

COMMITTEE	Audit, Risk and Scrutiny
DATE	26 September 2017
REPORT TITLE	ALEO Assurance Hub: Terms of Reference
REPORT NUMBER	CG/17/108
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1. PURPOSE OF REPORT

To seek Committee approval for the terms of reference for the ALEO Assurance Hub, to set out the ALEO Governance Framework and to provide an update on the Audit Scotland Performance Audit on ALEOs.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- (a) Approve the ALEO Assurance Hub Terms of Reference attached as **Appendix A**;
- (b) Provide feedback and note the ALEO Governance Framework attached as **Appendix B**;
- (c) Note the proposed scheduling attached as **Appendix C** and further note that the Assurance Hub would first report to the Committee's next meeting on 23 November 2017; and
- (d) Note the progress update with regards to the Audit Scotland Performance Audit on ALEOs.

3. BACKGROUND/MAIN ISSUES

ALEO Assurance Hub Terms of Reference

- 3.1 At its meeting on 27 June 2017, the Audit, Risk and Scrutiny Committee agreed to adopt the Assurance Hub model as the Council's system of oversight for ALEOs in areas of risk management, financial management and governance.
- 3.2 The Committee noted that the Assurance Hub was one strand in a wider strategy on ALEO governance which included ALEOs reporting financial

information to the Finance, Policy and Resources Committee and service performance to the relevant Council committee. The ALEOs will also receive Council support with strategic and business planning through their participation in the ALEO Strategic Partnership. These individual components form the ALEO Governance Framework.

- 3.3 The ALEOs to be included within the Hub's remit are:
- Aberdeen Heat and Power;
 - Aberdeen Performing Arts;
 - Aberdeen Sports Village;
 - Bon Accord Care;
 - Garthdee Alpine Sports; and
 - Sport Aberdeen.
- 3.4 It is proposed that the membership of the Hub would consist of officers representing Performance and Risk, Finance and Democratic Services. ALEO Service Leads would attend Hub meetings as advisers and Internal and External Audit as observers.
- 3.5 At its pre-meeting on 9 August 2017, Hub officers appointed Roderick MacBeath (Senior Democratic Services Manager) as Chairperson of the Hub for its first year of operation.
- 3.6 Consultation arrangements prior to Hub meetings have been set out in the proposed Terms of Reference. The proposals will ensure that Conveners and Vice Conveners of Audit, Risk and Scrutiny; Communities, Housing and Infrastructure; Education and Children's Services; and the Finance, Policy and Resources Committee; in addition to the Chair and Vice Chair of the Integration Joint Board will be consulted on the Hub process and proposed areas of scrutiny.
- 3.7 Under these proposals, the Hub will receive assurance from ALEOs through exception reporting and the Hub will score ALEOs based on the degree of assurance they provided and their level of risk to the Council. Thereafter the Hub will prepare an assurance report and present it to the following meeting of this Committee with a recommendation on the extent of future scrutiny for each ALEO reviewed during that cycle.
- 3.8 Timescales for reviewing the Terms of Reference have been set out in **Appendix A**.
- 3.9 Proposed roles and remits for the Finance, Policy and Resources Committee; and other Council committees; in addition to the ALEO Strategic Partnership have been outlined in **Appendix B**.
- 3.10 Legal officers within Commercial and Procurement Services are leading on the review of ALEO Service Level Agreements and this is being progressed in conjunction with the ALEO Governance Review.

Update on the Audit Scotland Performance Audit on ALEOs

- 3.11 Audit Scotland have selected Aberdeen City Council to be part of their sample on how Councils monitor the way in which ALEOs achieve Council objectives and demonstrate value for money. The Performance Audit will also review the Council's governance arrangements in relation to ALEOs as well as how ALEOs report performance to the Council.
- 3.12 Audit Scotland have advised that they are interested in the Council's use of Bon Accord Care given the recent rise of social care ALEOs as well as a wider audit of sport and culture ALEOs to enable them to monitor performance trends across Scotland. They have also outlined their intent to review the Council's rationale for establishing Aberdeen Heat and Power as they are interested in the development of ALEOs with commercial remits.
- 3.13 Audit Scotland have intimated that they would conduct on-site work between October - November 2017 which is expected to take place over one or two days. The on-site visit will include interviews with key representatives involved in the oversight of ALEOs including elected members, finance and governance officers and ALEO representatives.
- 3.14 The Performance Audit report is due to be presented to the Accounts Commission in the spring of 2018 and published later in the year.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report.
- 4.2 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. 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 A review of ALEO service level agreements is currently being undertaken by solicitors within Commercial and Procurement Services. The introduction of a new approach to monitoring ALEOs will be taken into consideration during this review.
- 5.2 The Hub will support the Council's governance with regards to the bonds on the London Stock Exchange in that it will identify any projects and/or initiatives that could influence investment decisions of the bond holders or the Council's credit rating and ensure that the appropriate governance is put in place.

6. MANAGEMENT OF RISK

- 6.1 **Financial Risk** – The Hub will mitigate financial risk by putting in place monitoring arrangements that assess systems of financial management, propriety of expenditure and compliance with following the public pound guidance.
- 6.2 **Employee Risk** – No significant risk.
- 6.3 **Customer/Citizen Risk** – The Hub will mitigate risk to customers and citizens by helping to ensure that risks were being managed appropriately in line with statutory requirements and industry standards to ensure ALEOs can continue to operate safely and responsibly within local communities.
- 6.4 **Environmental Risk** – No significant risk.
- 6.5 **Technological Risk** – No significant risk.
- 6.6 **Legal Risk** – The Council intends to review ALEO service level agreements to ensure they remain relevant, fit for purpose, and take account of recent legislative and regulatory change.
- 6.7 **Reputational Risk** – Whilst aspects of service delivery have been assigned to various ALEOs, the responsibility for statutory service provision remains with the Council. Discretionary services also carry an element of reputational risk through association. It is therefore important that the relationship between the Council and ALEOs is managed effectively.

7. IMPACT SECTION

Economy

Council ALEOs contribute to the local economy through employment and the provision of services. The draft terms of reference provide the Assurance Hub with the authority to scrutinise areas of corporate governance to ensure ALEOs can continue to operate effectively within the local economy.

People

No significant equalities implications have been identified. An Equality and Human Rights Impact Assessment has been completed and submitted to the Council's Equalities team.

Place

No significant implications on place have been identified.

Technology

No significant implications on technology have been identified.

8. BACKGROUND PAPERS

CG/17/073 – ALEO Operating Model, Audit, Risk and Scrutiny Committee, 27 June 2017.

9. APPENDICES

Appendix A: ALEO Assurance Hub Terms of Reference

Appendix B: ALEO Governance Framework

Appendix C: ALEO Assurance Hub Reporting Schedule

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