

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	27 September, 2016
DIRECTOR	Richard Ellis
TITLE OF REPORT	ALEO Governance Hub Minutes
REPORT NUMBER	CG/16/125
CHECKLIST COMPLETED	Yes

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## 1. PURPOSE OF REPORT

1.1 This report summarises the significant matters raised at the August 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; and
- (3) Notes that specific covering reports will be prepared by the responsible Heads of Service and submitted to the appropriate service committees to consider ALEO service delivery and 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 second 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 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 Each tier 1 ALEO meeting was attended by a representative of the Good Governance Institute as part of their work on risk management and assurance for the Governance Review.

5.4 Each hub agenda began with a discussion of the ALEO recommendations in the recent report by the Council's external auditors, Audit Scotland, approved at the previous meeting of this Committee on 29 June, 2016.

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

5.6 This report also includes, for the first time, an assurance by Hub officers on the performance of each tier 1 ALEO, and this is provided after each bullet point summary of the minutes. It was felt that to provide such assurances for tier 2 ALEOs was premature given that only two cycles have been held with these ALEOs and officers are still establishing which documentation is in place for each.

5.7 The format of minutes, and the amount of information contained therein, has been queried by some ALEOs and this will be taken forward as part of the Governance Review of the Hub operations. ALEOs will be invited to contribute to this.

### **Bon Accord Care – Appendix 2, 15 August, 2016**

- New quality management system installed and revised audit tools approved by Board
- Meeting held, and workshop arranged, to discuss refreshing BAC's performance management framework ahead of revised SLA in 2018; new indicators would place greater emphasis on measuring outcomes rather than service outputs; these meetings replace the former working group
- Meeting scheduled with Council Procurement Services officer
- Risk Register updated to reflect possible implications of British exit from EU
- New software package introduced to better manage unplanned leave

- Expenditure higher than budgeted and efficiency targets not yet met but required to deliver balanced budget by Year End
- Discussion of three layers of health and safety training delivered
- Meeting held with Health and Social Care Partnership officers to align priorities of BAC and the Partnership and to discuss budget setting; these meetings to become regular
- BAC received Living Wage accreditation

### **Bon Accord Care - Assurance Summary**

**Risk** – Bon Accord Care is moving in the right direction in this area; the risk register has been updated to reflect the outcome of the referendum on EU membership which shows that the company is horizon scanning in respect of its workforce, which is its highest risk area. This is very positive. Officers remain to be persuaded that the revised audit tools now being used evidence the correct level of impartiality and this will be considered further at the next meeting.

It was noted that the current contract does not require an internal audit function and this can be taken forward in the discussions which are presently underway on the contract review; however, the Council's internal auditor will undertake two specific audits for the IJB in the current year.

**Finance** – There remains a risk that Bon Accord Care may incur a trading loss as they have not yet achieved all of their efficiency saving targets for this financial year, but the Council takes some assurance from the fact that the Managing Director gave her assurance that the company will achieve balance by the year end. The Chief Finance Officer of the IJB is working with the Company to finalise financial figures for 2016/17 savings targets. In future the Hub officers require to see the full management accounts as presented to the BAC Board, including details of the full year budget and the forecast outturn, to give a more complete understanding of the financial governance arrangements within BAC and its overall financial position.

**HR** – The Council is working with BAC on HR support and is comfortable with routine matters. The main concern relates to the operation of City Home Helpers, but BAC is fully aware of its obligations. IJB officers acknowledge that this is a period of testing for this service and are not assured as to how realistic the cost of it is to the individual; ultimately, the benefit of the pilot project is yet to be proven.

**Health and Safety** – Bon Accord Care has many systems in place and the hub is now looking for more context around processes and procedures and actual figures for those trained. The company is moving away from using the Council's Health and Safety team for support (it has been the only ALEO using the team) as it now employs an officer to fulfil this role, although assurance is needed that the company is securing competent advice. This can be addressed in the contract review.

An officer from the Council's Health and Safety team will attend the quarterly Health and Safety meetings, which is very welcome. The hub acknowledges the concerted effort made by Bon Accord Care in health and safety and is interested to seek confirmation that there are no language barriers to the understanding of health and safety responsibilities and to understand how the health and safety culture ripples out and is monitored.

**Service Performance** – The Hub acknowledges that service performance is primarily a matter for service committees to scrutinise and restricts comments to a high level. Amongst the matters being discussed by IJB officers are the need for a locality based delivery model and the sharing of weekly data with the Delayed Discharge Group, staffing and support at sheltered and very sheltered housing complexes, and issues associated with service delivery at high risk centres and the closing out of identified actions.

The hub welcomes discussions which have begun on the revision of the contract and the need for more appropriate performance information and agreed that a new suite of indicators will assist both sides in ensuring that a balanced scorecard can be developed which will confirm that all requirements of the contract are being met.

### **Aberdeen Exhibition and Conference Centre Ltd – Appendix 3, 15 August, 2016**

- Business Plan being prepared with Finance
- Revised financial forecast for AECC to be submitted to Board on 24 August
- Tender for operating new AECC submitted on time
- Annual audit of accounts completed by Anderson Brown; external audits commissioned of sustainability and health and safety
- Town hall meetings held to brief staff on future
- Oil and gas downturn impacting on AECC financial position but this covered by reserves at present; 2017 expected to be a stronger year given Offshore Europe event
- Banqueting sector business dropping but number of entertainment events increasing
- Discussion of workforce planning issues given downturn
- Annual health and safety review to be published in the autumn

### **Aberdeen Exhibition and Conference Centre Ltd - Assurance Summary**

**Risk** – AECC is aware of the outcome of the referendum on UK membership of the EU but believe that it is a recruiter's market at the moment and so any lost skills could be replaced.

The hub welcomed the town hall briefings held to assure staff about the future but felt that there was no real awareness evidenced about the bright future which the existing workforce would have. In this respect, the service lead

undertook to arrange for a Council representative to speak to the workforce at a future meeting.

The hub also noted that the outputs of external assessments provided assurances about financial management etc and these were encouraging.

**Finance** – There is concern about the strength of the current balance sheet and the risk of possibly incurring further losses against current reserves. The company needs to recognise and respond to the risk around its financial position. However, the recent recruitment of a replacement accountant should strengthen the financial management of the organisation.

**HR** – The hub acknowledged the workforce planning was an issue and that short term contracts were being used. It was expected that, should a successful bidder be appointed in September, the new operator would become involved from October and an Economic, Technical and Organisational review would be undertaken on the needs of the new organisation.

**Health and Safety** – Whilst there was limited information presented at this meeting, it was encouraging to hear about the company was aware of the possible underreporting of incidents as this showed an awareness of the current environment. This should be picked up in the induction and training of new staff.

Whilst high level staff had Institution of Occupational Safety and Health training, this needed to be filtered down throughout the organisation.

**Service Performance** – The Service Level Agreement gives a breakdown of the market mix for AECC Ltd but what is needed is a comparison to show how actual bookings compare to expectations, with an explanation of how the company is combatting shortfalls.

As part of the tendering process for the operation of the new exhibition and conference centre, bidders would have received all historic information plus details of contracted events for the current and future years. This would show how the current downturn in the oil and gas industry had affected current and future bookings at AECC, although entertainment bookings were increasing.

#### **Sport Aberdeen Ltd – Appendix 4, 16 August, 2016**

- Civil contingency planning added to Business Continuity Plan and discussion of critical business functions
- Financial procedures and regulations and draft procurement strategy to be discussed at Corporate Governance Committee on 1 September
- Sport Aberdeen being integrated into Council's civil contingency planning framework

- Fire Risk Assessment Action Plan in line with industry standards; discussions on how incidents closed out
- Revised draft of Funding and Service Provision Agreement to be discussed at meeting with Council officials on 18 August
- Risk Register updated to reflect possible implications of British exit from EU
- Financial performance close to budget but affected by downturn in oil and gas industry; golf lower than forecast due to inclement weather, but sufficient working capital to address any issues
- Payroll, utilities and maintenance costs all stable
- 2017/18 budget process to begin in September
- New Business Plan being developed which would diversify SA activity and greater focus on partnership working eg Active Aberdeen Partnership, for which SA had lead agency role

### **Sport Aberdeen Ltd - Assurance Summary**

**Risk** – Sport Aberdeen has a very sound approach to risk management, producing clear documents which are well set out. The company is taking the initiative about getting involved in civil contingency planning, which is to be welcomed.

**Finance** – Expenditure is in line with budget, with some areas having lower usage than expected but this is being managed with savings. A narrative is usually provided with budget information. Sport Aberdeen produces its own audited accounts which officers then incorporate into the Council's accounts.

**Health and Safety** – The company has systems in place for the management of health and safety and processes to close out incidents. Officers had no adverse comments on the information provided on fire risk assessments.

**Service Performance** – Hub members discussed whether the KPIs for Sport Aberdeen were the correct ones, and whether they should be measuring outcomes and attendance to a greater extent – it was noted that the new Service Level Agreement was based more on partnership working, and this would be followed up at the next meeting. It was also suggested that Sport Aberdeen's involvement in the Active Aberdeen Partnership may improve performance reporting.

Picking up on this, the service lead noted that the company should be more outcome focussed, noting that NHS Grampian was looking at obesity levels, activity levels, health referrals from GPs, etc and that work was needed to track health improvements in lifestyles.

In respect of the Sport Aberdeen strategic plan, the service lead suggested that this was not realistic as if the Council were to cut funding further, more facility closures may be necessary. He noted that a mix of strategically placed facilities and local facilities were needed and he emphasised in this regard

that Sport Aberdeen's strategic planning was very good. Specifically, they were the best placed of all ALEOs financially.

### **Aberdeen Sports Village Ventures Ltd – Appendix 5, 16 August, 2016**

- Explanation of how ASV held to account by University of Aberdeen
- Query as to whether ALEOs aware of what Council expects of them – to be addressed as part of the Governance Review
- Update on position of interim Chair
- Working with University of Aberdeen on compliance with new procurement legislation
- Options appraisal to be prepared for Board on opportunities for Phase 3 development
- Financial procedures to be reviewed by Board in September following consultation with University
- In depth risk register to be developed, differentiating between corporate and operational risks
- On target to meet budget with surplus recorded; financial year mirrors that of University and ends in September
- Wide discussion of health and safety management matters
- New strategy being developed and revised performance management framework to be introduced to reflect refreshed strategic priorities

### **Aberdeen Sports Village Ventures Ltd - Assurance Summary**

**Risk –** Aberdeen Sports Village knows what needs to do and gives the right answers. It needs to check the strength of its controls in future and give a higher risk to financial issues – the Hub is looking for confirmation that the company has identified key controls and can evidence their effectiveness; this can be done through a more detailed risk register or a separate document.

**Finance –** The company's financial performance against budget is good; there remains a risk of being affected by the economic downturn but this is being dealt with in an acceptable manner by management.

The university is looking to make the Sports Village as self sufficient as possible because of the current financial climate and it is likely that any reductions in funding by that partner would be reflected by the Council.

**HR –** There was a need to look further at workforce planning and this would be picked up at the next meeting.

**Health and Safety –** The Hub's health and safety lead is of the view that the Sports Village knows what it needs to do, it just needs to do it. A revised health and safety policy is required, an improvement plan with evidence of actions and a new management structure for health and safety.

**Service Performance** – The service lead had concerns about aspects of the performance information being provided, as whilst footfall had increased by 5%, there was little information about outcomes. It would be beneficial to link to the Active Aberdeen strategy and KPIs and monitor outcomes appropriately. In general terms, however, he was happy with the performance data provided.

The Sports Village was also facing further cuts in funding from its partners and needed to show that it could respond appropriately as an organisation.

### **Garthdee Alpine Sports – Appendix 6, 22 August 2016**

- Working being undertaken on developing a formal Business Continuity Plan
- Looking to diversify customer base by introducing new activities
- Awareness of risks to business of competing facilities
- Small loss against budget in quarter 1, but as this is off season, repairs and maintenance undertaken which increased operating costs
- Aspiration to open café on site
- Audited annual accounts to be finalised in September and submitted to Board thereafter
- Discussion of how new strategic plan addressed objectives of draft Sport and Physical Activity Strategy
- Disability in Sport criteria embedded in new strategic plan
- Role and function in Active Aberdeen Strategic Forum explained
- Plans for relocating to a new site paused given current uncertainty to core funding levels, downturn in oil and gas industry and possible impact of AWPR, but new site needed to allow diversification and reducing reliance on Council funding
- Industry specific health and safety guidance being developed

### **Aberdeen Performing Arts – Appendix 7, 22 August, 2016**

- Key elements of a Business Continuity Plan in place, work underway to consolidate this into one document, and to be discussed at forthcoming Board Development Day
- Independent consultants appointed to undertake internal audit function on a project by project basis, external validation summarised
- Succession plan satisfactory, discussion of impact of Music Hall closure
- Explanation of how health and safety investigations undertaken
- Risk Register updated to reflect possible implications of British exit from EU, APA doesn't rely on EU funding though eligible for culture funding
- Managers working to deliver balanced budget by Year End, annual accounts to be signed off by Board in September

- Closure of Music Hall provided opportunity for APA to branch out across city
- Involvement in festivals collective provided access to new networks and integrated APA into shared marketing strategy for the city
- APA Business Plan involved wide ranging consultation and aligned with wider city objectives
- Creative Scotland funding may be affected by referendum vote outcome

## **Aberdeen Heat and Power Ltd – Appendix 8, 22 August, 2016**

- Business Continuity Plan now to be reviewed at least annually
- No independent internal audit service given low number of staff but external support commissioned to support recruitment and develop bad debt procedure
- HR processes updated following meeting with Council's HR Manager
- Met Council health and safety adviser to review documentation and compliance levels
- Discussion of how health and safety issues resolved
- Discussion to be held with Council staff on pipeline markers
- Good financial performance hampered by unseasonably warm winter; also, delay to Tillydrone project
- Gas supply secured to 2019 which would support more stable gas unit price and budgeting
- Annual accounts approved by Board, to be submitted to October hub meeting
- Board development day scheduled for late September, to review five year plan and discuss strategic challenges
- Discussion around DEAL, AHP's commercial subsidiary
- Discussion of workforce planning and issues arising from only having two full time employees.

## **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**

Roderick MacBeath  
Senior Democratic Services Manager  
Legal and Democratic Services

[rmacbeath@aberdeencity.gov.uk](mailto:rmacbeath@aberdeencity.gov.uk)  
(01224) 523054