

## ABERDEEN CITY COUNCIL

---

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	27 <sup>th</sup> November 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	ALEO Assurance Hub
<b>REPORT NUMBER</b>	CORS/25/268
<b>DIRECTOR</b>	Andy Macdonald
<b>CHIEF OFFICER</b>	Jenni Lawson, Chief Officer – Governance
<b>REPORT AUTHOR</b>	Vikki Cuthbert, Assurance Manager
<b>TERMS OF REFERENCE</b>	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

### 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. An overview of any changes and recent updates to Board Structure and training of Board Members.
2. A copy of each Board's Standing Orders/Constitution document (or equivalent) and a written overview on any updates to governance arrangements and supporting documentation.

#### **Risk & Resilience Management**

1. Details of any changes to contacts responsible for Cyber Security and any recent updates to technical controls used to deliver cyber security and best practice.
2. 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.
3. 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. **For AH&P and ASV only, based on follow ups required from previous cycle.**
4. Assurance that Counter Terrorism Security Assessments are underway for plans for implementation of the Terrorism (Protection of Premises) Act 2025. **For APA, SA and ASV only.**
5. Evidence of BCP activations since the last reporting cycle and have you updated your BCPs this year. Advise on escalation processes for notifying the council in the event of an BCP activation or incident, whether for situational awareness or support from the Council.

#### **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 As agreed at the last round of Hub meetings and reported to this Committee in June, officers from the Counter-Fraud team and Legal Services provided briefings on the new Economic Crime and Corporate Transparency Act 2023 and on the impacts of the Supreme Court judgment on *For Women Scotland Ltd v The Scottish Ministers [2025] UKSC 16* for ALEOs as employers. These briefings were attended by representatives of all the organisations within the scope of the Hub.
- 3.6 The Committee will note under 'Governance' in Appendix H that the risk rating in relation to the Board of Sport Aberdeen has increased to Medium. Assurance will be sought by the Hub that changes to Board membership have been managed in accordance with the governance requirements of the company and that the necessary training and induction has been carried out.

#### **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?
<b>Strategic Risk</b>	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
<b>Compliance</b>	<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</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?
		systems to ensure that these are being reviewed and staff training is being delivered to mitigate the risk of governance failure.		
<b>Operational</b>	Failure of ALEOs to deliver services according to agreed Service Level Agreements	Monitored by Council which has oversight of ALEO strategic business plans. These were recently considered by the Finance & Resources Committee.	L	Yes
<b>Financial</b>	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>Finance &amp; Resources Committee monitors financial performance and viability, including business planning.</p> <p>Partners continue to operate within a challenging financial environment and this is reflected in their risk ratings, however it</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>should be noted that the Hub reviews financial stewardship in the previous cycle rather than forward planning which is the role of Council.</p> <p>The Assurance Hub is aware that a report will be presented to Council regarding Bon Accord Care and the long term operating model to ensure financial resilience and sustainability.</p>		
<b>Reputational</b>	Impact of performance or financial risk on reputation of ACC.	Regular reporting to this Committee from the Hub provides adequate control.	L	<b>Yes</b>
<b>Environment / Climate</b>	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
<b>Integrated Impact Assessment</b>	No assessment required. I confirm this has been discussed and agreed with Jenni Lawson, Chief Officer - Governance on 18 <sup>th</sup> November 2025.

<b>Data Protection Impact Assessment</b>	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**

<b>Name</b>	Vikki Cuthbert
<b>Title</b>	Assurance Manager
<b>Email Address</b>	<a href="mailto:vcuthbert@aberdeencity.gov.uk">vcuthbert@aberdeencity.gov.uk</a>
<b>Tel</b>	07470363810