

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	14 February 2019
REPORT TITLE	ALEO Assurance Hub
REPORT NUMBER	GOV-19-029
CHIEF OFFICER	Fraser Bell
REPORT AUTHOR	Vikki Cuthbert
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 further improving the assessment ratings at the next Hub meeting.

3. BACKGROUND

- 3.1 The report provides an overview of the ALEO Assurance Hub's fourth 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 13 December 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.
- 3.4 The Hub's assessment of each ALEO has been attached within summary reports at **Appendices B-F**. The Assurance Standards and Ratings are set out at **Appendix A**.
- 3.5 Legal officers within Commercial and Procurement Services continue to review ALEO Service Level Agreements which aim to give effect to the ALEO Assurance Framework.
- 3.6 This being the fourth cycle of scrutiny by the Assurance Hub, it is timely to identify any emerging trends. These are reflected in the summary reports and all demonstrate a positive movement in the levels of assurance obtained.
- 3.7 The Hub placed a strong focus on preparation for the GDPR during the last cycle and no particular concerns were highlighted, with each ALEO in a suitable position ahead of implementation. Further updates were not requested this time round to allow time for continued implementation to progress. An update will be sought during the next cycle of Hub meetings.
- 3.8 It is intended that future reports to the Committee be presented in a dashboard format to outline trends more visibly with associated narrative. The information provided to the Hub will remain as it is. Within Governance, oversight of the Hub has transferred from the Democracy Team to the Assurance Team, with input from the Corporate Risk Lead on risk management, Business Partner on financial management and Democracy Manager on Governance. The Hub is chaired by the Assurance Manager.

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 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	<p>ALEO service level agreements are not up to date and ALEOs are not delivering on Council outcomes.</p> <p>GDPR Compliance</p>	(L)	<p>Commercial and Procurement Services are currently reviewing ALEO service level agreements to ensure they remain robust and fit for purpose.</p> <p>The Strategic Commissioning Committee will have oversight of how ALEOs are 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 protection and seek assurance that data audits are taking place; policies, procedures and systems are being reviewed and staff training is being delivered.</p>

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

CG/18/075 - ALEO Assurance Hub – reported to Audit, Risk and Scrutiny Committee, 25 September 2018.

10. APPENDICES

Appendix A – Assurance Standards and Ratings

Appendix B – Sport Aberdeen

Appendix C – Bon Accord Care

Appendix D – Aberdeen Sports Village

Appendix E – Aberdeen Heat and Power

Appendix F – Aberdeen Performing Arts

11. REPORT AUTHOR CONTACT DETAILS

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Assurance Standards and Ratings

Assurance Standard	Assurance Rating
Unambiguous responses demonstrating clear understanding and comprehensive ability to fulfil ACC requirements, giving full detail as how these are achieved.	Very Low
Responses provide evidence of good understanding and compliance although limited detail provided for some areas.	Low
Responses provide some indication of understanding and compliance	Medium
Minimal or poor responses providing little evidence of understanding or compliance.	High
Nil or inadequate responses with little or no understanding of requirement or evidence of compliance.	Very High

Summary of ALEO Assurance

	Arms' Length External Organisation (ALEO)	Overall Assurance Rating	
1.	Sport Aberdeen	Low	
2.	Bon Accord Care	Low	Medium
3.	Aberdeen Sport Village	Low	Medium
4.	Aberdeen Heat and Power	Low	
5.	Aberdeen Performing Arts	Low	Medium

Sport Aberdeen (SA)

Sector	Sport and Leisure
Level of ACC Control	Council is the sole guarantor
ACC Funding 2018-19	£5,353,082
Function	Commissioning

The Hub requested assurance in the following areas:-

Governance

1. Assurance on responding to Audit Scotland’s report “How Councils use ALEOs” in respect of:
 - a. public participation in decision making; and
 - b. increasing the transparency of decision making and accountability to service users and communities.

Sport Aberdeen provided strong levels of assurance on its activities in both of these areas, providing evidence that a variety of methods are used to engage service users to shape the delivery of services –

- Extensive community consultation, local councillors, schools and clubs, on the refurbishment of Sheddocksley Sports Centre.
- Active advisory committees in each golf venue which provide feedback on service quality and inform service improvements.
- Formal consultations to inform the future strategy for sports pitch provision.
- Regular attendance at community council meetings to seek the views of local people in advance of proposed changes to venue operations.
- Aquatics online survey to inform programme design and delivery.
- User forums within sports centre venues, for instance, Link Ice Arena.
- Customers and communities informed the development of revised and extended opening hours, as well as the development of group exercise class timetables.
- Close involvement with Community Planning Aberdeen (CPA), through representation on the Board and thematic groups, participation in LOIP refresh events, delivery of improvement projects within the draft LOIP, and staff attendance at CPA performance improvement events.
- Close working relationship with Aberdeen City Health and Social Care Partnership, including representation on the Strategic Planning Group and Capital Programme Board.
- Sport Aberdeen Board includes members with a strong range of skills experience and knowledge. Two new Board members have been identified, both of whom are involved in the city’s business community/networks in other roles.
- Board meetings are not routinely held in public but if a request were received to consider specific business in public, it is likely that it would be accepted if possible. Model Publication Scheme approved in 2017 and this is adhered to through the provision of agendas, reports and minutes

free of charge if requested, the publication of Sport Aberdeen's audited annual accounts and annual performance report, and annual disclosure logs.

- Proactive approach taken to seeking customer feedback through *You Said...We Did* boards at venues and the Sport Aberdeen website.
- Complaints system which conforms with the SPSO Model Complaints Handling Procedure.

2. Assurance on the integration of Aberdeen Adventure and Garthdee Alpine Sports into Sport Aberdeen

In respect of the integration of Adventure Aberdeen (AA) –

- Service and staff fully integrated within the Healthy and Active Communities team, with positive feedback from the Team Leader on the level of support being provided.
- Financial oversight well embedded ahead of budget preparation, with a particular emphasis on improving income.
- Outstanding actions include finalising lease and license to operate the buildings at Kingswells and Speyside, including building condition reports.

In respect of the integration of Garthdee Alpine Sports (GAS) –

- TUPE transfer and integration complete, with effect from 1st October at at which point GAS ceased to trade.
- Service aligned to Community Leisure Operations department.
- Full Sport Aberdeen induction for all staff, with input from senior leadership team.
- GAS Board of trustees will close the final audited accounts and complete the winding up of the charity with OSCR.
- HR and Organisational Development Committee reviews progress with integration at each meeting. Some adjustments have been made to staffing structures, with consideration being given to the opportunities presented by joining up with Adventure Aberdeen.
- Other outstanding issues remain the Council's responsibility – lease and license to operate the centre to be provided, building condition reports to be supplied, resolution of the lease and access contract with RGU, confirmation of the sinking fund in 19/20 and confirmation of funds held in reserve to transfer pending the folding of the charity.

Sport Aberdeen provided assurance that it is managing the risks of integration as follows:

- On-going management support to ensure compliance with Sport Aberdeen's policies and procedures, with particular scrutiny around budget and staffing. This includes procurement and accounts transactions.
- All aspects of expenditure and the migration and integration of budgets is being overseen by the Head of Finance and Corporate Services.
- Single ICT platform in place from the end of November.

- Full site and equipment health and safety risk assessments conducted by Sport Aberdeen. These did not reveal any significant concerns, although it was noted that improvements are required to ensure robustness against safety assessment good practice. These are underway and considered low risk and manageable.
- Facility condition, in particular the slopes and tow lifts, present some risk to the business. In several areas, there is a need for investment to bring these up to standard.
- Concerns remain around the status of the contract between the Council and RGU regarding the refurbishment of the 3G pitch. This presents a reputational risk and financial risk to Sport Aberdeen if not resolved.

Governance - Overall Assessment – Low Risk

The Hub welcomed Sport Aberdeen's commitment to public participation and transparency in decision making and its accountability to service users and communities. The range of activities which involve the community, and the extent to which Sport Aberdeen responds to feedback is encouraging. In particular, the introduction of the model publication scheme in 2017 has led to some strong improvements in the public accessing information. In terms of the amalgamation of GAS and AA, the Hub noted the need to resolve the matters relating the 3G pitch, licenses and condition reports.

Risk Management

Sport Aberdeen provided a copy of its strategic risk register as at 2nd November 2018.

- 1. Assurance on Internal Audit** – SA had successfully concluded a three-year internal audit programme from 2015/16 to 2017/18 and a draft plan for 2018/19 to 2020/21 had been discussed with auditors and approved by the Board on 12th December. A particular focus would be an audit of Adventure Aberdeen and Aberdeen Snowsports services transferring into Sport Aberdeen. This was planned for early 2019.
- 2. Assurance on External Audit** - The Hub noted that Sport Aberdeen's external audit had been reported to the AGM and no adjustments required. This report was provided to the Hub. A clean audit certificate had been awarded. Arising actions had been discussed at the Corporate Governance Committee and would be implemented over the course of the year.

Risk - Overall Assessment – Low Risk

The Hub took assurance from the presented risk register, particularly the mitigation actions which were planned around the transfer of GAS to Sport Aberdeen. In addition, the risk register is maintained as a live document and is a standing item on the fortnightly leadership team meetings. The process for the escalation and de-escalation of risks and the development of a risk appetite will be reviewed in the next cycle.

Finance

1. Financial Reporting –

1.1 Assurance on Management Trading Accounts – Sport Aberdeen provided copies of its management trading accounts, presented to the Corporate Governance Committee on 2nd November 2018. The Hub noted the positive variance on budget performance to period 6 (£76k).

1.2 Assurance on Integration of GAS accounts – The Hub noted that GAS budgets were in the process of being incorporated into those of Sport Aberdeen, which would be reported on monthly to the Corporate Governance Committee.

1.3 Assurance on 2017/18 Audited Accounts – A full set of audited accounts for Sport Aberdeen had been provided. The audit of GAS was scheduled to begin on 19th November for an extended period of 18 months.

2. Financial Management –

2.1 Assurance on Financial Procedures including delegations – Sport Aberdeen provided an updated Scheme of Delegation (February 2017) and Financial Procedures (July 2018). The Hub considers that these policies and procedures are appropriate for an organisation of SA's size and noted the review dates for the documents.

2.2 Financial Information in Reports – The Hub noted from examples given that all reports contain a section within the front page summarising financial implications, with more detailed explanation in the report narrative.

2.3 Assurance on Financial Performance Management – Sport Aberdeen advised that financial performance is a standing item on internal management meetings. The oversight of financial performance is assessed bi-monthly at the Corporate Governance Committee, where there is detailed scrutiny of the monthly trading activity, and financial performance is considered against the business plan.

3. Business Planning –

3.1 Business Plan – This had been submitted and considered by the Strategic Commissioning Committee on 13th September. This included the incorporation of Adventure Aberdeen but not Garthdee Alpine Sports as the formal transfer had not taken place until 1st October. Notwithstanding, Sport Aberdeen had assumed full responsibility for all aspects of GAS trading and financial activity.

3.2 Budget Savings – A 'stand-still' position had been assumed by Sport Aberdeen for the year 2019/20, with recognition of the probability of a reduction in funding necessitating the following actions:

- a) Business Transformation Process underway since 2012, annual process of reducing costs by more effective and efficient business practices combined with improving income performance – has ensured that Sport Aberdeen has been able to cope with recurring budget reductions in core funding.

- b) Invest in facilities to increase footfall and income
- c) Contract reviews to delivery efficiencies
- d) Internal audit programme to identify improved practices
- e) GAS and AA transfers which are expected to deliver service efficiencies
- f) Review of digital solutions

Finance - Overall Assessment – Very Low Risk

The Hub welcomed the quality and clarity of the documentation and assurances provided. The Hub is further assured through the provision of independent sources of assurance from Internal and External Audit on SA's financial management.

Assurance Ratings - Trends			
November 2017	May 2018	September 2018	January 2019
Very Low	Low-Medium	Low	Low

Bon Accord Care (BAC)

Sector	Health and Social Care
Level of ACC Control	The Council is the sole shareholder of both Bon Accord Care Ltd and Bon Accord Support Services Ltd
ACC Funding 2018-19	£26.75m
Service	Aberdeen City Health and Social Care Partnership

The Hub requested assurance in the following areas:-

Governance

1. Assurance on responding to Audit Scotland’s report “How Councils use ALEOs” in respect of:

- a. **public participation in decision making; and**
- b. **increasing the transparency of decision making and accountability to service users and communities.**

Bon Accord Care provided good levels of assurance in both of these areas, demonstrating a strong commitment to participative and transparent decision making -

- Input from service users is regularly gathered from resident surveys.
- Moving towards active routes of engagement such as face to face conversations on service delivery, as part of care staff duties.
- Close involvement of care staff in sheltered housing committees
- Close working with Aberdeen Health and Social Care Partnership and the Council to ensure that BAC services and business strategies closely align with the wider service delivery environment.
- Management participation in local committees eg Integration Joint Board groups
- Annual report published which details BAC activities and performance. Due to commercially sensitive nature of the business, there are no plans to hold Board meetings publicly, nor to publish Board agendas.
- Statutory accounts are available publicly.
- FOI responses are not currently published.
- Copy of Board agenda provided and full Board pack available.

1. Assurance on Succession Planning

- The Appointments Panel met on 25 October 2018 and did not make a permanent appointment. It also agreed that the interim Managing Director be asked to continue in the interim role for a period of six months. The interim Managing Director agreed to do so.
- Discussions are underway to determine the process for appointing a Managing Director on a permanent basis.

2. Assurance on Scheme of Delegation

- BAC provided a copy of an updated Scheme of Delegation dated September 2018, which reflected a number of improvements particularly around budgetary control.

Governance - Overall Assessment – Low-Medium Risk

The Hub welcomed the inclusion of face to face discussions with clients as a part of general staff duties and would intend to follow this up to determine how successful it had been. In respect of the succession planning, it was noted that a permanent appointment has yet to be made and this is reflected in the current rating. The improvements to the updated Scheme of Delegation are also to be welcomed.

Risk Management

Bon Accord Care provided a copy of its risk register and the minutes and terms of reference of its Risk Management Committee, all dated September 2018.

Assurance on Internal Audit – Bon Accord Care provided strong evidence of audit activity, including a sample of recent action plans implemented as a result of internal audits, and the audit timetable for 2019.

Assurance on External Audit – Bon Accord Care had previously supplied the Hub (June 2018) with external auditor letters of representation, demonstrating that there were no qualifications, recommendations or changes arising from audit conducted in 2018.

Assurance on Business Continuity Planning – Bon Accord Care had been asked to provide a copy of the de-brief report presented to the Board following the testing of the Business Continuity Plan on 4th July 2018. This was provided. Bon Accord Care advised that there had not been too much progress made with this recently, due to the change in Managing Director and other tasks taking priority. However, the new postholder assured the Hub that this would now be addressed and the action points followed through. Business Continuity Plans were complete and would be reviewed in light of the exercise completed in July. The issues uncovered mainly related to communication, routes and methods.

Risk - Overall Assessment – Low Risk

Bon Accord Care provided strong assurance around risk management procedures and policy. The risk register was comprehensive although the Hub noted that risks associated with Brexit were not due to be reviewed again until July 2019. Follow up discussion with BAC confirmed that this risk would be reviewed prior to the end of March, although similar organisations are already reviewing the potential effects of Brexit. Audit plans were comprehensive. Business Continuity testing plans are in place and dates were provided for the period January to April 2019.

Finance

3. Financial Reporting –

- a. **Assurance on Management Trading Accounts** – Bon Accord Care provided copies of their management trading accounts dated November 2018 which recorded a positive variance of £70,000, although the year end forecast remained at break even.
- b. **Assurance on 2017/18 Audited Accounts** – Bon Accord Care provided a copy of their published audited accounts for the previous 12 months, which noted a deficit due to statutory pension adjustments.

4. Financial Management –

- a. **Assurance on Financial Procedures** – Bon Accord confirmed that a review of financial policies and procedures was on-going in accordance with an approved schedule. The Finance Policy had been reviewed in November 2018 and no changes would be made other than review dates and version numbers. This would be provided to the Hub upon completion. All previously updated financial procedures were provided to the Hub.
- b. **Financial Information in Reports** – Bon Accord Care confirmed that their Board papers include a section on Financial Considerations, which was good practice.
- c. **Assurance on Financial Performance Management** – Bon Accord Care confirmed that the financial monitoring procedure document due for review in February 2018 would now be completed by May 2019.

- 5. **Business Planning** – Bon Accord Care provided a summary of their financial projection to 2020/21 to demonstrate forward planning and evidence of effective financial management around reducing budgets.

Finance - Overall Assessment – Low Risk
The Hub welcomed the quality and existence of the documentation and assurances provided. The Hub is further assured through the provision of independent sources of assurance from Internal and External Audit on BAC’s financial management.

Assurance Ratings - Trends			
November 2017	May 2018	September 2018	January 2019
Low- Medium	Low-Medium	Low-Medium	Low

Aberdeen Sports Village (ASV)

Sector	Sport and Leisure
Level of ACC Control	Joint Venture with the University of Aberdeen
ACC Funding 2018-19	£919,200
Function	Commissioning

The Hub requested assurance in the following areas:-

Governance

1. Assurance on responding to Audit Scotland’s report “How Councils use ALEOs” in respect of:
 - a. public participation in decision making; and
 - b. increasing the transparency of decision making and accountability to service users and communities.

Aberdeen Sports Village demonstrated to the Hub that they have very good user consultation arrangements -

- Due to the diversity and scale of the operation, there are a number of key service users that are involved in consultations. In most instances, this consultation is underpinned by an access or partnership agreement which is subject to annual review. These agreements were listed.
- ASV works very closely with the Seaton community, in particular Seaton Primary School. This work includes health promotion including good nutrition, physical activity, family projects and sheltered housing.
- ASV recently asked its health and fitness customers what facilities/services they would invest in, providing them with a greater say in how resources are allocated.
- Involved in Community Planning Aberdeen, including attendance at LOIP refresh event.
- Close working with Aberdeen City Health and Social Care Partnership and a committed member of the Active Aberdeen Partnership.
- Annual reports are distributed to shareholders, however Board meetings are closed to the public and minutes/reports are not available for public inspection.
- Signposting on ASV website ensures that customers can make contact from the main landing page, in compliance with the SPSO guidelines.
- Most recent Joint Partnership meeting had taken place on 24th September and had been attended by the Head of Commercial and Procurement Services.

Governance - Overall Assessment – Low Risk

The Hub was satisfied with the information and assurances presented.

Risk Management

Aberdeen Sports Village provided a copy of its risk register for the Board meeting dated 14th December. This was comprehensive and satisfactory.

Assurance on Internal Audit – ASV has appointed external organisation QUEST to perform an internal audit every two years on its business, operations, procedures and deliverable outcomes. QUEST continues to be the recommended Continuous Improvement Tool for leisure operators and sports development teams. Factors assessed include cleaning & housekeeping, maintenance, equipment, environment, compliance, customer experience, teams & skills development, planning to improve, community outcomes, contribution to health and wellbeing, safeguarding, etc. ASV highlighted that Quest with its far reaching and rigorous auditing processes is contained within the operating agreement directly linked to the Joint Venture Agreement. In fact, it was Aberdeen City Council that asked for the Quest process to be added to the Operating agreement which ASV now adopts. ASV has approximately 12 internal Quest auditors who have helped ASV reach the highest possible level (Quest Stretch), the first organisation in Scotland to do so. Attached is a copy of our latest report and improvement plan.

Assurance on External Audit – The annual accounts for the financial year ending 31 July 2018 and External Auditor’s highlights memorandum and Management Letter were presented to the Board on 14th December.

Assurance on Business Continuity Planning – ASV has undergone a root and branch review of its current business continuity procedures and testing protocols. The Hub was provided with a report to the Board on this. This included meetings with the Council’s Emergency Planning Strategist. A working group has been set up to evolve critical incident plans and this will link to business continuity plans. A review and test schedule will be put in place.

Risk - Overall Assessment – Low Risk

The Hub was satisfied with the information and assurances presented in respect of internal audit, external audit and business continuity planning.

Finance

2. Financial Reporting –

- a. **Assurance on Management Trading Accounts** – ASV provided copies of their management trading accounts for the year ending 31st July, which showed that a small surplus had been achieved.
- b. **Assurance on 2017/18 Audited Accounts** – The Annual Accounts for the financial year ending 31 July 2018 and External Auditor’s highlights memorandum and Management Letter were presented to the Board on 14th December.

3. Financial Management –

- a. **Assurance on Financial Procedures** – ASV had provided a copy of their financial procedures during the last 12 months, so were not required to do so again at this time. Financial Regulations were due to have been reviewed in April 2018 but would now be reviewed after the financial audit had been completed.
- b. **Financial Information in Reports** – ASV confirmed that they had recently revised their Board report template to include a section on Financial Implications.
- c. **Assurance on Financial Performance Management** – ASV confirmed that their quarterly financial performance is reviewed and discussed at every Board meeting.
- 4. **Business Planning** – ASV had previously been asked to explore the possibility of developing a medium term financial strategy based on realistic budget assumptions and taking account of risk. ASV advised the Hub that it had conducted a cost cutting process following reduced partner funding over the last three years. There were challenges in providing a detailed financial plan without clarity on future reductions. ASV also noted the requirement for the Council and University to discuss any planned reductions in funding. ASV undertook to provide a three year projection during the next budget process, to meet the Hub’s requirements.

Finance - Overall Assessment – Low-Medium Risk

The Hub noted that the quality of documentation provided by ASV was generally good and that it would look forward to seeing the revised Financial Regulations and medium term financial plan when available. However, the lack of detailed business planning remained a concern. The Hub expects to see the ALEOs prepare a formal business plan in addition to an updated budget. The Business Plan should set out the business strategy, service plans etc, as well as incorporating a Medium Term Financial Plan. ASV has been asked to provide assurance that it has such a Business Plan in place, or intends to adopt a Business Plan going forward.

Assurance Ratings –Trends			
November 2017	May 2018	September 2018	January 2019
Low	Low-Medium	Low-Medium	Low-Medium

Aberdeen Heat and Power (AHP)

Sector	Combined Heat and Power
Level of ACC Control	The Council is the sole guarantor of the company
ACC Funding 2018-19	AHP receives grant funding on a project by project basis
Function	Commissioning

The Hub requested assurance in the following areas:-

Governance

1. Assurance on responding to Audit Scotland's report "How Councils use ALEOs" in respect of:

- c. **public participation in decision making; and**
 - d. **increasing the transparency of decision making and accountability to service users and communities.**
- Aberdeen Heat and Power outlined to the Hub some of the ways in which it involves tenants in their planning meetings. AHP make themselves available during any installation, to discuss issues with wardens or tenants. Feedback from these meetings is taken on board for future installations. They also attend meetings throughout the Aberdeen area to discuss and highlight the benefits of district heating and carbon reductions. The Board includes members who are connected with Save Cash and Reduce Fuel (SCARF) and various housing associations. There are an additional two places designated for tenants to become Directors. These can be difficult to fill, and are at present vacant.
 - AHP assured the Hub that they understand the requirements regards "Public Pound" and that they operate procurement and tendering procedures to mirror those used by ACC. Independent legal advice is secured to ensure that any legislative changes to these procedures is brought to the attention of the Board.
 - A complaints procedure is openly displayed on the AHP website and any complaints that reach "stage 2" are included on the agenda to be discussed at the Policy and Operations sub group although there had been no stage 2 complaints in the past twelve months.
 - Any individual customers that fall into bad debt are signposted to contact SCARF for free impartial advice.
 - AHP's vulnerable person's policy is openly displayed on the AHP website.
 - Due to the commercial nature of AHP it's inappropriate for management reports and minutes of management meetings to be displayed on our website. This was currently being updated to include information relating to the location and number of installations undertaken on behalf on ACC and will comply with any additional requirements including publishing FOI's and any responses. AHP have not received any FOI's to date.

- AHP's company accounts are lodged with Companies House together with a list of current directors and are therefore in the public domain.
- A copy of the governance process for AHP was provided, as well as the scheme of delegation, which had been approved by the Policy and Operations Sub Group. This would be presented to the Board in February 2019.
- Each member of staff (4) has a fully detailed job description.
- In respect of GDPR, AHP had taken the following steps:
 - Arranged training for the Financial Accountant and for the Office Administrator.
 - Members of the Board have been trained on GDPR regulation and compliance.
 - There is a clear understanding of the GDPR requirements and this has been discussed at Sub Group level and also by the Board at the February 2018 Board Meeting. The training has revealed the nature of the information that is required to be controlled and the resource necessary to processes required to fulfil the GDPR requirements.
 - GDPR Policy had been approved by the Board and would be reviewed at each Policy and Ops meeting held quarterly. A copy was provided.
 - A GDPR spreadsheet is maintained and updated to ensure continuing compliance with the procedure.

Governance - Overall Assessment – Low Risk

The Hub was sufficiently assured by the measures in place, recognising that whilst an ALEO, consultation requirements were less onerous for AHP compared to other ALEOs which are more public facing. The Hub welcomed the fact that two seats on the Board were available for services users, albeit that these were vacant, and hoped that other ALEOs would adopt this practice.

Risk Management

Aberdeen Heat and Power provided a copy of its risk register reviewed by the Board in August 2018. Since that time, risks had been identified around Brexit and the formation of a SESco. These were considered at a sub-group meeting on 11th December and the risk register updated accordingly, for presentation to the Board in February 2019.

Assurance on Internal Audit – AHP provided a copy of its internal audit report for 2017/18 (findings and implementation) and audit plan for 2018/19.

Assurance on External Audit – AHP provided its audited accounts for 2017/18 and advised that there were no outstanding recommendations or actions. External audit attend the AGM to feed back on the audit findings. Any issues are reported back to the Board and recommendations/issues dealt with in a timely manner and reported back to the auditor and Board. There had been no recommendations for this period.

Risk - Overall Assessment – Low Risk

An updated copy of the risk register was provided for the current cycle. A risk register review meeting is scheduled for 5th February 2019 and Business Continuity Plans are

also covered within the agenda for this meeting. Updates and progress in this area will be reported within the next reporting cycle.

It was noted that AHP are considering possible impact of Brexit and discussions are taking place with suppliers. A Brexit strategy will be discussed at the meeting on 5th February and the risk register in this area will be updated accordingly.

Finance

1. Financial Reporting –

- a. **Assurance on Management Trading Accounts** – A copy of the September 2018 management accounts was provided, as discussed by the Board at its November meeting. No concerns had been raised. A positive variance to month 6 of £140k was noted. The Hub had asked for additional assurance in respect of lower than expected income and whether this was linked to reducing demand for heat and power due to higher temperatures in the spring and summer of 2018. AHP responded that income was down by -1% whilst direct costs had been reduced by -13% and overheads by -5%. The reduction in income was due to the higher than average temperatures between May and July.
- b. **Assurance on 2017/18 Audited Accounts** – AHP provided a copy of their published audited accounts for 2017/18.

2. Financial Management –

- a. **Assurance on Financial Procedures** – AHP provided a copy of their financial procedures, which had been reviewed in February 2018 and were due for a further review in February 2019.
 - b. **Financial Information in Reports** – AHP confirmed that their Board had considered the Hub's request that reports papers include a section on Financial Considerations as a matter of good practice. The Board had agreed that its standard template for reports would remain in place, as this covered all aspects of project developments and financial and risk implications. AHP confirmed that Business Case reports to the Board and Development Sub-Group included consideration of finance and financial risks, and provided some examples.
 - c. **Assurance on Financial Performance Management** – AHP advised the Hub that financial performance was measured monthly, and presented to Board meetings and relevant sub-groups. Copies were provided. This allowed analysis of trends to measure the performance of energy centres and heat loads to commercial premises, as well as changing climate details and energy trends.
- ### **3. Business Planning** – AHP had been previously requested by the Hub to outline the evidence base and process used to reach assumptions in their business plan on future higher electricity prices, and to clarify the extent to which these assumptions take account of the implications of global warming.

AHP advised the Hub that it would provide a full updated business plan in 2019 including three year financial projections, once the outcome of proposed discussion on a SESco was known. AHP provided assurance to the Hub on the projections made within their business plan, based on information provided by market leaders in the procurement of fuel contracts and the monitoring of trends in the energy markets. This also informed tendering for energy renewals. Board members brought knowledge on the impacts of various factors around the energy market, and AHP also employed a specialist energy company to advise on the status of the global and national energy market. This was fed into future financial plans, business plans and budgets. Commercial acumen and a diligent approach to the close monitoring of energy costs and the energy market were a factor in AHP being able to hold heat prices at a level first set in 2012. They advised the Hub that they were in a strong position to deliver the capital programme for district heating.

Risk - Overall Assessment – Low Risk

The Hub welcomed the quality and existence of the documentation and assurances provided within these. In particular, a good level of detail had been provided on how assumptions on price movements within the budgets had been arrived at, and financial procedures were due to be further reviewed in February. The current 2015-2020 business plan has been updated in parts, with a full refresh anticipated in 2019 to incorporate the outcome of discussion on the approach to setting up a SESco.

Assurance Ratings - Trends			
November 2017	May 2018	September 2018	January 2019
Low	Medium	Low-Medium	Low

Aberdeen Performing Arts (APA)

Sector	Arts, Theatre and Culture
Level of ACC Control	The Council is one of 13 subscriber guarantors of the company
ACC Funding 2018-19	£975,000
Function	Commissioning

The Hub requested assurance in the following areas:-

Governance

1. Assurance on responding to Audit Scotland’s report “How Councils use ALEOs” in respect of:

- e. **public participation in decision making; and**
 - f. **increasing the transparency of decision making and accountability to service users and communities.**
- Aberdeen Performing Arts advised the Hub that it had obtained the Scottish Government’s customer service excellence standard, one of only two arts organisations in Scotland to hold the standard, with 11 compliant plus accreditations. This involved a comprehensive evaluation with more than 70 individual standards against which APA were assessed on an evidential basis. APA provided the assessors summary for 2018 which commended the approach to customer insight, the commitment to engaging with and involving customers. The accreditation return commented that APA was a “truly outstanding organisation and should continue to be upheld as an example of excellence for customer service delivery in the North East of Scotland”
 - APA described other methods of stakeholder engagement and transparency in decision making –
 - Widely advertised open recruitment to voluntary Board
 - Teachers’ Network as a discussion forum for teachers and the creative learning team
 - Actively sought feedback from participants, parents and facilitators at creative learning projects
 - Young Ambassadors’ Group
 - Regular Open Days for people with disabilities and additional support needs
 - Regular customer surveys to a panel of 1,000 service users, as well as customer focus groups and an annual research survey, the most recent of which had received over 3,000 responses.
 - Gathering and application of audience development intelligence
 - Signposting to customer feedback opportunities
 - Improvements to social media engagement and website
 - Board meetings are not held in public and APA intimated that there were no intentions to do so. Much of the business discussed by them is commercially sensitive. Notwithstanding, it was intended to produce an annual performance report which would be available publicly.

- APA does not intend to develop a Model Publication Scheme on the basis that they are an independent charity in receipt of 10% of public funding.

1. Assurance on Scheme of Delegation

- APA had provided a copy of their Scheme of Delegation which was good practice although could benefit from further detail. This would be reviewed every three years as per the Articles and Memorandum of Association.

Governance - Overall Assessment – Low Risk

The Hub was encouraged to see improvements in governance processes, in particular the production of a Scheme of Delegation. The statement that APA did not intend to introduce a Model Publication Scheme will be followed up. Audit Scotland, in its report on Councils' use of ALEOs from May 2018, identified the proactive publication of categories of information contained in the Information Commissioner's Model Publication Scheme as a measure which will improve transparency.

Risk Management

Aberdeen Performing Arts provided a copy of its risk registers for APA and also for the Music Hall project.

Assurance on Internal Audit – The programme of internal audit remained unchanged from that provided to the Hub previously. The externally assessed customer service excellence accreditation provided strong evidence of audit activity, and is a government standard. Internal audits of the Music Hall project and Payroll would be carried out in 2019. APA confirmed that audit projects are agreed annually, usually working out at around one or two audits a year.

Assurance on External Audit – APA's external auditors had reported to the Board on the annual accounts to 31st March 2018 and a clean audit certificate had been issued. A copy of the report was provided. The Hub was pleased to note that there were no outstanding audit recommendations.

Risk - Overall Assessment – Medium Risk

The risk register for Aberdeen Performing Arts highlighted some operational areas which should be reviewed in light of the Music Hall project. The Hub is awaiting evidence of a testing schedule for business continuity plans, confirmation that plans had been updated to reflect changes to structure in respect of the Music Hall, and evidence of audit planning and a process for following up on recommendations.

Finance

2. Financial Reporting –

- a. **Assurance on Management Trading Accounts** – Aberdeen Performing Arts provided copies of their management trading accounts for the 6 months ending 30th September 2018. They had recorded a positive variance of £133,000

compared to budget, although the year end forecast was to be only £72k better than budget.

- b. **Assurance on 2017/18 Audited Accounts** – These were also provided and the Hub agreed that they were satisfactory.

3. Financial Management –

- a. **Assurance on Financial Procedures** – The Hub was pleased to note that updated Financial Regulations were adopted by the Board in August 2018 and found them to be sufficiently detailed and appropriate for an organisation of APA's size.
 - b. **Financial Information in Reports** – A previous recommendation from the Hub was that Board reports include a section on specific financial implications. The Board had responded that it was satisfied with the existing template, but could provide a statement of comfort within Board minutes on its consideration of financial implications arising out of reports. The Hub had asked APA to reconsider this position in its request for information, citing an example of an item considered at its May Board meeting when financial considerations did not appear to have been taken into account. APA advised the Hub that it would ensure that Board papers would include consideration of cost implications in future, although it will not add a financial implications section to its Board report template.
 - c. **Assurance on Financial Performance Management** – The Hub was advised that Finance, Audit and Property Sub-Committee meets quarterly to discuss financial performance. The Leadership Team also reviewed financial performance monthly.
4. **Business Planning** – APA outlined a number of challenges to business planning, including the impact of Brexit on audience numbers, potential reductions in public sector funding, reduced reserves following the Music Hall refurbishment, loan repayment, requirement to modernise the Lemon Tree, fair wage requirements and robust ICT security requirements. It would seek to achieve a breakeven position by identifying new sources of income and making appropriate reductions to the artistic programme. APA stated that it is striving to maximise profit in its commercial activities.

Risk - Overall Assessment – Low Risk

The Hub welcomed the financial accounts and financial regulations presented, which were appropriate for an organisation of this size. The management trading accounts were positive, demonstrating an improved position on the deficit. The remaining area of concern related to APA not including a section on financial implications within their Board reports, although it was noted that the Service Lead had attended Board meetings and Music Hall focus group meetings, at which consideration is given to financial impact.

Assurance Ratings – Trends			
November 2017	May 2018	September 2018	January 2019
Low- Medium	Low-Medium	Low	Low-Medium