

ANGUS COUNCIL

SPECIAL ANGUS COUNCIL – 27 FEBRUARY 2025

ANGUSalve CHARGES REVIEW AND BUDGET SETTLEMENT 2025/26

JOINT REPORT BY DIRECTOR OF FINANCE AND THE ACTING DIRECTOR OF LEGAL, GOVERNANCE AND CHANGE

1. ABSTRACT

- 1.1 This report presents the proposed 2025/26 budget settlement between the Council and ANGUSalve, along with the review of ANGUSalve charges for services and their 2024/25 to 2026/27 Business Plan.

2. ALIGNMENT TO THE COUNCIL PLAN

2.1 Caring for our Economy

- Support Angus to achieve inclusive and sustainable economic growth, with a particular focus on the long-term potential of private and public investment opportunities in offshore renewable energy
- Encourage and invest in fair work opportunities for those that live, work and study in Angus

2.2 Caring for our People

- Reduce inequalities in all our communities
- Provide the best start in life for children
- Create more opportunities for people to live well and achieve their personal goals
- Improve physical, mental health and wellbeing

2.3 Caring for our Place

- Protect and enhance our natural and built environment
- Enable inclusive, empowered, resilient and safe communities across Angus
- Make our local services accessible

3. RECOMMENDATIONS

- 3.1 It is recommended that the Council:

- (i) notes and approves the contents of this report as part of Angus Council's 2025/26 revenue and capital budget setting process including the review of charges proposals set out in **Annex 1**, along with ANGUSalve's Business Plan covering 2024/25 to 2026/27 set out in **Annex 2**, which proposals are subject always to the change control process established in the agreements between ANGUSalve and Angus Council being followed.

4. BACKGROUND

- 4.1 Whilst the responsibility for ensuring there is provision of culture, sport and leisure and face-to-face ACCESS services remains with the Council, the delivery of these services transferred from the Council to the ANGUSalve Charitable Trust on 1 December 2015. ANGUSalve is a charitable company set up in perpetuity and which is wholly owned by Angus Council but has an independent Board who manage the company's affairs. The ANGUSalve Board has 5 Independent Directors, and 4 Angus Council appointed Directors who are elected members.
- 4.2 In normal course, ANGUSalve 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 ANGUSalve to deliver services on behalf of the Council which are covered by a Services Agreement.
- 4.3 The Director of Legal, Governance and Change is responsible for managing the Council's day-to-day relationship with ANGUSalve and for ensuring the Management Fee element of the budget is appropriately managed.

- 4.4 Preparing a budget for ANGUSalve therefore requires a partnership approach. Decisions must be made by the Council in relation to the Management Fee and services it wants ANGUSalve to provide in return, and by the ANGUSalve Board on how it will deliver the services required by the Council, while taking cognisance of its own obligations of acting in the best interests of the Company which has charitable status.
- 4.5 With respect to the level of fees and charges to be levied, whilst ANGUSalve prepares and considers proposals for those fees and charges, the Services Agreement with ANGUSalve stipulates that it is for the Council to approve the levels proposed.
- 4.6 The charges proposals attached to this report (**Annex 1**) were considered and approved from an ANGUSalve business and operational perspective at the ANGUSalve Finance & Audit Sub-Committee on 31 January 2025 and thereafter at the full Board meeting on 14 February 2025.
- 4.7 A draft version of the Management Fee proposal in this report was considered and noted by ANGUSalve at its Finance & Audit Sub-Committee meeting (31 January 2025) and an update on the final version of the Management Fee proposal in this report was provided to ANGUSalve at its full Board meeting (14 February 2025).
- 4.8 The generation of income from fees and charges forms a significant element of ANGUSalve's income streams.
- 4.9 It is also highlighted that a key component of the annual budget settlement process is for ANGUSalve and the Council to discuss and develop a Business Plan for the forthcoming financial year. The Business Plan provided to the Council as part of the budget papers in March 2023 covered 3 financial years including 2025/26. That version of the Business Plan is still current and is provided again as **Annex 2** to this report as the 2025/26 detail is still relevant. Discussions between ANGUSalve and Council officers take place on a regular basis regarding progress with implementing the Business Plan. The ANGUSalve Board is also updated with progress on a regular basis via Project 2030 updates, most recently at their meeting on 13 December 2024. Project 2030 is the collective transformation project of ANGUSalve, with the updates tracking the individual tasks/projects highlighted in the Business Plan against their updated position.

5. 2024/25 APPROVED BUDGET AND PROJECTED OUTTURN

- 5.1 ANGUSalve's approved revenue budget for 2024/25 shows a breakeven position. This includes Management Fee income from Angus Council of £4.476 million.
- 5.2 Uplifts to the Management Fee during 2024/25 have been made in respect of:
- The 2024/25 pay awards - £0.358 million (permanent uplift)
 - Pension adjustment (£0.074) (permanent reduction)

These adjustments are reflected in the figures detailed above and in the table below.

- 5.3 The latest outturn position for ANGUSalve is based on actual income received / expenditure incurred up to 31 December 2024 and projects a year-end net income of circa £0.344 million. A high-level budget summary along with a high-level projected year-end position is shown in the following table.

2024/25	Budget £ million	Projected Outturn £ million	Projected Variance £ million
Income			
• Management Fee	4.476	4.476	0.000
• All Other Income	4.788	5.701	0.913
Total Gross Income	9.263	10.177	0.913
Gross Expenditure	9.263	9.833	(0.570)
Net (Expenditure) / Income	0	0.344	0.344

In respect of the above table, the following should be noted:

- Exceptional expenditure budget adjustments were made to mitigate the reduction in base management fee. This was mainly the inclusion of a temporary reduction in the staffing budget of £0.400 million, although several other cost saving adjustments and income target increases were also made wherever possible.
- In addition, ongoing proactive management of the staffing position along with robust and careful control of all other expenditure elements and proactive promotion of bACTIVE memberships has allowed ANGUSalve to perform better than breakeven in the current financial year.
- It should also be noted that the income position above includes: £0.265million received from the COVID lost income funding previously held in Council reserves; and £0.483 million of grants and contributions to be used for specific purposes.
- Based on the projected outturn position and subject to Board of Directors approval, a contribution to the Investment Fund will be made this year.
- ANGUSalve continues to face a challenging future financially given the indicative level of savings that will need to be delivered from the Management Fee over the next 3 financial years, as well as the levels of one-off income which have helped towards the positive projected outturn position in the current year.
- Although increased revenue opportunities and cost efficiencies have been identified to hopefully achieve a balanced budget position for 2025/26, it will continue to be challenging to deliver. Consequently, it may be difficult to maintain a net income position moving into 2025/26 and beyond for the reasons outlined at section 7 below.

5.4 Notwithstanding the challenges continuing to be faced in 2024/25 and the challenges predicted for future financial years, the achievement of future net income positions will continue to be a vital goal for 2 main reasons:

1. to maintain a sufficient level of unrestricted reserves as recommended by the Office of the Scottish Charity Regulator (OSCR) – the policy level determined by the ANGUSalve Board at its development day on 22 October 2021, is £1.6 million which is approximately 3 months of staff costs; and
2. to allow contributions to be made into the Investment Fund for investment in the provision of fitness equipment and other improvements to Council assets occupied and utilised by ANGUSalve.

Maintaining and growing the ANGUSalve customer base is essential to the financial position of ANGUSalve. Regular equipment and technology refresh / replacement is essential to that maintenance and growth of the customer base, facility usage and business operations through:

- Ensuring an attractive offering for customers by providing up to date and fit for purpose equipment; and
- Ensuring IT equipment and systems provide 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.

5.5 It can be noted that ANGUSalve Group reserves on 31 March 2024 were:

ANGUSalve Group Reserves	31 Mar 2024 Actual £ million
Restricted Reserves	0.139
Designated Funds – Investment Fund	1.668
Designated Funds – Health & Wellbeing Partner Project Match Funding	0.073
Designated Funds – Early Retirement / Voluntary Redundancy (ER/VR)	0.250
Unrestricted Reserves	1.602
Total Reserves (Excluding Pension Reserve)	3.732

5.6 Of the reserves detailed above, the Restricted Reserves are not freely available for use and the designated funds for the Health & Wellbeing project are now fully committed. The other Designated Funds have been set aside to fund investment plans and provide contingency match funding for any severance costs that may arise in future.

5.7 Consequently, only the Unrestricted Reserves are available on an uncommitted contingency basis unless a decision to release funds from the Designated Funds was made. As noted at paragraph 5.5 above, these reserves are required to be held to address the requirement of OSCR for the charity to hold a reasonable level of reserves.

6. DETERMINING THE 2025/26 MANAGEMENT FEE AND INDICATIONS FOR 2026/27 & 2027/28

- 6.1 The level of the Management Fee is subject to discussion between Angus Council and the ANGUSalve Board. Previous years' have seen savings targets applied in each year, which ANGUSalve have always delivered on time and in full.
- 6.2 To date £3.233m of management fee savings have been achieved by ANGUSalve from 2015/16 to 2024/25. For an organisation whose expenditure budgets are dominated by employee costs (c. 80%) this is a significant achievement. This figure excludes savings realised by Angus Council in setting up the charity and excludes savings in Non-Domestic Rates realised over the same period – which total £11.4 million.
- 6.3 The £0.500 million saving requirement in 2024/25 has been achieved.
- 6.4 The budget proposals being presented in this report once again include, as part of the Council's Change Programme, indications of Management Fee savings requirements in each of the next 3 financial years and these are summarised below. These reflect the Council's financial challenges which have grown significantly and which were reported to Council via the Medium-Term Budget Strategy (MTBS). ANGUSalve officers and Board members have been kept apprised of these indicative savings requirements through officer level discussions and Board reports.

Indicative Savings Requirements	£ million
2025/26	0.250
2026/27	0.250
2027/28	0.250
Total Indicative Savings Requirement (3 years)	0.750

- 6.5 Based on the above, the proposed budget settlement (Management Fee payable) for ANGUSalve for 2025/26 and the indicative Management Fees for 2026/27 and 2027/28 would be as follows:

	2025/26 £ million (proposed)	2026/27 £ million (indicative)	2027/28 £ million (Indicative)
Base Management Fee (2024/25 level)	4.476		
Less: 2024/25 uplifts	(0.000)		
Adjusted Base Management Fee (2024/25 level)	4.476		
Indicative future base management fees		4.459	4.369
Add: Staff costs uplifts (estimates) – see note*	0.233	0.160	0.163
Less: Saving requirements (per change programme)	(0.250)	(0.250)	(0.250)
Indicative Management Fees (estimates)	4.459	4.369	4.282
Net Management Fee Reduction (estimates)	(0.017)	(0.090)	(0.087)

* Note: The staff cost uplift estimates assume potential pay awards in each year across all staff groups, averaging 3%, 2% and 2% respectively in line with the assumptions elsewhere in the Council's budget. These estimates currently exclude the additional costs arising from changes to employers national insurance arrangements from April 2025 but provision for the expected impact on to ANGUSalve has been included in the Council's draft budget for 2025/26 and will be added to the final Management Fee alongside the confirmed pay award costs once national negotiations on pay have been concluded.

- 6.6 The above position represents cash movements in each of the 3 years, totalling £0.194 million over the period. Whilst this is the net cash movement for ANGUSalve, the reality is that the staff cost uplifts simply mirrors the equivalent rise in staff costs incurred.
- 6.7 A real saving of £0.750 million in total (£0.250 million in each of the 3 years, 2025/26, 2026/27, and 2027/28) must still be made for ANGUSalve to balance their budget.
- 6.8 This represents a 17% saving over 3 years which will be a significant challenge to deliver.

7. IMPLICATIONS AND CHALLENGES AHEAD

- 7.1 Whilst the delivery of savings is required to assist with the Council's overall financial position and delivery of a balanced budget, the levels of savings indicated over the next 3 years will be extremely challenging to achieve and may require changes to current service specification to be delivered. The process to update the Services Agreement is in progress.
- 7.2 The savings target for financial year 2025/26 is expected to be achieved from a combination of additional income by taking opportunities to increase revenue streams and from reviews currently underway which will maximise cost efficiencies. Accordingly, no significant changes to service delivery are anticipated to be required for 2025/26. Delivery of the savings targets for financial years 2026/27 and 2027/28 are however expected to require more significant changes and in this regard, Members are asked to note the following:
- Whilst no significant changes to services delivered are anticipated during 2025/26, the scale of the challenge in the following years means that to be financially sustainable within the revised funding agreement, cuts will inevitably be required to the services provided in the future years.
 - With staff costs comprising some 80% of ANGUSalve costs, such cuts to services will inevitably impact staffing levels.
 - Additionally, reductions in management fee and increasing levels of income generated both have a negative impact on the ability of ANGUSalve to recover VAT on their business costs – this means that a consequential additional cost results which effectively increases the savings that need to be made to accommodate that reduced VAT recovery.
 - Ongoing changes to the Services Agreement and service specification will be required over the next 3 years to deliver services within the finances available.
 - It should be noted that ANGUSalve operate community venues that are non-chargeable at point of entry e.g. libraries & museums, therefore reducing the management fee below a certain ceiling level would be very challenging for the organisation.
 - Changes will come forward as proposals via the Transformation Programme (Project 2030) and an overview of those currently proposed are contained within the ANGUSalve Business Plan.
 - Project 2030's primary focus is initially based around the focus on opportunities to increase income generation to address the impact of future Management Fee reductions as sustainably as possible however where there are opportunities cost efficiencies will also be taken. This initial strategy will however not preclude ANGUSalve and Angus Council from having to make some further difficult decisions with regards to service delivery across Angus.
 - Further reports to Council or appropriate Committees will be provided for any proposed changes to the Services Agreement.

8. 2025/26 REVIEW OF CHARGES

- 8.1 As noted earlier in this report, whilst it is for ANGUSalve to prepare and consider the levels of fees and charges with respect to their business operations, the Services Agreement with the Council stipulates that it is for the Council to approve any such proposals.
- 8.2 To this end, the Finance & Audit Sub-Committee of ANGUSalve considered and approved a report at its meeting of 31 January 2025 which set out detailed proposals for the charges to be levied by ANGUSalve in the 2025/26 financial year.
- 8.3 The report to that Sub-Committee is attached as **Annex 1** to this report.
- 8.4 As required by the Services Agreement, Members are now asked to approve the charges proposals attached.

9. FINANCIAL IMPLICATIONS

- 9.1 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. Approval of the Management Fee proposal will however allow ANGUSalve to finalise their budgets and business planning for 2025/26 and beyond.
- 9.2 The proposed Management Fee reductions will require changes to allow ANGUSalve to be financially sustainable within the revised funding envelope indicated at paragraph 6.5 above. Where staffing

reductions result from these changes, every effort will be made to deliver these through natural staff turnover.

- 9.3 The financial implications from approval of the review of charges sit directly with ANGUSalve rather than the Council.

10. RISK MANAGEMENT

10.1 Corporate Risk Register

- Financial Sustainability
- Transforming for the Future

10.2 Directorate Risk Register

- Delivery of directorate priorities

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 There are no direct environmental implications arising from the recommendations of this report.

- 11.2 Should there be any environmental implications that arise from implementing any future proposals to amend the service specification, these would be detailed in the committee reporting associated with considering and approving such changes.

12. EQUALITY IMPACT ASSESSMENT, HUMAN RIGHTS AND FAIRER SCOTLAND DUTY

- 12.1 An Equality Impact Assessment has been carried out and can be found at this [link](#).

13. CHILDREN'S RIGHTS AND WELLBEING IMPACT ASSESSMENT

- 13.1 A Children's Rights and Wellbeing Impact Assessment has been carried out within the EIA

14. CONSULTATION

- 14.1 The Senior Management Team of ANGUSalve (including their Chief Executive) has been consulted in the preparation of this report. ANGUSalve have also provided the information which has been included in the Annexes and the EIA for this report. The Council's Chief Executive and the Acting Director of Legal, Governance & Change have also been consulted on this report.

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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 Structure Review report to the ANGUSalve Finance & Audit Sub-Committee

Annex 2: ANGUSalve Business Plan for 2024/25 to 2026/27