

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	28 th November 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	ALEO Assurance Hub
REPORT NUMBER	CORS/24/346
DIRECTOR	Andy Macdonald
CHIEF OFFICER	Vikki Cuthbert, Interim Chief Officer – Governance
REPORT AUTHOR	Vikki Cuthbert, Assurance Manager
TERMS OF REFERENCE	Remit 1.3

1. PURPOSE OF REPORT

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

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Notes the level of assurance provided by each ALEO on governance arrangements, risk management and financial management respectively and the risk ratings applied by the ALEO Assurance Hub, as detailed in appendices B-H; and
- 2.2 Notes that the ALEO Assurance Hub will discuss any outstanding issues specified in the appendices with ALEO representatives, with a view to maintaining low/very low risk ratings and improving any medium risk ratings to low/very low.

3. CURRENT SITUATION

- 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 balances 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 governance arrangements, risk management and financial management. The ALEO Assurance Hub provide high level, strategic oversight of ALEOs but does not undertake quality checks on the operation of ALEOs.

- 3.3 The Hub met in October and identified the following key assurance areas, in accordance with the workplan previously reported to the Committee. Specific follow-ups were sought from each ALEO in furtherance of gaps in assurance from the previous cycle, and these are referenced specifically in the appendices.

Governance Arrangements

1. Assurance on the on-going training and development of Board members including any changes to Board structure, rationale for any structure changes, training plans for Board members, procedures around conflicts of interest.
2. Information on health and safety policies including “competent person”, how each ALEO implements H&S legislation, how staff are trained, checking of the adequacy of controls and processes for closing off and checking compliance.
3. Evidence that training on Data Protection is being provided annually, that overarching policies are in place, that there is a tested procedure for reporting incidents to the Information Commissioner’s Office and for closing out such incidents.
4. Confirmation that public liability and employers’ liability insurance are in place.

Risk & Resilience Management

1. A copy of the current risk register, a summary of the escalated and de-escalated risks and evidence that risks are being reviewed regularly in accordance with a risk management policy.
2. Assurances in relation to cyber security controls.

Financial Management

1. Through provision of quarterly trading accounts, assurance that accounts are being managed within budget, that the level of financial risk to the Council is low and that there is compliance with the Following the Public Pound Code of Practice.
2. Assurance that ALEOs undertake medium-term financial planning or have incorporated medium term planning into a Business Plan to provide assurance that ALEOs are prepared for core funding pressures. Again this ensures compliance with the Following the Public Pound Code of Practice.
3. Through provision of audited annual accounts, assurance that accounts are being managed within budget, are in line with statutory requirements and Following the Public Pound Code of Practice, and that the level of financial risk to the Council is low.

- 3.4 The Assurance Standards and Risk Ratings are set out at Appendix A. The Hub’s overall assessment of each ALEO, based on the information returned, has been attached within the summary report at Appendix B. Appendices C-H provide a summary of requests to and responses from, each ALEO, along with a breakdown of risk ratings. These have been agreed with the ALEOs.

- 3.5 This is the first time the Council has sought assurance on ALEOs' duties under health and safety law, and on their insurance and cyber security controls. Generally, controls were considered by the Hub to be adequate although there is some follow up work to be done in future cycles. Risk ratings reflect reasonable levels of assurance.
- 3.6 During the previous cycle of reporting, officers identified an opportunity to provide further support to ALEOs on their responsibilities under the Equality Act. To this end, a training session will be held on 3rd December. Assurance will be sought from ALEOs in the next cycle on any improvements made as a result of this session.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations in 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 ALEO Assurance 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 a further layer of assurance to the Council's existing Bond governance arrangements.

6. ENVIRONMENTAL IMPLICATIONS

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

7. RISK

- 7.1 The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Ability of ALEOs to support the Council in meeting its strategic outcomes.	<p>The Assurance Hub process mitigates against this risk by monitoring ALEO contribution to ACC strategic outcomes. This includes review of ALEO risk registers.</p> <p>Council's remit includes oversight of ALEO business plans and performance, which would support achievement of the target risk score in this category.</p>	M	Yes
Compliance	<p>ALEO service level agreements are not up to date and ALEOs are not delivering on Council outcomes.</p> <p>Non-compliance against GDPR, Health and Safety and other statutory responsibilities.</p>	<p>Commercial and Procurement Services has reviewed ALEO service level agreements to ensure they remain robust and fit for purpose.</p> <p>The Council has oversight of how ALEOs are achieving Council outcomes and complying with the terms of their service level agreements.</p> <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</p>	L	Yes

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
		<p>training is being delivered to mitigate the risk of governance failure.</p> <p>The Legal Regulatory and Compliance 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>		
Operational	Failure of ALEOs to deliver services according to agreed Service Level Agreements	Monitored by Strategic Commissioning Committee which has oversight of ALEO strategic business plans.	L	Yes
Financial	Financial failure of ALEOs impacting on the Council and its credit rating.	<p>ALEOs report financial performance and governance to their boards and present their annual accounts for scrutiny by an external auditor.</p> <p>One of the Hub's key functions is to provide assurance to Committee on the financial management of Council ALEOs.</p> <p>City Growth and Resources Committee monitors financial</p>	L	Yes

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
		performance and viability, including business planning.		
Reputational	Impact of performance or financial risk on reputation of ACC.	Regular reporting to this Committee from the Hub provides adequate control.	L	Yes
Environment / Climate	Service delivery or operations impacting negatively on City net zero targets.	Regular reporting to this Committee from the Hub provides adequate control.	L	Yes

8. OUTCOMES

- 8.1 The recommendations within this report have no direct impact on the Council Delivery Plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	The Interim Chief Officer – Governance has confirmed that this is not required.
Data Protection Impact Assessment	Not required.

10. BACKGROUND PAPERS

None

11. APPENDICES

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

Appendix G – bp Aberdeen Hydrogen Energy Limited
Appendix H – Sport Aberdeen

12. REPORT AUTHOR CONTACT DETAILS

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