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## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny
<b>DATE</b>	4 December 2019
<b>REPORT TITLE</b>	ALEO Assurance Hub
<b>REPORT NUMBER</b>	GOV-19-449
<b>CHIEF OFFICER</b>	Fraser Bell
<b>REPORT AUTHOR</b>	Vikki Cuthbert
<b>TERMS OF REFERENCE</b>	Remit - 1.2

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### 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;
- 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; and
- 2.3 Note the workplan for the ALEO Assurance Hub in 2020.

### 3. BACKGROUND

- 3.1 The report provides an overview of the ALEO Assurance Hub's most recent 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 10 October 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. **Aberdeen Performing Arts** – Payment of Scottish Living Wage
3. **Aberdeen Performing Arts** – Recruitment to post of Chief Finance Officer
4. Composition and Capacity of Board Members
5. Induction and Training Programme for Board Members

#### **Finance**

1. Quarterly Trading Accounts
2. Medium Term Financial Planning
3. Audited Accounts 2019/20 (except Aberdeen Sports Village whose financial year-end is 30<sup>th</sup> June)
4. **Sport Aberdeen and Aberdeen Sports Village** – Financial Regulations

#### **Risk**

1. Risk Management (risk registers)
2. EU Exit Preparedness
3. External and Internal Audit
4. **Sport Aberdeen** – Business Continuity Planning

- 3.4 The Hub's assessment of each ALEO has been attached within summary reports at **Appendix B**. The Assurance Standards and Risk Ratings are set out at **Appendix A**. **Appendices C-G** provide a summary of requests to and responses from, each ALEO, along with a breakdown of risk ratings.
- 3.6 The workplan for ALEO scrutiny in 2020 is included as a further appendix (**Appendix H**) to this report and the Committee is asked to note its contents. This has been written with reference to the ALEO Assurance Hub Terms of Reference, also appended (**Appendix I**). These determine the areas of oversight within the Hub's remit. The workplan is built around these, as well as any areas of oversight which the Hub considers would benefit from additional assurance based on risk ratings during 2019 and matters known to be likely to affect ALEOs. The Terms of Reference have been reviewed by the Chief Officer – Governance in accordance with the requirement for these to be reviewed annually and no amendments are proposed at this time.
- 3.7 The Assurance Hub is one component of the ALEO Assurance Framework which enables the Council to oversee and support its arms-length bodies. It is intended that the Hub will meet twice next year, with the option for additional meetings should exception reporting be considered necessary. The Assurance Hub will report, as a minimum, to the May and October meetings of this Committee.

## **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, amongst other things, to facilitate 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

	<b>Risk</b>	<b>Low (L), Medium (M), High (H)</b>	<b>Mitigation</b>
<b>Financial</b>	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.
<b>Legal</b>	ALEO service level agreements are not up to date and ALEOs are not delivering on Council outcomes.  GDPR Compliance.	(L)	Commercial and Procurement Services has reviewed ALEO service level agreements to ensure they remain robust and fit for purpose.  The Strategic Commissioning Committee has oversight of how ALEOs are achieving

			<p>Council outcomes and complying with the terms of their service level agreements.</p> <p>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.</p>
<b>Employee</b>	No direct risks arising from the report's recommendations.		
<b>Customer</b>	No direct risks arising from the report's recommendations.		
<b>Environment</b>	No direct risks arising from the report's recommendations.		
<b>Technology</b>	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>
<b>Reputational</b>	ALEO corporate governance or service delivery failure has a negative impact on the Council's reputation.	(M)	<p>The Hub will continue its oversight of ALEOs' approach to embedding strong governance, including audits, policies, procedures and systems to ensure that these are being reviewed and staff training is being delivered to mitigate the risk</p>

			of governance failure.
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## 7. OUTCOMES

<b>Design Principles of Target Operating Model</b>	
	<b>Impact of Report</b>
<b>Governance</b>	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.
<b>Partnerships and Alliances</b>	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

<b>Assessment</b>	<b>Outcome</b>
<b>Equality &amp; Human Rights Impact Assessment</b>	Sections 1,6 and 8 of the EHRIA have been completed.
<b>Privacy Impact Assessment</b>	Not required
<b>Duty of Due Regard / Fairer Scotland Duty</b>	Not applicable

## 9. BACKGROUND PAPERS

None.

## **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

**Appendix H** – 2020 Workplan

**Appendix I** – ALEO Assurance Hub Terms of Reference

## **11. REPORT AUTHOR CONTACT DETAILS**

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