside colleagues. Members may recall that the loss of income over a comparable 10-month pre-pandemic period amounted to circa £55k.

4.3 Proposed Temporary Amendments to Services Specification

- 4.3.1 The current temporary operating arrangements as described and set out in Appendix 1 do 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.
- 4.3.2 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.

4.4 'Going Concern'/ Financial Position/ Coronavirus Job Retention Scheme (CJRS) Update

Going Concern

- 4.4.1 ANGUSalve's year-end accounts for 2020/21 were signed by the ANGUSalve Board and the external auditors at the Board meeting on 24 September 2021. The assessment of ANGUSalve as a 'going-concern' which formed part of the external auditor's review, accepted that, with the Council support measures in place, the business could be considered viable for the 12-month period from the date of signing the accounts, subject to re-assessment at that time. The external auditors gave an unqualified opinion on the accounts for 2020/21.

Notwithstanding the regulatory timescales, the going concern position is assessed on a rolling basis, not less than monthly, and reported to each meeting of the Board.

Financial Position

- 4.4.2 Cash-flow projections are being updated weekly by the Council's finance team who provide support to ANGUSalive. The financial position is therefore being closely monitored, albeit based on a number of assumptions.
- 4.4.3 For the current financial year 2021/22, the latest projected year end position is at this time estimated to result in net income of £49,000. This projection is only possible with the significant level of posts being held vacant (considerably more than the vacancy budget level) to offset the greater than expected reduction in income generation. There is a risk with such a small projected net income, that the year-end position moves adversely to a net expenditure position. In this event, a break-even position would be achieved through a mix of lost income scheme support (£265k) and the £458k budget savings set aside from 2020/21.
- 4.4.4 The overall position for the next financial year (2022/23) is yet to be developed in detail. The slower than expected recovery of income generation along with the plan to reduce the management fee by £250,000 and inflationary pressures on expenditure, mean there is a strong possibility it will again be necessary to set a net expenditure budget. This will though also depend on progress made on the transformation project which could affect the number of posts that it is possible to retain as vacant, but such a budget position would continue to rely on the Council support package. Per report 283/21 to Council on 9 September 2021, the support package is in place until 31 March 2023.

Coronavirus Job Retention Scheme (CJRS)

- 4.4.5 The CJRS concluded on 30 September 2021. ANGUSalive successfully claimed grant funding of £293,260.56 in 2021/22 for the period 1 April – 30 September 2021. The monthly average claimed in the current financial year was only 28% of the monthly average in 2020/21. This figure is much lower as a result of venues reopening from 26 April 2021 and increasing numbers of staff returning to work over the past six months to support delivery of important culture, sport and leisure services to the communities of Angus. Furlough stopped for all the charity's employees who had not already returned to work on 30 September 2021 and all employees were back at work from 1 October 2021.
- 4.4.6 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 £3,315,201.47 (up to 26 November 2021) and further details are included in Appendix 2. This figure includes £2,620,311.19 funding received via the Coronavirus Job Retention Scheme (CJRS).

5. ANGUSALIVE TRANSFORMATION PROJECT UPDATE

5.1 General Update

- 5.1.1 The ANGUSalive Transformation Project is being actively progressed via the development of the various workstreams. Since the previous report, progress has been achieved on the following:
- [Health & Wellbeing/ Social Prescribing 'Test of Change'](#): a bid for Council COVID-19 funding amounting to £250k was developed and agreed by Council at its meeting on 4 November 2021. This is to be combined with ANGUSalive and Angus IJB match funding (£125k from each partner) to establish a total fund of £500k to progress an exciting initiative which will focus on providing an end-to-end pilot programme for social prescribing within Angus, including the development of ANGUSalive's service offerings in this area to match identified priority healthcare demand.
 - Service Design: The initial exploration phase on Service Design is in progress, including framing the issues to be considered, establishing the issues against Council/ Community Plan priorities, gathering data and insight, and developing proposals for the next steps for

engaging with our communities, which will be supported by our new Vibrant Communities service.

- **Rapid Improvement Event:** a Rapid Improvement Event has been arranged for 14 December 2021 to take stock of progress across all the five workstreams. At the time of writing this report the agenda for the event is still being developed, however a key element will be a specific discussion in relation to the timetable for key milestones and deliverables over the course of the forthcoming calendar year. Members will receive an update on this timetable as part of the next update report.
- **Monifieth Library:** following a review of the consultation feedback in relation to the potential to include Monifieth Library as part of the new Monifieth Learning Campus, elected members decided at their meeting on 4 November 2021 to remove the recommendation to undertake an options appraisal as the results do not support a move to the new Learning Campus.
- A significant investment plan for three priority sports facilities and Monikie Country Park will be presented to the ANGUSalve Board of Directors for consideration when it meets on Friday 10 December 2021. Regular equipment refresh is essential as this programme of work contributes to the maintenance of the charity's customer base and facility usage through provision of a high-quality customer experience. The investment will be funded through the Renewal & Repair Fund which the charity has made annual contributions towards since it was established in 2015.

Agreement to the procurement authority for the various items of equipment with an overall estimated value of £460,440 is therefore sought from Council.

The sourcing strategy for the equipment for the three sports facilities (estimated value £394,240) will be via the Eastern Shires Purchasing Organisation (ESPO) framework agreement Fitness Equipment (Supply, Delivery, Installation & Maintenance) using Precor as the preferred supplier. This supplier has a track record of providing the best value solution from that agreement and has been utilised as ANGUSalve's fitness equipment provider since the formation of the Trust in December 2015. There are also technical compatibility reasons for going with the identified supplier as it is important to ensure consistency of offering to customers across ANGUSalve's facilities. There is a significant benefit to bACTIVE members from the same equipment appearing across each venue as they know how to use it and this equipment links into the supplier's digital platform (Preva) so customers only have to use one system.

The sourcing strategy for the equipment at Monikie Country Park (estimated value of £56,700) is relatively restricted due to the specialist nature of the equipment to be procured. At this stage only two suppliers of this type of equipment within the UK have been identified. Further research will be undertaken to establish the market position and competitive quotations obtained as a minimum from the two identified suppliers.

The balance of funding amounting to £9,500 relates to ad hoc equipment purchases. The sourcing strategy for these items will be in accordance with normal operating arrangements compliant with Financial Regulations.

5.2 ANGUSalve Business Plan Development

- 5.2.1 The development of ANGUSalve's business plan continues to be in development and a first draft is being updated by ANGUSalve following initial review by the Council's team. A Service Design Day was held by ANGUSalve and Angus Council colleagues on Friday 26 November 2021 to review service specification for 2022/23 and plans for future years.

5.3 Funding Opportunities

- 5.3.1 Discussions are ongoing relating to funding opportunities that may emerge for ANGUSalve. Members will be updated once more information is available.

- 5.3.2 ANGUSalve investigated the opportunity to make an application for grant funding from the Public Library Covid Relief Fund. There were two routes available – one to support increased opening hours for the remainder of 2021/22 and a second for innovative projects. The Scottish Library Information Council (SLIC) and Scottish Government required a commitment to maintain the increase in opening hours during 2022/23 without additional funding. If this was not achieved, all the funding for 2021/22 needed to be returned to SLIC. As a result of the forecast financial position of the ANGUSalve next financial year, it was not possible to provide this assurance and there would have been a significant risk to the charity.

ANGUSalve did make an application to the second route for innovative projects but unfortunately this was not successful.

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 as required in future update reports.
- 6.2 In terms of funding the investment in new equipment, the Renewal & Repair Fund currently has provision for £389,000 this financial year. This will be adjusted from ANGUSalve's Renewal & Repair fund reserve in order to meet the overall estimated value of £460,440. Re-profiling of the spend or part thereof into 2022/23 may also be required depending on the timing of the procurement.

7. RISK

- 7.1 This report sets out the updated position with ANGUSalve and the associated risks that are currently being addressed to ensure the ongoing viability of the organisation.

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 main 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