

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	26 June 2019
REPORT TITLE	ALEO Assurance Hub
REPORT NUMBER	GOV-19-294
CHIEF OFFICER	Fraser Bell
REPORT AUTHOR	Vikki Cuthbert
TERMS OF REFERENCE	Remit - 1.2

1. PURPOSE OF REPORT

To provide assurance on the risk management, financial management and governance arrangements of Arm's Length External Organisations (ALEOs) within the ALEO Assurance Hub's terms of reference.

2. RECOMMENDATIONS

That the Committee:-

- 2.1 Notes the level of assurance provided by each ALEO on risk management, financial management and governance; and
- 2.2 Notes that Assurance Hub officers and ALEO Service Leads will discuss any outstanding issues identified in the appendices and identified at the Audit, Risk and Scrutiny Committee with ALEO representatives, with a view to further improving the assessment ratings at the next Hub meeting.

3. BACKGROUND

- 3.1 The report provides an overview of the ALEO Assurance Hub's fifth cycle of scrutiny following the Committee's endorsement of an oversight approach which balanced the Council's need for assurance with an ALEO's right to govern itself as an independent entity.
- 3.2 The Hub continues to adopt a proportionate and risk-based approach and receives assurance from ALEOs through exception reporting which allows it to assess the level of ALEO risk to the Council. The reporting is based on the degree of assurance provided on each ALEO's financial management; risk management and governance arrangements.

- 3.3 The Hub met on 3 May 2019 with ALEO Service Leads in attendance as advisors to the Hub. The following key areas were identified for reporting, in accordance with the workplan previously agreed by the Committee:-

Governance

1. Implementation of General Data Protection Regulation
2. Use of Zero Hours Contracts; payment of Scottish Living Wage
3. **Sport Aberdeen** – Integration of Garthdee Alpine Sports (GAS) and Adventure Aberdeen (AA)
4. **Bon Accord Care** – Recruitment to post of Managing Director
5. **Aberdeen Heat and Power** – Appointment of Tenant Representatives to Board

Finance

1. Financial Reporting
2. Financial Management
3. Business Planning

Risk

1. Risk Management (risk registers and strategies)
2. External and Internal Audit
3. Business Continuity Planning
4. PREVENT Policies and Procedures (preventing Counter Terrorism)

- 3.4 The Hub's assessment of each ALEO has been attached within summary reports at **Appendix B**. The Assurance Standards and Ratings are set out at **Appendix A**.

- 3.5 **Appendix B** demonstrates continuing positive movement in the levels of assurance obtained. This varies between Very Low and Medium risk, and the Hub is seeing positive responses from each ALEO and strong engagement with the requirement for reporting.

- 3.6 ALEOs are required to submit their business plans annually, and these are being prepared for presentation to the Strategic Commissioning Committee between August and November. These will reflect the Council's return on investment against the outcomes of the Local Outcome Improvement Plan.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report.
- 4.2 The role of the Hub is to ensure that ALEOs provide assurance that risks, including financial ones are identified and managed. One of the Hub's primary functions is to ensure that the Council is able to follow the public pound as outlined in Accounts Commission guidance.

5. LEGAL IMPLICATIONS

- 5.1 Legal officers within Commercial and Procurement Services have reviewed ALEO Service Level Agreements which aim to give effect to the ALEO Assurance Framework. These have been modified to recognise the requirements of the Assurance Hub to receive assurance regarding systems of governance, company outcomes and risk management and mitigation.
- 5.2 The Hub will help identify any projects and/or initiatives that could influence investment decisions of Bond holders or the Council's credit rating and ensure that the appropriate governance is put in place. This adds to the Council's existing Bond governance arrangements.

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Financial Failure of ALEOs impacting on the Council and its credit rating.	(L)	ALEOs report financial performance and governance to their boards and present their annual accounts for scrutiny by an external auditor. One of the Hub's key functions is to provide assurance to Committee on the financial management of Council ALEOs.
Legal	ALEO service level agreements are not up to date and ALEOs are not delivering on Council outcomes. GDPR Compliance.	(L)	Commercial and Procurement Services are currently reviewing ALEO service level agreements to ensure they remain robust and fit for purpose. The Strategic Commissioning Committee will have oversight of how ALEOs are achieving Council outcomes and complying with the terms of their service level agreements. The Legal Governance Team provide support and advice to

			the Hub on the steps ALEOs are taking on GDPR compliance in order for the Hub to provide assurance to Committee on ALEOs' management of this risk.
Employee	No direct risks arising from the report's recommendations.		
Customer	No direct risks arising from the report's recommendations.		
Environment	No direct risks arising from the report's recommendations.		
Technology	GDPR Compliance.	(M)	<p>Each ALEO has demonstrated awareness of GDPR and have reported implementation plans to their Boards for scrutiny and approval.</p> <p>The Hub will continue to seek assurance on the policies, processes and systems ALEOs put in place to comply with GDPR due to its complexity and ongoing nature.</p>
Reputational	ALEO corporate governance or service delivery failure has a negative impact on the Council's reputation.	(M)	<p>The Council shares a significant amount of data with ALEOs and a breach or failure to comply with GDPR by an ALEO may have a reputational impact on the Council. The Hub will continue its oversight of ALEOs approach to data protection and seek assurance that data audits are taking place; policies, procedures and systems are being reviewed and staff training is being delivered.</p>

7. OUTCOMES

Design Principles of Target Operating Model	
	Impact of Report
Governance	The Hub supports the principles outlined in the Accounts Commission's "Following the Public Pound" guidance by providing oversight of ALEOs to receive assurance on the robustness of their governance arrangements.
Partnerships and Alliances	The Hub is one component of the wider ALEO Assurance Framework and complements the work of the ALEO Strategic Partnership. The Partnership offers ALEO access to senior Council officers and provides a forum to discuss strategic planning, business planning and horizon scanning; with a view to strengthen links between the Council and its partner ALEOs.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Sections 1,6 and 8 of the EHRIA have been completed and sent to the Equalities Team.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. BACKGROUND PAPERS

CG/17/108 - ALEO Assurance Hub Terms of Reference - reported to Audit, Risk and Scrutiny Committee, 26 September 2017; and

CG/18/075 - ALEO Assurance Hub – reported to Audit, Risk and Scrutiny Committee, 25 September 2018.

10. APPENDICES

Appendix A – Assurance Standards and Ratings
Appendix B – Summary of ALEO Assurance
Appendix C – Aberdeen Heat and Power
Appendix D – Aberdeen Performing Arts
Appendix E – Aberdeen Sports Village
Appendix F – Bon Accord Care
Appendix G – Sport Aberdeen

11. REPORT AUTHOR CONTACT DETAILS

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