

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	25 September 2018
REPORT TITLE	ALEO Assurance Hub
REPORT NUMBER	GOV-18-075
CHIEF OFFICER	Fraser Bell
REPORT AUTHOR	Iain Robertson
TERMS OF REFERENCE	Remit - 1.2

1. PURPOSE OF REPORT

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

2. RECOMMENDATIONS

That the Committee:-

- 2.1 Notes the level of assurance provided by each ALEO on risk management, financial management and governance; and
- 2.2 Notes that Assurance Hub officers and ALEO Service Leads will discuss any outstanding issues identified in the appendices and identified at the Audit, Risk and Scrutiny Committee with ALEO representatives, 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 third 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 Hub met on 26 July 2018 with ALEO Service Leads in attendance as advisors to the Hub. An open invitation continues to be extended to Internal and External Audit to observe proceedings and receive documentation. From the next meeting onwards, it is intended that the Governance Assurance Manager will become Chairperson of the Hub.
- 3.4 Following the Committee's meeting on 8 May 2018, 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 business continuity plan templates and briefings on the recently published Audit Scotland report on ALEOs and possible implications for the Council and its ALEOs.
- 3.5 The Hub has also addressed the specific resolutions made by this Committee on 8 May 2018.
 - 3.5.1 The Hub followed up on the steps ALEOs had taken to comply with the General Data Protection Regulation (GDPR) which came into effect on 25 May 2018. To ensure that robust assurance could be provided to the Committee, the Hub tasked officers from 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**.
 - 3.5.2 With regards to gender equality and Bon Accord Care's (BAC) recruitment of a new Managing Director, on 6 July 2018 the Council's Urgent Business Committee authorised BAC to lead the recruitment process, on the conditions that a Council Director and Co-Leader be represented on the appointment panel and delegated authority be provided to the Chief Officer Governance, following consultation with the Director of Resources to approve the appointment made by the appointment panel. The recruitment process will be required to adhere to the provisions of the Equality Act 2010.
 - 3.5.3 With regards to BAC's adoption of a Scheme of Delegation, BAC have now confirmed their intention to prepare a Scheme of Delegation and present this to the Board for approval in September 2018. The Council have provided BAC with templates and guidance to support the scheme's development.
 - 3.5.4 With regards to the recruitment process for Aberdeen Heat and Power's (AHP) new Chief Executive Officer (CEO), AHP confirmed that they had made an appointment following a competitive recruitment process with the new CEO taking up post on 11 June 2018 to allow a two-month handover period with the outgoing CEO.
- 3.6 Legal officers within Commercial and Procurement Services continue to review ALEO Service Level Agreements which aim to give effect to the ALEO Assurance Framework.
- 3.7 The Assurance Hub is next scheduled to meet on 13 December 2018 and will report to the Audit, Risk and Scrutiny Committee on 14 February 2019.

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 A review of ALEO service level agreements is currently being undertaken by Commercial and Procurement Services. The introduction of the Assurance Hub will be taken into consideration during this review.
- 5.2 The Hub will help identify any projects and/or initiatives that could influence investment decisions of bond holders or the Council's credit rating and ensure that the appropriate governance is put in place. This adds to the Council's existing bond governance arrangements.

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Financial Failure of ALEOs impacting on the Council and its credit rating.	(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 Committee on the financial management of Council ALEOs.
Legal	ALEO service level agreements are not up to date and ALEOs are not delivering on Council outcomes.	(L)	Commercial and Procurement Services are currently reviewing ALEO service level agreements to ensure they remain robust and fit for purpose. The Strategic Commissioning Committee will have oversight of how ALEOs are

	GDPR Compliance		<p>achieving Council outcomes and complying with the terms of their service level agreements.</p> <p>The Legal Governance Team provide support and advice to the Hub on the steps ALEOs are taking on GDPR compliance in order for the Hub to provide assurance to Committee on ALEOs' management of this risk.</p>
Employee	No direct risks arising from the report's recommendations.		
Customer	No direct risks arising from the report's recommendations.		
Environment	No direct risks arising from the report's recommendations.		
Technology	GDPR Compliance.	(M)	<p>Each ALEO has demonstrated awareness of GDPR and have reported implementation plans to their Boards for scrutiny and approval.</p> <p>The Hub will continue to seek assurance on the policies, processes and systems ALEOs put in place to comply with GDPR due to its complexity and ongoing nature.</p>
Reputational	ALEO corporate governance or service delivery failure has a negative impact on the Council's reputation.	(M)	<p>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</p>

			protection and seek assurance that data audits are taking place; policies, procedures and systems are being reviewed and staff training is being delivered.
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7. OUTCOMES

Design Principles of Target Operating Model	
	Impact of Report
Governance	The Hub supports the principles outlined in the Accounts Commission's "Following the Public Pound" guidance by providing oversight of ALEOs to receive assurance on the robustness of their governance arrangements.
Partnerships and Alliances	The Hub is one component of the wider ALEO Assurance Framework and complements the work of the ALEO Strategic Partnership. The Partnership 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.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. BACKGROUND PAPERS

CG/17/073 - ALEO Operating Model - reported to Audit, Risk and Scrutiny Committee, 27 June 2017

CG/17/108 - ALEO Assurance Hub Terms of Reference - reported to Audit, Risk and Scrutiny Committee, 26 September 2017; and

CG/18/004 - ALEO Assurance – reported to Audit, Risk and Scrutiny Committee, 8 May 2018.

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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