

ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	27 June 2016
DIRECTOR	Richard Ellis
TITLE OF REPORT	ALEO Governance Hubs
REPORT NUMBER	CG/16/091
CHECKLIST COMPLETED	Yes

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1. PURPOSE OF REPORT

1.1 This report summarises the significant matters raised at the May 2016 round of Arm's Length External Organisation (ALEO) Governance Hub meetings.

2. RECOMMENDATION(S)

That the Committee:-

- (1) Considers the issues raised in both the report and minutes and identifies any areas of concern;
- (2) Notes the report and the appended minutes;
- (3) Arising from some of the discussion raised in the minutes, instructs the Head of Human Resources and Customer Service to investigate the possibility of sourcing joint training for ALEO board members; and
- (4) Refers the individual minutes, with a specific covering report to be prepared by the responsible Head of Service, to the appropriate service committee to consider ALEO performance against agreed performance indicators and contract.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising from this report although the role of the hub is to ensure that good governance and scrutiny of the Council's ALEOs provides an assurance that risks, including financial ones, are identified and managed.

#### 4. OTHER IMPLICATIONS

4.1 By identifying possible risks to the Council, through scrutiny by appropriate Council managers, the hub provides assurance that the Council's exposure through services delivered by its ALEOs is managed appropriately.

#### 5. BACKGROUND/MAIN ISSUES

5.1 The recent round of ALEO Governance Hub meetings was the first held on the new quarterly cycle. It involved the four main tier 1 ALEOs (Aberdeen Exhibition and Conference Centre Ltd, Aberdeen Sports Village Ventures Ltd, Bon Accord Care Ltd and Sport Aberdeen) and also, for the first time, the three main tier 2 ALEOs (Aberdeen Heat and Power Ltd, Aberdeen Performing Arts and Garthdee Alpine Sports). The timetable for the round of Hub meetings is attached as Appendix 1 to illustrate to members the process involved in selecting areas for scrutiny, identifying the appropriate documentation and involving relevant conveners and vice conveners in the pre agenda process.

5.2 When considering business to be discussed with ALEO representatives, the Hub members take account of best practice, legislative and regulatory change, internal and external audit reports, matters raised at previous hub meetings and external reports, reviews and consultations.

5.3 One issue raised by two ALEOs related to the possibility of joint training sessions for all ALEO board members, given the cost of sourcing training for some of the smaller organisations. This has been included as a recommendation, and it is something which could usefully be arranged for after the May 2017 local authority elections, when a number of new councillors will be seeking training. However, this would not preclude any sessions being arranged earlier.

5.4 Each hub agenda began with the recent Internal Audit report into ALEO governance and the report on the Inquiry into ALEOs by the Scottish Parliament's Local Government and Regeneration Committee.

5.5 The following bullet points summarise the main issues arising from each of the May hub meetings, as detailed more fully in the appended minutes.

#### Aberdeen Exhibition and Conference Centre– Appendix 2, 9<sup>th</sup> May, 2016

- Aberdeen ALEO forum established by ALEO Finance Officers to discuss best practice and explore partnership working
- Update requested on AECC internal audit process
- Branding – still a lingering perception that AECC is Council managed, making it difficult to highlight good news stories
- No staff on zero hours contracts, all paid UK living wage regardless of age

- Benefit of ALEO status diminishing over years given increased regulation
- Councillors on Board making greater number of declarations of interest given new AECC proposals
- Downturn in oil and gas sector has increased some risks in Risk Register, report due back to Board on risks associated with tendering exercise
- Meeting with Procurement officers to be arranged to ensure compliance with new legislation
- Tender sub group established to focus on tendering process
- Trading – impact on conference sector with downturn in oil and gas sector
- Assumption of loss in 16/17, particularly as no Offshore Europe in 2016, will look at other trading opportunities
- Looking at new business model, revised business plan to be submitted to Council within three months
- SLA with Council updated, KPIs added to cover services which AECC deliver and promotion of venue emphasised with Council providing additional funding for this
- Working to delivery date for new venue of April/May 2019, taking bookings for new venue from 20/21; however, customers awaiting progress on venue before committing, particularly in conference sector
- Caution about committing to delivery date this early – reference to fire at Glasgow Hydro which delayed opening
- No reduction in health and safety training compared to previous year

#### Bon Accord Care– Appendix 3, 9<sup>th</sup> May, 2016

- Aberdeen ALEO forum established by ALEO Finance Officers to discuss best practice and explore partnership working
- BAC believe their brand becoming more distinct from Council
- No BAC staff on zero hours contracts
- BAC would welcome community planning role, already represented on Locality Management Group.
- If any formal recommendations made by government requiring members to be represented on ALEO boards, BAC will consult the Council
- BAC on target to develop bespoke financial procedures
- Net profit of £110,700 projected for 15/16, subject to corporation tax
- Business continuity plans in place for all services
- Revised Internal Quality Audit policy submitted
- Contracts Register submitted
- Health and safety policy, audit scores, minutes and actions submitted
- Risk register identifies high risk due to staff turnover, addressed by developing support pool and agency cover restricted to emergencies or last resort
- Details of health and safety training regime provided
- £1m efficiency saving achieved by absorbing additional pensions costs without additional Council funding and redesigning enablement service

- City Helper project five months into two year trial
- Meeting with Procurement officers to be arranged to ensure compliance with new legislation
- Remit of new Service Performance Working Group to systematically assess BAC,s KPIs and their fitness for purpose, ensure progress on agreed outcomes and be a forum to support service delivery on behalf of the Council
- Some issues relating to leases and repair and maintenance of facilities

#### Sport Aberdeen – Appendix 4, 9<sup>th</sup> May, 2016

- Revised Funding and Service Provision Agreement expected to be submitted for approval to Finance, Policy and Resources Committee on 20<sup>th</sup> September
- Cross Service Review of Lettings of Council Facilities to be submitted to Education and Children’s Services Committee on 8<sup>th</sup> September
- SA have no staff on zero hours contracts
- Would welcome joint training sessions for board members
- SA brand recognition increasing, but still perceived to be a Council service by many
- Revised business continuity plan to be submitted to next Board meeting and to Hub in August
- Pool closures due to continued austerity, oversupply of pools in city, declining user figures and poor condition – if core funding not reduced, no immediate need to close pools but repair and maintenance would have put financial strain on whole business
- Cross Company Review Group established to review all facilities, using same independent surveyors which had undertaken review for Council previously, each facility anonymised when reported to Board; local members, head teachers and staff advised prior to public announcement
- Pools to be kept open at SA’s own cost until end of school holidays, all other facilities to be retained during this financial year
- Contracts register produced and available online
- Project group established to look at regulated procurements and sustainability
- Detailed consideration of health and safety procedures
- SA to lead on and complete review of Access to Leisure Programme
- Trading surplus of £100,000 in 15/16 subject to pensions and energy costs consolidation
- Short notice of budget reductions and request that ALEOs be involved in the process at an earlier stage
- SA full responsibility for maintaining facilities

#### Aberdeen Sports Village – Appendix 5, 10<sup>th</sup> May, 2016

- No ASV staff on zero hours contracts
- Welcome contributions by Council members on Board

- Would welcome role in community planning in the city in areas of sport, leisure and wellbeing
- Some perception amongst users that ASV is a service provided by the University of Aberdeen, not helped by minimal reference to ASV on ACC website (much fewer than SA references)
- No outstanding audit issues after most recent audit
- Informal civil contingency planning arrangements in place between ASV, ACC and University of Aberdeen – will be looked at further in development of revised business plan
- Process for appointing new chair and Board member to be submitted to next Board meeting on 10 June
- Contracts register to be published online before end of May
- Meeting with Procurement officers to be arranged to ensure compliance with new legislation
- High risk in risk register for not meeting sportscotland's funding requirements; relates to stakeholders being unable to commit to capital costs of Phase Three Development of 3G pitches; options analysis to be submitted to next ASV Partnership meeting
- Operating Agreement finalised after eight years of negotiation
- Health and safety documentation to be submitted to next hub meeting
- Financial year ran parallel to academic year; currently trading surplus of £254,000, in part due to senior positions being vacant
- Forecasts now more positive than in January 2016 performance report
- Maintenance costs mitigated as 3% of income reserved for improvement of assets and facilities

#### Aberdeen Performing Arts – Appendix 6, 10<sup>th</sup> May 2016

- No APA staff on zero hours contracts
- Involved in community planning through Culture Network, Youth Arts Collective North East and other local bodies
- Successful marketing strategy and significant time period had resulted in public viewing APA as an independent organisation
- Progress on developing business continuity plans to be submitted to next meeting of hub
- Corporate risk register reviewed by committee quarterly and by Board biannually, no overarching narrative on tolerance of risk but would consider one
- Separate risk register relating to Music Hall redevelopment; project execution plan developed, managed by a Strategic Board
- Further information on internal audit arrangements to be submitted to next hub meeting
- Reserves position deteriorated due to introduction of National Living Wage in April 2016, reduction in core funding and closure and refurbishment of Music Hall – income generated from different sources to mitigate impact
- Financial procedures reviewed by Board every two years
- Financial risk embedded in reporting process
- No outstanding external audit recommendations

- Accountant seconded from Council and would welcome similar arrangement in future
- Report to be submitted to Board on New Procurement legislation
- Meeting with Procurement officers to be arranged to ensure compliance with new legislation
- Process for identifying skills gaps on Board and recruiting detailed
- Council members on Board very important link with Council, appreciate that are Board members first, but some issues with attendance
- APA has excellent stakeholder engagement plan
- Policy on workforce and succession planning drafted for submission to next Board meeting
- Meetings with HR and Health and Safety staff to be arranged to provide assistance in specified areas
- Accident, incident and near miss data reported to sub committee quarterly, can be escalated to Board
- Funding and Service Provision Agreement with Council requires to be updated to reflect reduced funding
- Oil and gas downturn had detrimental effect on business
- Smaller companies have difficulty in visiting Aberdeen as costs challenging for performers' accommodation allowances
- Internal Audit recommended that Service Provision Agreement be reviewed by June 2017

#### Aberdeen Heat and Power – Appendix 7, 13<sup>th</sup> May, 2016

- AHP only have three full permanent staff; contractors used to deliver projects
- AHP could make a valuable contribution to community planning – have met Director of CHI to discuss this
- Branding – AHP believed by customers to be a Council service
- Benchmarking difficult as no other similar providers – use Danish model
- On Energy From Waste Stakeholders' Group, met Director of CHI to review their contribution to the project's development
- Could operate the new facility but would require significant expansion of resource and capacity
- Did have community representatives on Board, may revisit this
- Consult at community level and deliver one project at a time because of capacity issues, dependant on Council capital programme
- Councillor Board member must be present for meeting to be quorate
- Business Continuity Plan to be ratified by sub group and reviewed by Board annually
- Escalation of risks in capital programme remitted to two sub groups
- Sub group performs internal audit role, external auditors appointed
- Payments to Council regularised following introduction of electronic system
- Biggest threats to operation – weather (unseasonably warm winters) and fluctuation in gas price; addressed latter by longer term contracts with suppliers

- Financial procedures reviewed annually
- Management trading accounts submitted to sub group initially then to Board for further scrutiny
- All Board reports set out financial implications clearly
- No outstanding external audit recommendations
- Board members recruited based on results of skills gap analysis
- Two sub groups established to monitor legislative and regulatory change and make recommendations to Board
- Will look at developing report template for Board
- Job evaluation scheme to be submitted to next hub meeting
- Meetings with HR and Health and Safety staff to be arranged to provide assistance in specified areas
- Will review provision of health and safety advice
- Will develop more rigorous process to monitor contractors' health and safety compliance
- Board already seeking advice on new procurement legislation
- Meeting with Procurement officers to be arranged to ensure compliance with new legislation
- Council would like to see AHP develop a performance management framework to measure success of projects as well as to identify how many houses connected to district heating system; system very effective for improving financial, social and health outcomes for residents and reducing fuel poverty
- Business plan just reviewed and to be submitted to next hub meeting

#### Garthdee Alpine Sports – Appendix 8, 13<sup>th</sup> May, 2016

- No GAS staff on zero hours contracts
- No detrimental impact on staff who TUPE transferred from Council
- No role in community planning process but Chair of Board sat on Active Aberdeen Partnership
- Still a perception that GAS is a Council service, but marketed as Aberdeen Snowsports Centre which Board was looking at
- No comparable bodies in Scotland for benchmarking
- Worked with HSE to produce industry standard guidance for artificial and outdoor ski slopes
- Very effective relationship with local community
- Risk Register to be reviewed later this year
- Training sources and procedures explained
- Strategic Plan updated regularly, needs revision to include Active Aberdeen Partnership outcomes
- Council is sole funding source, looking to recruit new Board member with income generation experience to offset financial deficit in challenging economic climate
- Site disjointed, needs fundamental redesign of layout and a café would increase income; site was designed with younger people in mind and barriers to other demographic groups

- Large snowsports market in North East but untapped because of outdated and poorly designed facilities; alternate vision to be presented to Council
- May be implications as a result of new Dee crossing proposals; one option has access road running through site
- Financial procedures developed in 2015
- No outstanding external audit recommendations
- Board skills gap analysis conducted in 2015
- Costs of training Board members very challenging for a small organisation
- Board report template already in use
- Meetings with HR officers to be arranged to provide assistance in specified areas
- Staff engagement explained; staff handbook reviewed 2015
- Workforce and succession planning contingency plans effective
- Health and Safety advice sourced from Dept of Transport and HSE
- Extensive risk and health and safety training
- Meeting with Procurement officers to be arranged to ensure compliance with new legislation
- No Service Lead available for this meeting, so relevant matters deferred until next meeting

## 6. IMPACT

### **Improving Customer Experience –**

6.1 The report summarises recent discussions at the Governance Hub, which are explained in greater detail in the appended minutes. By providing an assurance to the Council that high level scrutiny of ALEO performance is undertaken in such a way as to mitigate risks, the monitoring of service provision can ensure that service delivery meets targets and performance indicators. Service delivery and performance will be scrutinised by operational service staff in each case.

### **Improving Staff Experience –**

6.2 The manner in which the Hub operates allows senior managers to scrutinise high level service delivery within the areas of their own expertise, which will increase the confidence of officers in addressing the more detailed operational aspects of provision against contract for each ALEO.

### **Improving our use of Resources –**

6.3 The Council establishes ALEOs to improve its use of resources and so having an efficient and effective high level monitoring process in place provides assurance that the ALEOs funded with public money are operating appropriately and delivering in terms of contract, thereby providing value for money.

### **Corporate –**

6.4 The Governance Hub helps meet the Smarter Aberdeen priority of openness through public reporting of the high level monitoring of the operation

of the Council's ALEOs, which in turn supports the priorities of public access to sport and leisure facilities. ALEOs are required in terms in contract to deliver against the Single Outcome Agreement and KPIs for service delivery are monitored by each service individually.

### **Public –**

6.5 Although there are no direct recommendations arising from this report, there is likely to be public interest in the scrutiny of the performance of ALEOs against contract, particularly in view of ongoing questions about a perceived reduction in public access to facilities compared to hours for schools and clubs, the availability of particular services and their costs and ongoing budgetary concerns for each ALEO.

## **7. MANAGEMENT OF RISK**

7.1 The Governance Hub has been established to provide the Council with an assurance that the risks associated with each ALEO are being monitored and scrutinised at a high level, and that any identified are addressed by each service through its own Risk Register.

## **8. BACKGROUND PAPERS**

8.1 There are none other than those specified in each minute in the Appendices.

## **9. REPORT AUTHOR DETAILS**

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