

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	8 May 2018
REPORT TITLE	ALEO Assurance
REPORT NUMBER	GOV-18-004
CHIEF OFFICER	Fraser Bell
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TERMS OF REFERENCE	1.2

1. PURPOSE OF REPORT

To provide assurance on the risk management, financial management and governance arrangements of Arm's Length External Organisations (ALEO) within the ALEO Assurance Hub's terms of reference.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Note the level of assurance provided by each ALEO on risk management, financial management and governance;
- 2.2 Note the future oversight arrangements for each ALEO and to further note that this had been predicated on the level of risk to the Council and the level of assurance provided by the ALEO; and
- 2.3 Note that Assurance Hub officers and ALEO Service Leads will discuss any outstanding issues with representatives of each ALEO with a view to improving the assessment ratings at the next Hub meeting.

3. BACKGROUND

- 3.1 The report provides an overview of the ALEO Assurance Hub's second cycle of scrutiny following the Committee's endorsement of an oversight approach which balanced the Council's need for assurance with an ALEO's right to govern itself as an independent entity.
- 3.2 The Hub continues to adopt a proportionate and risk based approach and receives assurance from ALEOs through exception reporting which allows it to assess the level of ALEO risk to the Council. The reporting is based on the degree of assurance provided on each ALEO's financial management; risk management and governance arrangements.

- 3.3 The membership of the Hub for this cycle consisted of officers representing Performance and Risk; Finance; and Democratic Services. ALEO Service Leads attended the Hub meeting on 8 March 2018 as advisers and an open invitation continues to be extended to Internal and External Audit to observe proceedings and receive documentation.
- 3.4 Following the Committee's meeting on 23 November 2017, the ALEO Strategic Partnership has worked with ALEOs to strengthen their governance arrangements in a number of key areas. This has included the provision of in-house training for ALEOs on GDPR implementation on 1st and 5th March 2018 which was attended by Aberdeen Performing Arts, Aberdeen Sports Village, Bon Accord Care and Sport Aberdeen. Furthermore the Council has provided ALEOs with best practice templates and guidance to support business continuity planning. The Hub also welcomes instances where ALEOs have accepted Hub recommendations, these areas include business continuity planning; reviewing financial procedures and developing schemes of delegation.
- 3.5 The Hub has also addressed the specific resolutions made by this Committee on 23 November 2017.
- 3.5.1 The Committee requested that the ALEO Service Lead liaise with Aberdeen Sports Village to highlight concerns about its disputed status as a Council ALEO and whether they fall within the remit of the Hub. This request has been actioned with all ALEOs fully participating in the oversight process this cycle.
- 3.5.2 With regards to Aberdeen Performing Arts (APA), the Committee requested that the ALEO Service Lead discuss its concerns with APA about business continuity planning and the provision of documentation to the Hub. The Hub can report that the documentation provided by APA this cycle was satisfactory and the Hub noted that the APA business continuity plan was discussed by the Board at its Development Day on 16 March and was due to be presented to the Board for final approval on 21 May 2018.
- 3.5.3 With regards to the Committee's concern in respect of Garthdee Alpine Sports' (GAS) lack of capacity, the Hub noted the decision of the Finance, Policy and Resources Committee on 6 December 2017 and the decision of both the GAS and Sport Aberdeen boards to merge the two organisations, with GAS adopting all relevant Sport Aberdeen policies, procedures and systems.
- 3.6 Following the decision of the Finance, Policy and Resources Committee on 6 December 2017 to approve the merger of Garthdee Alpine Sports (GAS) and Sport Aberdeen (SA), the Hub no longer provides oversight of GAS, as GAS will be integrated into SA's existing legal and governance structures. Therefore the number of ALEOs within the Hub's remit has been revised to include:-
- (a) Aberdeen Heat and Power;
 - (b) Aberdeen Performing Arts;

- (c) Aberdeen Sports Village;
- (d) Bon Accord Care; and
- (e) Sport Aberdeen.

- 3.7 In addition to the Hub's regular oversight of risk management, financial management and governance; the Hub focused on the steps ALEOs had taken to comply with the General Data Protection Regulation (GDPR) which comes into effect on 25 May 2018. To ensure that robust assurance could be provided to the Committee, Hub members tasked officers from IT and Transformation and the Legal Governance Team to assess the comprehensiveness of ALEO responses. The Hub's assessment of each ALEO has been attached as **Appendices A – E**.
- 3.8 With regards to the Barclay Review, the Hub noted the Scottish Government's announcement on 28 November 2017 that leisure and cultural venues currently run by council arm's-length bodies would continue to benefit from charity relief from non-domestic rates. The Hub will continue to monitor if there are any residual implications for ALEOs within its remit.
- 3.9 Legal officers within Commercial and Procurement Services continue to review ALEO Service Level Agreements which aim to give effect to the ALEO Assurance Framework.

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 ALEOs provide 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 The Legal Team within Commercial and Procurement Services are currently overseeing the integration of Adventure Aberdeen and Garthdee Alpine Sports into Sport Aberdeen. The role of the Hub is to provide assurance that processes and resources are in place to manage integration and mitigate any legal, financial or reputational risk to the Council.
- 5.2 A review of ALEO service level agreements is currently being undertaken by the Legal Team within Commercial and Procurement Services. The introduction of a new approach to monitoring ALEOs will be taken into consideration during this review.
- 5.3 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

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Financial Failure of ALEOs impacting on the Council and its bond issue.	(L)	ALEOs report financial performance and governance to their boards and present their annual accounts for scrutiny by an external auditor. One of the Hub's key functions is to provide assurance to the Committee on the financial management of Council ALEOs.
Legal	Integration of Adventure Aberdeen and Garthdee Alpine Sports into Sport Aberdeen.	(L)	The Legal Team within Commercial and Procurement Services have oversight of the integration process and the Hub will continue to monitor progress and risk.
Employee	TUPE transfer of Adventure Aberdeen staff into Sport Aberdeen.	(L)	Sport Aberdeen has commissioned an external consultant to support the TUPE process and they continue to engage with Adventure Aberdeen staff going through the TUPE process. The Hub will request further assurance on the TUPE transfer at its next meeting and an ACC Service Lead has been identified to receive regular updates on progress and risk.
Customer	No significant risk.	(L)	Direct responsibility rests with the ALEO Board.
Environment	No significant risk.	(L)	Direct responsibility rests with the ALEO Board.

Technology	GDPR Compliance.	(M)	Each ALEO has demonstrated its awareness of GDPR and its complexity; and have reported implementation plans to their Boards for scrutiny and approval. The Hub received legal advice which assessed GDPR to be at least a medium risk for the Council and its ALEOs due to the complexity of implementing the regulation and the potential cost of a data breach or non-compliance. The Hub will continue to seek assurance on the policies, processes and systems ALEOs put in place to comply with GDPR.
Reputational	ALEO corporate governance or service delivery failure has a negative impact on the Council's reputation.	(M)	The Council shares a significant amount of data with ALEOs and a breach or failure to comply with GDPR by an ALEO may have a reputational impact on the Council. The Hub will continue its oversight of ALEOs approach to data protection and seek assurance that data audits are taking place; policies, procedures and systems are being reviewed and staff training is being delivered.

7. OUTCOMES

Design Principles of Target Operating Model	
	Impact of Report
Customer Service Design	N/A
Organisational Design	N/A

Governance	The Hub supports the principles outlined in the Account Commission's Following the Public Pound guidance by providing oversight of ALEOs to receive assurance on the robustness of their governance arrangements.
Workforce	N/A
Process Design	N/A
Technology	N/A
Partnerships and Alliances	The Hub is one component of the wider ALEO Assurance Framework and complements the work of the ALEO Strategic Partnership which offers ALEO access to senior Council officers and provides a forum to discuss strategic planning, business planning and horizon scanning; with a view to strengthen links between the Council and its partner ALEOs.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Sections 1,6 and 8 of the EHRIA have been completed and sent to the Equalities Team on 29 March 2018.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. BACKGROUND PAPERS

ALEO Operating Model - reported to Audit, Risk and Scrutiny Committee, 27 June 2017

ALEO Assurance Hub Terms of Reference - reported to Audit, Risk and Scrutiny Committee, 26 September 2017; and

ALEO Assurance – reported to Audit, Risk and Scrutiny Committee, 23 November 2017.

10. APPENDICES

Appendix A – Assurance on Aberdeen Sports Village

Appendix B - Assurance on Bon Accord Care

Appendix C - Assurance on Sport Aberdeen

Appendix D - Assurance on Aberdeen Heat and Power

Appendix E - Assurance on Aberdeen Performing Arts

11. REPORT AUTHOR CONTACT DETAILS

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