

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	26 th June 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	ALEO Assurance Hub
REPORT NUMBER	CORS/25/168
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;
- 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; and
- 2.3 Note the additional support to be offered by the ALEO Assurance Hub to each ALEO outlined at paragraph 3.5 to respond to changes in legislation and other legal developments.

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. The ALEO Assurance Hub has recorded additional notes on its discussions, in response to an internal audit recommendation on our Group Assurance arrangements (on this agenda).

- 3.3 The Hub met in October and identified the following key assurance areas, in accordance with the workplan previously reported to the Committee and in response to some actions agreed as part of the same internal audit referenced at paragraph 3.2 above. 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 that all employment practices are in alignment with employment legislation, the ALEO's people policies and employment best practice. **Not applicable to BP Joint Venture**
2. Assurance that the Public Sector Equality Duty is being met and that decision making does provide evidence of due regard to people with protected characteristics. **Not applicable to BP Joint Venture**
3. Evidence of public liability and employer's liability insurance, internal governance procedures relating to procurement and risk assessment process in relation to assessing procurement fraud and evidence of fraud prevention measures and any gaps (the Economic Crime and Corporate Transparency Act 2023 comes into force in autumn).

BP Joint Venture only -

1. A short written summary of any policies and procedures in place in respect of procurement, in order to ensure that the relevant controls are in place.
2. Evidence of fraud prevention measures and any gaps (the Economic Crime and Corporate Transparency Act 2023 comes into force in autumn).
3. Updates on governance arrangements and risk management arrangements including any progress in emergency planning and business continuity arrangements.

Risk & Resilience Management

1. Assurance that risks are being regularly reviewed in accordance with the ALEO's agreed risk management policy through provision of a short written summary of your current risk environment, including any risks added to your register, escalated, de-escalated or closed, since the last update to the Hub.
2. Assurance on internal audit plans for the year 2025/26, an update on any overdue recommendations and advise whether, in the year 2024/25 there were any internal control failures recorded. Assurance that there have been no internal control failures or that any failures have been addressed and/or notified if they are of significance to the Council. **Not applicable to BP Joint Venture.**
3. Assurance on plans for implementation of the Terrorism (Protection of Premises) Act 2025.

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 Assurance was sought from each ALEO on the extent of their preparedness for both the Terrorism (Protection of Premises) Act 2025, expected to come into force later this year with the intention of ensuring that premises and certain events are protected from the threat of terrorist activity (the Protect Duty), and the Economic Crime and Corporate Transparency Act 2023 (the 2023 Act) coming into force in autumn to consolidate and enhance legislative provision on financial crime. Both pieces of legislation apply to our ALEOs to differing extents dependent on their activities and assets. The ruling of the Supreme Court on the meaning of sex in the Equality Act 2010 will also impact each organisation. The Hub agreed to offer additional support as follows:
- In respect of the Protect Duty, Council officers have provided briefings to ALEOs and continue to be available to support. For Aberdeen Performing Arts, Aberdeen Sports Village and Sport Aberdeen, it is recommended to each ALEO that they request a Counter Terrorist Security Advisor assessment, via Police Scotland, to ensure that actions taken are adequately managing the risk.
 - The Council's Fraud Team will schedule a briefing for all ALEOs on the requirements of the 2023 Act to ensure that they are ready to comply with these new requirements and that the appropriate controls are in place to protect them against financial fraud.
 - As the Council reviews its policies and procedures to respond to the anticipated updated Equality and Human Rights Commission Code of Practice being issued in response to the Supreme Court ruling, guidance will be provided to ALEOs.

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 continue to review 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.	The Assurance Hub process mitigates against this risk by monitoring ALEO contribution to ACC strategic outcomes. This includes review of ALEO risk registers. Council's remit includes oversight of ALEO business plans and performance, which would support	M	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?
		achievement of the target risk score in this category.		
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 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'</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?
		management of this risk.		
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 performance and viability, including business planning.</p>	L	Yes
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	Regular reporting to this Committee from the Hub provides adequate control.	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?
	City net zero targets.			

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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