Item 3

31st May 2023

Glasgow City Council

Operational Performance and Delivery Scrutiny Committee

Report by Chief Executive

Contact: Neil Farnell / Cormac Quinn

ALEO PERFORMANCE AND GOVERNANCE

Purpose of Report:

To provide the Committee with an update on the revised arrangements for ALEO performance and governance.

Recommendations:

The Committee is asked to note the contents of the report.

Ward No(s):	Citywide: ✓
Local member(s) advised: Yes ☐ No ☐	consulted: Yes ☐ No ☐

***PLEASE NOTE THE FOLLOWING**:*

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1. INTRODUCTION

1.1 The purpose of this report is to provide an overview of the new performance and governance arrangements in place for the Arms Length External Organisations (ALEOs) established by the Council - referred to as the ALEO Governance Framework.

1.2 The report details the development work which has taken place to enhance the Framework's effectiveness, specifically in relation to recommendations noted within the recently completed Council Family Review of Glasgow Life, agreed by CAC 26 January 2023.

1.3 The report supported previous ALEO reviews and governance framework reports outlining three key findings:

- the need for improved robust accountability through governance and performance management arrangements.
- to ensure that all activities undertaken by ALEOs are directly linked to the Council Strategic Plan, existing budget process which sets the service fee and the regular annual review of Service Level Agreements (SLAs) between the Council and the ALEO.
- a broader, more structured approach being agreed for reporting on and approval of council policies and strategies, on which ALEOs lead (in line with SLAs).

2. ALEO GOVERNANCE FRAMEWORK

2.1 The Council continues to maintain a number of Arms Length External Organisations (ALEOs). Each is an individual legal entity, constituted as a Limited Liability Partnership (LLP) or a company, some with charitable status.

2.2 ALEOs operate their own governance frameworks and Boards, to which Elected Members are appointed, alongside independent trustees in the case of charitable ALEOs. The role of the Board, supported by appropriate sub-committees where relevant, is to monitor and oversee the operation of these arrangements in furtherance of the strategic objectives of the organisation.

2.3 While the Board governs the organisation, the Council has established arrangements to govern its relationship with the ALEOs to ensure that services delivered for / on its behalf continue to be effective and provide value and to hold ALEOs to account for delivery of these services. These arrangements are largely based upon the contractual arrangements / (SLAs) in place between the council and ALEOs, which specify the services to be delivered by the ALEOs.

2.4 The ALEO Governance Framework must be proportionate to the scale and risk of activity undertaken by each ALEO and cognisance must also be taken of the type of legal entity. For example, charitable organisations are subject to different legislative requirements than Limited Liability Partnerships therefore, each ALEO must be considered in its own right.

2.5 The ALEO Governance Framework has been revised to become a cyclical process based on a financial year of activity in most cases, and where necessary reflective of the Council's five-year strategic plan 2022-27. Over-arching governance and alignment of each ALEO for the duration of their term includes:

- Constitutional documents, with which each ALEO has a number of matters and decision-making powers that are reserved to the Council. These decisions, for example, material changes in business, cannot be taken by the Board.
- Alignment to one or more of the Grand Challenges / Missions within the Council's Strategic Plan 2022 to 2027
- Council policies and strategies for which ALEO leads are directly incorporated within the Council's Committee approvals structures. Many of these will be multi-year policies / strategies, thus do not fall within the annual cycle. They will however be referenced within that year's ALEO Annual business plan and the annual reporting cycles for performance indicators and governance reporting.
- The Framework also provides a methodology for miscellaneous reporting by ALEOs on the strategic implementation or management of services / council policies as agreed through relevant committee convenors.
- A clear and robust Council Approvals Process and approach to Change Control, allowing decisions to be taken at the most appropriate level. Where possible this is aligned to existing Council documents such as the Scheme of Delegations.

Within each annual cycle each ALEO will be expected to work with / report to the Council to evidence:

- The integration of the budget process with regular review and update of Service Level Agreement(s) 'SLA' by the Council, and the ALEO's interpretation of the same through their business plan. This will allow consistency of understanding by both parties, and support identification of performance indicators.
- Agreement of performance indicators, alignment to governance requirements and agreed budget management through submission to the Council of a suite of performance and governance information, and reports to Operational Performance and Financial and Audit Scrutiny committees respectively (OPDSC and FASC)[1].
- A level of assurance, for many ALEOs the Council's Internal Audit function provides audit services, with the exception of Clyde Gateway. As well as providing assurance to ALEO Boards, this can also provide assurance to the Council on the operation of control environment across the ALEOs
- To ensure continued strategic alignment, collaboration and efficiencies, ALEO Managing Directors / Chief Executives are part of the Corporate Management Team.

[1] Terms of Reference for each Scrutiny Committee are hyperlinked – FASC and OPDSC

- Ongoing liaison and monitoring between Council and ALEO officers which allows oversight, at a detailed level, of the governance and the performance of the ALEOs, including through the Strategic Performance Working Group.
- Regular engagement and provision of support by Council officers, including Corporate Policy and Governance, Legal Services and Corporate Finance.

3. CONTINUAL REVIEW

3.1 The ALEO Governance Framework is subject to continual review, both within the Council, previous report January 2021, and by Audit Scotland who, in May 2018, highlighted it as a positive example of how Councils have developed governance frameworks to achieve a more proportionate level of governance and scrutiny for ALEOs.

3.2 Within the Council, the Framework is part of the Council Family Review (CFR) programme that seeks to ensure the Council Family structure remains fit for purpose, delivers Best Value and takes account of legislative changes and new and emerging issues. the following reviews have taken place leading to the undernoted changes. These have reduced Service departments from 7 to 5, and the number of ALEOs from 10 to 5, specifically for the ALEOs:

- City Building (Glasgow) LLP became a joint venture between the Council and the Wheatley Group.
- Glasgow Life and GCMB were merged.
- Cordia LLP was merged across DRS and Social Work Services.
- Community Safety Glasgow and Land and Environmental Services were merged with the service renamed Neighbourhoods and Sustainability.

- All staff, business and assets of City Parking have been transferred into the Council (NRS).
- All staff, business, and assets of JBG relating to the business / enterprise services have been transferred into the Council's Economic Development Team (CEO).

3.3 A Council Family Review has taken place of Glasgow Life, considered by the City Administration Committee on 26 January 2023. This report reinforced previous work in relation to how the Council both works with and holds to account ALEOs for services delivered on its behalf. The recommendations noted have been acted upon and are referenced within Section 2.5. The main focus being on reinforcing the cyclical approach for regular report, and providing a clear structure to support decisions making, approvals and management of change.

4. DEVELOPMENT WORK AND NEXT STEPS

4.1 The Council Approvals Process and Change Control methodology is currently being reviewed, the progress of which is being monitored through the Council

Family Review Action Plan, the progression of which will be reported to this Committee. This will support the clarification of roles and responsibilities across the Council Family at all relevant levels.

4.2 Since the Council Family Review Report, January 2023 (Glasgow Life), reporting points for deliverables have been agreed for relevant committees with the processes having been agreed for approval of City Policies and Strategies.

4.3 A performance manual is currently being developed that will request ALEOs submit reports on a quarterly basis. This will include:

- financial and operational performance – identifying and including performance of services delivered by the ALEO for / on behalf of the Council;
- risks and issues for escalation;
- Council approvals required, and
- key achievements in the reporting period.

4.4 Dashboards will be submitted to Corporate Policy & Governance who will disseminate and engage with relevant officers to ensure robust monitoring of governance and service performance and facilitate resolution of issues.

4.5 As well as being used by officers, these dashboards will also inform ALEOs' annual thematic reports to OPDSC. The format of these reports follows the established format for all council services therefore enhancing the consistency of these reports across services and ALEOs. This standardisation of the presentation of performance and trend data is designed to assist OPDSC and enhance accountability.

5. POLICY AND RESOURCE IMPLICATIONS

Resource Implications:	
Financial:	There are no new financial implications.
Legal:	There are no new legal implications.
Personnel:	There are no direct personnel implications.
Procurement:	There are no relevant procurement implications.
Council Strategic Plan:	The ALEO Governance Framework supports each of the four Grand Challenges in the Council Strategic Plan.
Equality and Socio-Economic Impacts:	
Does the proposal support the Council's Equality Outcomes 2022-27	No specific governance-related outcome. However, it does via Committee scrutiny provide information to the public on Council processes and services; supporting the aims of outcome 3

What are the potential equality impacts as a result of this report?	As it relates to technical and practical considerations around the revised Governance Framework no direct impact has been identified at this stage
Please highlight if the policy/proposal will help address socio economic disadvantage.	As it relates to technical and practical considerations around the revised Governance Framework no direct impact has been identified at this stage

Sustainability Impacts:

Environmental:	No new direct impacts.
Social, including Article 19 opportunities:	No new direct impacts.
Economic:	No new direct impacts.
Privacy and Data Protection impacts:	No direct impacts.

6. RECOMMENDATIONS

6.1 The Committee is asked to note the contents of the report.