
COMMITTEES / DATES	Social Care, Wellbeing and Safety – 16 January 2014 Enterprise, Strategic Planning and Infrastructure – 21 January, 2014; Education, Culture and Sport – 30 January, 2014; and Audit and Risk - 27 February, 2014
DIRECTOR	Angela Scott
TITLE OF REPORT	Designing a positive framework of governance with Arm's Length External Organisations
REPORT NUMBER:	CG/14/009

1. PURPOSE OF REPORT

- 1.1 This report focuses on the arrangements that the Council proposes to be put in place to design a positive framework of governance with our Arm's Length External Organisations (ALEOs).
- 1.2 Described within the framework are roles and responsibilities for both Service Committees and the Audit and Risk Committee (including the Shareholder Scrutiny Group) and the creation of a Council officer Governance Hub to carry out the detailed scrutiny and prepare reports.
- 1.3 The report follows on from previous decisions at Council to revise the Governance arrangements for ALEOs following advice from the Council's auditors.

2. RECOMMENDATIONS

2.1 It is recommended:-

- (a) that the Social Care, Wellbeing and Safety Committee notes:-

The arrangements for scrutiny of the ALEOs as set out in the report, with specific reference to the creation of a Council Governance Hub for the Service and its relationship with the Committee and the Shareholder Scrutiny Group – a sub-committee of the Audit and Risk Committee.

- (b) that the Enterprise, Strategic Planning and Infrastructure Committee notes:-

The arrangements for scrutiny of the ALEOs as set out in the report, with specific reference to the creation of a Council Governance Hub for the Service and its relationship with the Committee and the Audit and Risk Committee.

- (c) that the Education, Culture and Sport Committee notes:-

The arrangements for scrutiny of the ALEOs as set out in the report, with specific reference to the creation of a Council Governance Hub for the Service and its relationship with the Committee and the Audit and Risk Committee.

and

(d) that the Audit and Risk Committee:-

Notes the arrangements for scrutiny of the ALEOs as set out in the report, with specific reference to the creation of a Council Governance Hub for each Service and its relationship with the Service Committees and the Audit and Risk Committee.

Appoints a Convener of the Shareholder Scrutiny Group.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising from this report. Costs associated with the scrutiny and assurance around ALEOs will be met from existing resources available to the Council.

4. OTHER IMPLICATIONS

4.1 There are no legal or other implications arising from this report, which will clarify how the Council will nurture and support its ALEOs in their operations, only intervening as a last resort.

5. BACKGROUND/MAIN ISSUES

Background

5.1 This report builds on decisions of Council at its meetings of 21st August and 31st October, 2013 (articles 11 and 9 refer, respectively) to make arrangements for the governance of ALEOs based on considerations arising from a report produced in August, 2010, by Audit Scotland entitled “Roles and Working Relationships – Are You Getting It Right?” and on a report which the Council itself commissioned on Roles and Responsibilities. The Council had noted previously that governance teams would be established for each ALEO, comprising representatives of the relevant services, the Corporate Accounting Manager, the Community Planning and Performance Manager and a Team Leader from Legal Services, which would work with each Service Directorate to provide guidance on operational reporting for each ALEO. This framework is now developed further in this report into a supportive Governance Hub.

ALEO Governance Hub

5.2 The establishment of a governance team to carry out the detailed scrutiny of the risk and performance management of each significant arm’s length external organisation is a critical component of fulfilling the Council’s duties in

relation to its accountability for public money where service delivery has been transferred to a body that is outside the Council. The description of the team above is recognised as being a core set of skill needed to carry out this function however upon further discussion there are wider skills and experience that need to be brought to bear in the scrutiny role, namely those of procurement and human resources.

- 5.3 Therefore a hub of Council officers will be created who will be experienced and effective scrutinisers for each of the Council's significant ALEOs. Each Service Governance Hub will consist of Service representative(s) and an officer from the following areas: Finance, Legal, Human Resources, Risk Management and Procurement.
- 5.4 The role of the hub will be to receive a range of risk and performance information from each of the organisations and to then analyse, form an opinion and discuss with the ALEO the various aspects with a view to gain assurances about the system of risk management and their performance.
- 5.5 It will be the objective of the hub to engage and discuss a range of relevant matters with the ALEO in the spirit of openness, objectivity and transparency and with a view to understand the business environment, risks and performance of the organisation. This will be achieved through regular meetings and dialogue with the ALEO.
- 5.6 Each ALEO will have its funding agreement reviewed to ensure that it is robust in defining the roles and responsibilities placed upon each party and that it is fit for the purpose of linking funding and performance. The resolution of differences shall be approached from a position of partnership working and with a belief that through shared understanding and engagement a resolution can be found. On occasion there may be situations where a specific remedy will require the use of the contract. The hub will put in place a range of conditions / triggers that when met will mean that the contractual arrangements will be applied; in general however a contractual remedy should be considered a last resort.
- 5.7 The Governance Hub will meet a suitable number of times to consider, scrutinise and seek feedback from ALEOs on information which they will provide on a quarterly basis. It is likely that in the early stages a greater number of meetings will be required to develop the framework and for everyone involved to become aware of the operational aspects of the organisation. The first meetings of the Governance Hub will cover the period ending the 31 December – for those organisations with a financial year end of 31 March; and 31 January – for those organisations with a financial year end of 31 July. The first of these is therefore expected to take place in February 2014.

Governance Hub linkage to Service Committees

- 5.8 The Governance Hub will provide the assurance to the individual Service Committees that the data and information they are considering has been

scrutinised, checked and challenged so that they can focus on the high level strategic connection between each ALEO's business plan and outcomes and the Council's strategic objectives, as well as the overall performance aspects of the business.

- 5.9 The Service Committees will receive a twice yearly progress report on such matters as operational performance (including financial performance), people performance, risk management and service quality (for example single outcome agreement achievements, customer feedback, and health and safety). In addition there will be an annual presentation of the ALEO Business Plan, which will be used to approve the funding for the subsequent year.
- 5.10 Representatives of the ALEOs will be expected to attend these meetings in order to discuss these matters and answer questions from Members.
- 5.11 Below is a summary of the remits for the Service Committees, which links to the provision of information referred to at 5.9 above.

Social Care, Wellbeing and Safety Committee

- 5.12 The existing remit is :-

In respect of Bon Accord Care Ltd and Bon Accord Support Services Ltd–

- to ensure that services commissioned by the Council are aligned to the Council's Single Outcome Agreement objectives
- to provide corporate visibility of planning
- to ensure informed decision making by meeting representatives of the Board to receive presentations on forward plans and future linkages to service aspirations
- to ensure a consistent approach to strategic planning with service providers by client teams in each service.
- to consider the outcomes of the Bon Accord Care Ltd and Bon Accord Support Services Ltd (including quality of provision, customer feedback and service improvements).

Enterprise, Strategic Planning and Infrastructure Committee

- 5.13 The existing remit is:-

In respect of Aberdeen Exhibition and Conference Centre Ltd and its subsidiary companies –

- to ensure that services commissioned by the Council are aligned to the Council's Single Outcome Agreement objectives
- to provide corporate visibility of planning
- to ensure informed decision making by meeting representatives of AECC Board to receive presentations on forward plans and future linkages to service aspirations

- to ensure a consistent approach to strategic planning with service providers by client teams in each service
- to consider the outcomes of the AECC (including quality of provision, customer feedback and service improvements).

Education, Culture and Sport Committee

5.14 The existing remit is:-

In respect of Sport Aberdeen Ltd and Aberdeen Sports Village Ltd –

- to ensure that services commissioned by the Council are aligned to the Council's Single Outcome Agreement objectives
- to provide corporate visibility of planning
- to ensure informed decision making by meeting representatives of the boards of both arms length external organisations to receive presentations on forward plans and future linkages to service aspirations
- to ensure a consistent approach to strategic planning with service providers by client teams in each service
- to consider the outcomes of the Sport Aberdeen Ltd and Aberdeen Sports Village Ltd (including quality of provision, customer feedback and service improvements).

Governance Hub linkage to Audit and Risk Committee

5.15 The Governance Hub will provide the assurance to the Audit and Risk Committee that the data and information they are considering has been scrutinised, checked and challenged so that they can focus on the overview of assurance that they require to obtain on behalf of the Council in relation to the system of risk management.

5.16 The Audit and Risk Committee will receive on a quarterly report on the effectiveness of the system of risk management. The system of risk management is such made up of various components, including Strategy, Structure, Skills, System, Staff and Shared Values. The Committee will use this to determine the level of assurance it can place on the effectiveness of that system and its ability to achieve the organisational objectives.

5.17 A range of other matters may be presented to the Committee as and when required in areas such as audit, roles and responsibilities of the board, legislation, following the public pound and breaches of governance.

5.18 Representatives of the ALEOs will be expected to attend these meetings in order to discuss these matters and answer questions from Members.

5.19 Below is a summary of the remits for the Service Committees, which links to the provision of information referred to at 5.9 above.

Audit and Risk Committee

5.20 The existing remit is:-

The Committee will have the following responsibilities in terms of first tier arms length external organisations (ALEOs) –

- to scrutinise ALEO compliance against contract and business plan
- to scrutinise service and finance performance and evidence of the ALEO as a going concern
- to scrutinise risk management arrangements
- to ensure the management of key corporate risks
- to ensure compliance with legislation, audit requirements and the Following the Public Pound code
- to receive quarterly financial and performance reports on each ALEO
- to receive annual presentations (with additional meetings as required) with ALEO board representatives on performance

Shareholder Scrutiny Group (SSG)

5.21 It has been agreed that the Shareholder Scrutiny Group be a Sub Committee of the Audit and Risk Committee undertaking that Committee's remit for scrutiny of the Bon Accord Care Companies, and that it comprise four representatives of the Administration, two representatives of the Opposition and two Trade Union representatives with full voting rights. The Unions UNITE, GMB and Unison were invited to discuss informally who the two union representatives on the group may be, and Unison have confirmed that their representative will be Jim Currie. Whilst this matter has not been addressed to date, the Committee may wish to consider confirming that the union representatives should be Council employees and not employees of Bon Accord Care.

5.22 The Committee also requires to appoint a Convener to the Group, and a timetable of meetings will be agreed with that Convener thereafter. It is intended that the first meeting will be held in the next cycle, and in the meantime, training will be offered to the trades union representatives.

6. IMPACT

6.1 The Governance issues addressed in this report arise from the Council's previous consideration of work undertaken in conjunction with or proposed by Audit Scotland which, taken as a whole, should lead to an improvement in the governance and decision making processes of the Council. Members would be better trained and better informed with a clearer understanding of the relationship between the role of members and the role of officers and such clarity should lead to a better understanding of the Council's work by the public and improve the transparency of the democratic processes in the City.

7. MANAGEMENT OF RISK

The recommendations in the report address risks previously identified in the report produced by consultants, “Roles and Responsibilities – Is Aberdeen City Council Getting It Right?” and further identifies a means of reducing risk relating to Arms’ Length External Organisations discussed by the Audit and Risk Committee.

8. BACKGROUND PAPERS

Roles and Working Relationships – Are You Getting It Right? Audit Scotland, August, 2010

Roles and Responsibilities – Is Aberdeen City Council Getting It Right? January, 2012

Shared Risk Assessment, Aberdeen City Council, Audit Scotland, 2010/11, 2011/12

Roles and Responsibilities – Is Aberdeen City Council Getting It Right? – Report to Audit and Risk Committee, 25th September, 2012

Roles and Responsibilities – Is Aberdeen City Council Getting It Right? – Report to Council, 6th March, 2013

Arms’ Length External Organisations – Governance Arrangements – Internal Audit report to Audit and Risk Committee, 16th April, 2013

Roles and Responsibilities – Is Aberdeen City Council Getting It Right? – Committee Structures and Standing Orders and Governance Arrangements for Arms Length External Organisations - Report to Council, 21st August, 2013

Arms Length External Organisations – Governance Arrangements – Outstanding Issues and Progress - Report to Audit and Risk Committee, 24th September, 2013

Roles and Responsibilities: Is Aberdeen City Council Getting it Right? – Standing Orders, Orders of Reference, External Members on Committees and Scheme of Delegation – Report to Council, 31st October, 2013

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**Aberdeen City Council
Governance Framework for Key Arm's Length External Organisations**

Governance Hub	
Comprising:	Service representative(s) and an officer from the following areas: Finance, Legal, Human Resources, Risk Management and Procurement
Remit:	Meet the ALEO to discuss financial performance and drive up performance through review of operational performance; Evaluate, challenge and validate information received and draw conclusions and make recommendations; Resolve key issues and consider requirement for escalation to senior staff; Review ALEO strategic and operational risk registers and provide early warning on shared risks; Review the effectiveness of the system of risk management; Participate in strategic discussions on issues such as business planning and longer term strategic planning; Participate in the preparation of the ALEO Strategic Performance Review; and Contribute to the development of the ALEO's Business Planning.
Inputs:	Performance information People information Service Quality information Risk Management information Business and other plans Audit reports Governance and assurance information
Outputs:	Service Committee reports Audit and Risk Committee / Shareholder Scrutiny Group reports Feedback to ALEO
Twice Yearly:	Service Committee Receive a progress report on such matters as: Operational performance (including financial performance); People performance, Risk management; and Service Quality (for example single outcome agreement achievements, customer feedback, and health and safety)
Annually:	Presentation of the ALEO Business Plan, which will be used to approve the funding for the subsequent year.
ALEO representatives in attendance at the Committee meeting	
Quarterly:	Audit & Risk Committee / Shareholder Scrutiny Group Receive a report on the effectiveness of the system of risk management. The system of risk management is such made up of various components, including Strategy, Structure, Skills, System, Staff and Shared Values. The Committee will use this to determine the level of assurance it can place on the effectiveness of that system and its ability to achieve the organisational objectives.
As and when:	Other matters may be presented in areas such as audit, roles and responsibilities of the board, legislation, following the public pound and breaches of governance
ALEO representatives in attendance at the Committee meeting	