

Terms of Reference

ALEO Assurance Hub

Arms-Length External Organisations (ALEOs) are companies, charities and other bodies that are separate from the Council but subject to its control or influence.

The purpose of the Assurance Hub is to receive assurance from ALEOs that appropriate systems and policies are in place to mitigate and manage risks to the organisation and to the Council. For the avoidance of doubt, the ALEO Assurance Hub shall provide high level, strategic oversight of ALEOs but will not undertake quality checks on the operation of ALEOs.

The Assurance Hub shall promote the principles of accountability and transparency as set out in the Following the Public Pound Guidance.

The Assurance Hub is one component of the ALEO Governance Framework which will be the basis for how the Council oversees and supports its arms-length bodies. The Framework will require:-

- a. Regular performance reporting to the relevant Council committee;
 - b. Annual presentations by ALEO representatives of Annual/Business Plans to Council committees;
 - c. Regular reporting of ALEO accounts within the Council's Group Accounts to the Finance, Policy and Resources Committee; and
 - d. Quarterly meetings of the ALEO Strategic Partnership as a forum for senior Council and ALEO representatives to discuss high level strategic issues such as business planning and horizon scanning.
- 2) The membership of the Hub shall consist of:
- a. A representative from Risk Management;
 - b. A representative of the Head of Finance; and
 - c. A representative from Democratic Services.
- 3) The Hub shall appoint a Chairperson from within its membership.
- 4) The Hub's Chairperson shall serve a term of one year and will be eligible for reappointment.
- 5) ALEO Service Leads shall be invited to attend meetings as advisers to the Hub as required.
- 6) The Hub may co-opt additional advisors as required.
- 7) The Hub shall scrutinise each ALEO within its remit at least once a year.
- 8) The Hub shall have the authority to increase or reduce its oversight of ALEOs based on the level of assurance it had received.

- 9) The Hub may invite ALEO representatives to attend Hub meetings to provide information and assurance on relevant matters as requested.
- 10) The Hub shall report its level of assurance on ALEO governance and risk to the Audit, Risk and Scrutiny Committee.
- 11) The Hub shall be responsible for setting its own programme of scrutiny.
- 12) The Conveners and Vice Conveners of the following committees and Board shall be consulted on the Hub's areas of intended scrutiny prior to any Assurance Hub meeting:
 - a. Audit, Risk and Scrutiny;
 - b. Communities, Housing and Infrastructure;
 - c. Education and Children's Services;
 - d. Finance, Policy and Resources; and
 - e. Integration Joint Board;
- 13) An open invitation shall be extended to the Council's internal and external auditors to attend Hub meetings as appropriate in order for them to meet their audit objectives.
- 14) To ensure that risk posed to the Council by ALEO operations is monitored, the Hub shall oversee ALEOs risk management arrangements including:
 - a. Risk management policy;
 - b. Management of risk registers; and
 - c. Risk identification structures, including horizon-scanning.
- 15) To ensure compliance with Following the Public Pound guidance, the Hub shall oversee ALEOs:
 - a. Financial governance;
 - b. Financial management;
 - c. Accounting practices; and
 - d. Financial performance.
- 16) The Hub shall review ALEO decision making structures including:
 - a. Reporting arrangements;
 - b. Compliance with key governance standards, such as codes of conduct; and
 - c. The composition and capacity of the board.
- 17) The Hub shall receive assurance on ALEOs risk management, financial management and governance arrangements through exception reporting and officers will assess ALEO governance and management of risk through a scoring matrix.
- 18) The Hub may monitor high level employment practices.
- 19) The Hub shall receive internal and external audit reports on ALEO governance; and monitor best practice guidance from organisations such as Audit Scotland and the Standards Commission for Scotland on the development of guidance relating to ALEOs.
- 20) The Hub shall monitor co-ordination arrangements between ALEO partners where the Council is not the sole shareholder.

21) The following organisations have been deemed to be ALEOs and will be subject to the Hub's oversight arrangements:

- a. Aberdeen Heat and Power;
- b. Aberdeen Performing Arts;
- c. Aberdeen Sports Village;
- d. Bon Accord Care;
- e. Garthdee Alpine Sports; and
- f. Sport Aberdeen.

22) The Head of Legal and Democratic Services will review these Terms of Reference annually to ensure their ongoing appropriateness in monitoring ALEO governance.

Role and Remit of Finance Policy and Resources Committee with regards to ALEO governance

- 1) To review the Council's group accounts which may include ALEO accounts to ensure compliance with governance requirements related to the bond issue.
- 2) To ensure the Council continues to comply with the Following the Public Pound guidance.
- 3) To provide oversight of the S95 Officer's statutory responsibilities relating to the Council's ALEOs.
- 4) The Lead Officer in relation to group accounts shall be the Council's Head of Finance.

Role and Remit of Council Committees with regards to ALEO governance

- 1) References to Council committees within this section do not include the Audit, Risk and Scrutiny Committee or the Finance, Policy and Resources Committee as reporting arrangements to these committees have been set out in previous sections.
- 2) The role and remit of the Council committee shall determine where each ALEO will be held to account.
- 3) Council committees shall monitor the functions of the ALEOs and keep under review its membership of wider partnerships and establishment of subsidiaries.
- 4) Council committees shall receive information on service performance from ALEOs within its remit, the requirements of which shall be set out in Service Level Agreements.
- 5) Council committees shall keep under review ALEO improvements in service delivery and customer satisfaction, the requirements of which shall be set out in Service Level Agreements.
- 6) Council committees shall receive ALEO Annual/Business Plans on an annual basis and ALEO representatives shall be invited to attend this meeting to answer member's questions on strategies, policies, performance and future plans. The requirements of which shall be set out in Service Level Agreements.
- 7) Council committees shall monitor the Council's budget allocations to ALEOs to ensure alignment with planned expenditure.

- 8) Council committees shall receive options appraisals; business plans and other key documentation in order to support decision making on the establishment of new ALEOs.
- 9) Council committees shall keep under review whether ALEOs remain the best option for service delivery and represent best value in delivering against the relevant Council priorities and objectives.
- 10) Council committees shall review contractual compliance in terms of ALEO service delivery and performance against requirements set out in Service Level Agreements.
- 11) Council committees shall approve any amendments to Service Level Agreements including setting clear limits of Council involvement and trigger points in the event of unsatisfactory performance or contractual non-compliance.
- 12) Council committees shall be responsible for developing and reviewing contingency plans in the event of a significant change in circumstances relating to the operation or governance of an ALEO.
- 13) The Council has designated a number of senior officers to serve as ALEO Service Leads. These officers shall be accountable to the relevant committee and attend meetings to provide information and assurance to elected members on ALEO performance.
- 14) Service Leads and other appropriate Council officers shall receive management trading accounts on a regular basis from ALEOs in order to support the Council's ability to follow the public pound. The requirements of which shall be set out in Service Level Agreements.
- 15) Council committees shall provide oversight of the monitoring arrangements put in place between the Service Lead and the ALEO.

Role and Remit of the ALEO Strategic Partnership with regards to ALEO governance

- 1) The ALEO Strategic Partnership shall be a support body to provide a forum for engagement; and to foster good relationships between the Council and its ALEOs.
- 2) The Partnership shall be a forum for ALEO representatives to raise issues with senior Council officers and to discuss strategic planning, business planning; horizon scanning and training.
- 3) The Partnership shall provide a forum to provide clarity about roles and responsibilities in relation to ALEO governance.
- 4) The Partnership shall not undertake scrutiny of ALEO governance or performance.

- 5) The Partnership shall meet on a quarterly basis.
- 6) The Partnership's membership shall consist of senior officers from the ALEOs and the Council, including ALEO Service Leads.
- 7) Council officers supporting the ALEO Strategic Partnership shall not also be Hub officers to ensure the independent oversight of ALEOs.
- 8) The Lead Officer shall be the Head of Commercial and Procurement Services.