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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>21 November 2023</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/65/23/AP/LA</b>
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<b>Subject:</b>	<b>Governance of External Organisations - Annual Update and Review</b>		

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## **1.0 PURPOSE AND SUMMARY**

- 1.1  For Decision  For Information/Noting
- 1.2 In May 2011 the Policy & Resources Committee approved the Council's approach towards the Governance of External Organisations part of which is an annual report on adherence each November.
- 1.3 Over the intervening years major improvements have been made in formalising funding agreements and specifying service delivery requirements and at today's date all relevant organisations provide services funded by the Council backed up by at the very least, a Service Level Agreement if not a more detailed specification or tender document.
- 1.4 The 2022/23 Annual Governance Statement approved by the Audit Committee included the action that the governance of external organisations process would be reviewed and refreshed to ensure required monitoring processes are undertaken and confirmed through annual reporting on key partnerships to Committee. The proposals within this report intend to fulfil that requirement.
- 1.5 The Corporate Management Team are proposing the changes outlined in the report and would also recommend that it would also be timely to undertake a review of councillor nominations to a number of the organisations given the passage of time since these nominations first took place.

## **2.0 RECOMMENDATIONS**

- 2.1 It is recommended that the Committee considers the matters raised within this report and thereafter:
1. Notes the significant improvement in the commissioning and service procurement landscape since the current approach to external organisations was implemented in 2011.
  2. Notes the assessment of adherence to the Governance of External Organisations requirements in the last 12 months.
  3. Approves the list of organisations set out in Appendix 2 subject to the revised External Organisation Governance process in the next 12 months which is detailed in Appendix 3.
  4. Notes that organisations covered by relevant Social Care contracts will continue to be monitored with updates on a cyclical basis to the IJB and the Social Work & Social Care Scrutiny Panel and no longer form part of this annual report and,

5. Notes that specific reports in respect of the two Council ALEOs will be presented to the relevant strategic Committee next cycle covering the requirements set out in the Financial Regulations.
- 2.2 It is recommended that the Committee agrees that a further report be presented to the Council by the Chief Executive following a review of appropriateness of Councillor nominations to the Boards of organisations which tender for Council contracts.

**Alan Puckrin**  
**Chief Financial Officer**

### **3.0 BACKGROUND AND CONTEXT**

- 3.1 Following the collapse of a local third sector Nursey in 2010 due to financial difficulties, elected members asked officer what governance checks were carried out on organisations which delivered services on the Council's behalf. An officer working group chaired was set up with representatives from all Directorates plus Finance, Legal and Procurement to develop a corporate process to fulfil the Council's governance obligations. The resultant approach was approved by the Policy & Resources Committee in May 2011 with an annual report on adherence produced for the Policy & Resources Committee each November.
- 3.2 At that time around 20 organisations were receiving grants without any service level agreement (SLA) or commissioning arrangement in place setting out the organisations' requirements in terms of service delivery on behalf of the Council. A further 40 had informal commissioning arrangements in place with limited officer awareness of governance within the organisation. In addition, there was no process in place for Committees to scrutinise the performance, financial resilience of these organisations.
- 3.3 Over the years major improvements have been made supported by Procurement and Legal Services and at today's date all organisations have at the very least an SLA in place to support the receipt of material Council funding in addition which there has been a significant increase in formal commissioning or tendering arrangements. In addition to regular service delivery meetings, in most cases, specific meetings take place to review the organisations' financial position and other governance matters.
- 3.4 Organisations delivering Social Work/Social Care services continue to form the vast majority of the commissioned services and detailed cyclical updates covering a range of quality and governance matters are presented to both the IJB and Social Work & Social Care Scrutiny Panel. These updates are held in private which allows the IJB/Scrutiny Panel to discuss relevant matters in the required detail.
- 3.5 For organisations covered by the Education & Communities Committee and Environment & Regeneration Committee updates have generally been in public and as a result have been less detailed.
- 3.6 As a result of an action identified in the Procurement Strategy, in September 2023 the CMT agreed to pilot a balanced scorecard supplier management approach. This includes most of the governance requirements set out in the current External Organisations Governance process. Given most of the services delivered by external organisations are now procured via tenders or Direct Awards supported by specifications/SLAs then the CMT propose that this approach is used to manage contracts of this nature going forward.
- 3.7 **2022/23 Annual Governance Statement Requirement**

The 2022/23 Annual Governance Statement (AGS), which is one of the principal documents in the Annual Accounts, identified an action allocated to the Chief Financial Officer namely:

"The governance of external organisations process will be reviewed and refreshed to ensure required monitoring processes are undertaken and confirmed through annual reporting on key partnerships to Committee".

This report intends to address the action set out in the AGS.

### **3.8 Arms Length External Organisations (ALEOs)**

An ALEO is a body formally separate from the Council but subject to its control and influence. ALEOs are one step removed from the Council (albeit they form part of the Councils Group Accounts), and as a result governance can be complex. The Council remains responsible for ensuring that the ALEO uses public funds responsibly and is “following the public pound”.

3.9 The Council has two ALEOs; Inverclyde Leisure and Riverside Inverclyde. Within the financial regulations the requirements for governance reporting for ALEOs is set out as follows:

“For the Council’s Arms Length External Organisations (ALEO) then there is a requirement for an Annual Monitoring Report submitted to the relevant Committee which shall cover:

1. The aims and objectives of the External Organisation and how these have been met
2. The overall financial position of the External Organisation
3. Performance against targets and value for money indicators and an overall assessment of the governance risk to the Council
4. Key issues for the forthcoming period”

3.10 The CMT recognise that there has been only partial adherence to these requirements in recent years because of matters such as Covid and changes to the overall delivery model for Riverside Inverclyde.

### **3.11 Councillor representation on external organisation boards**

At the first meeting of each new Council, elected members approve councillor representation on outside bodies. These bodies can vary from national organisations to relatively small local organisations and can give councillors valuable experience and be a route by which the Council can be sighted on any emerging difficulties within an organisation.

3.12 However, representation on several bodies pre-dates 1996 re-organisation and has not been reviewed for many years. This becomes more relevant when the primary Council funding of some of these organisations now comes from tendered work rather than grants as was the case 10-20 years ago.

## **4.0 PROPOSALS**

4.1 Appendix 1 shows the compliance with the approved governance requirements in relation to the organisations approved in the November 2022 update. This confirms a high level of compliance. However, more detailed reports in line with the Financial Regulations are required in coming months for the Council’s two ALEOs.

4.2 Taking into the account that the default position should be that organisations receiving the bulk of their Council funding via tenders/direct awards/commissioning should be treated as suppliers and managed through the supplier management framework, the CMT would propose a far reduced list of organisations to fall under the External Organisations Governance requirements.

4.3 The proposed list is shown in Appendix 2 and excludes organisations already being reported to the IJB unless non- HSCP funding represents a material sum. In arriving at the proposed list the CMT have taken into account service delivery and reputational risks for the Council, an element of the latter being linked to councillor representation on the boards.

4.4 Appendix 3 sets out the minimum governance requirements to be undertaken by officers between November 2023 and October 2024 for those organisations listed in Appendix 2.

4.5 Whilst it is possible for the Council to have councillor representation on organisations tendering for Council contracts this is an area which officers believe is worthy of review. It is therefore proposed that The Chief Executive and Head of Legal, Democratic, Digital & Customer Services carry out a review councillor representation on outside bodies and report back to Committee prior to the summer 2024 recess.

## 5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendations are agreed:

SUBJECT	YES	NO
Financial	x	
Legal/Risk	x	
Human Resources		x
Strategic (Partnership Plan/Council Plan)	x	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		x
Environmental & Sustainability		x
Data Protection		x

## 5.2 Finance

Based on previous experience there can be significant financial implications when an organisation funded by grants delivering services for the Council gets into difficulty. This makes elected member scrutiny of governance related matters in these organisations a key requirement in terms of "Following the Public Pound".

### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

## 5.3 Legal/Risk

Any changes to councillor representation on approved outside bodies would require approval from the full Council.

An overall assessment of the risks posed to the Council were an organisation to get into difficulty formed the key factor in determining the organisations proposed in Appendix 2.

## 5.4 Human Resources

There are no HR implications arising from the proposals in this report.

## **5.5 Strategic**

The organisations listed in Appendix 2 all contribute towards the Councils strategic priorities.

## **6.0 CONSULTATION**

6.1 The CMT support the proposals in this report.

## **7.0 BACKGROUND PAPERS**

7.1 The Council's Governance Responsibilities- External Organisations, Policy & Resources Committee 24.5.2011  
Arms- Length Organisations, are you getting in right- Audit Scotland – June 2011  
Scottish Charity Regulator Report – ALEOs- Policy & Resources Committee – 24.3.2015

## Governance of External Organisations List for 2022/23

## Appendix 1

Supplier / Provider	Payments	Service	Last or Planned Governance Monitoring Date	Date Reported to Committee	Nature of Payments	Total
INVERCLYDE LEISURE	£2,106,939.98	E&C	15/08/2023	05/09/2023	Direct Award	26
CRAIGEND RESOURCE CENTRE	£738,004.51	E&C	04/10/2023	07/11/2023	Grant - With SLA	24
YOUR VOICE	£428,808.07	HSCP	06/07/2023	31/10/2023	Direct Award	24
INVERCLYDE CARERS CENTRE LTD	£371,085.00	HSCP	01/09/2023	31/10/2023	Direct Award	24
WELLINGTON PLAYGROUP	£291,114.14	E&C	25/05/2023	05/09/2023	Direct Award	24
COTTAGE CARE SERVICES SCOTLAND LTD	£254,448.65	HSCP	09/05/2023	31/10/2023	Direct Award	24
ICDT LTD	£1,968,043.15	E&R	06/09/2023	25/08/2023	Tenderered	22
MADEIRA NURSERY	£191,468.35	E&C	30/05/2023	05/09/2023	Direct Award	22
PARTNERS THAT CARE	£166,379.38	HSCP	31/05/2023	31/10/2023	Direct Award	22
BATTERY PARK NURSERY LTD	£155,835.72	E&C	23/05/2023	05/09/2023	Direct Award	22
DUCHAL NURSERY SCHOOL	£115,776.68	E&C	02/06/2023	05/09/2023	Direct Award	22
YOUTH CONNECTIONS	£110,499.98	E&C	04/10/2023	07/11/2023	Grant - With SLA	22
FINANCIAL FITNESS	£85,900.00	HSCP	16/06/2023	31/10/2023	Direct Award	22
INVERKIP COMMUNITY INITIATIVE	£78,860.00	E&C	10/10/2023	07/11/2023	Grant - With SLA	22
GIBSHILL COMMUNITY CENTRE	£72,600.00	E&C	09/10/2023	07/11/2023	Grant - With SLA	22
INVERCLYDE ADVICE & EMPLOYMENT RIGHTS	£65,421.00	E&R	19/09/2023	25/08/2023	Direct Award	22
RIVER CLYDE HOMES	£425,031.63	HSCP	07/07/2023	31/10/2023	Direct Award	20
THE BEACON	£274,829.85	E&C	28/08/2023	07/11/2023	Grant - With SLA	20
BRANCHTON COMMUNITY CENTRE	£172,002.00	E&C	25/09/2023	07/11/2023	Grant - With SLA	20
MOVING ON (INVERCLYDE)	£100,500.00	HSCP			Direct Award	20
QUARRIERS	£2,912,491.59	HSCP	15/06/2023	31/10/2023	Direct Award	18
HAPPITOTS	£536,558.76	E&C	31/05/2023	05/09/2023	Direct Award	18
CVS INVERCLYDE	£222,801.25	HSCP	05/09/2023	31/10/2023	Direct Award	18
RIVERSIDE INVERCLYDE	£101,243.16	E&R	20/08/2023	25/08/2023	Direct Award	18
MARINER SUPPORT ASSOCIATES LTD	£57,936.01	HSCP	11/10/2023	31/10/2023	Direct Award	18
THE KILMACOLM NEW COMMUNITY CENTRE COMPANY LIMITED	£41,200.00	E&C	11/10/2023	07/11/2023	Grant - With SLA	18
NAS SERVICES LTD	£127,926.91	HSCP	29/06/2023	31/10/2023	Direct Award	16
INVERCLYDE WOMENS AID	£118,441.38	HSCP	07/09/2023	31/10/2023	Direct Award	16
UNITY ENTERPRISE	£80,525.58	HSCP	31/10/2023	31/10/2023	Direct Award	16
EMBRACE (COMBINED) LIMITED	£64,944.11	HSCP	20/10/2023	31/10/2023	Direct Award	16
STARTER PACKS INVERCLYDE	£41,272.00	HSCP	18/07/2023	31/10/2023	Direct Award	16

No longer contracts with the Council

Key External Organisations – November 2023 – October 2024

<u>Organisation</u>	<u>Reason for Inclusion</u>
1/ Inverclyde Leisure	ALEO, Significant Councillor Board Representation.
2/ Riverside Inverclyde	ALEO, Significant Councillor Board Representation.
3/ Inchgreen Marine Park Ltd	Joint Venture Significant Councillor Board Representation.
4/ Inverclyde Community Development Trust	Significant Councillor Board Representation and highly reliant on Council contracts.
5/ The Beacon	Councillor Board Representation, significant financial investment by Council, no alternative service delivery organisation. Grant with SLA.
6/ Craighend Resource Centre	Significant financial investment by the Council, no readily identified alternative service provider, Grant with SLA.
7/ Youth Connections	As for Craighend Resource Centre.
8/ Kilmacolm New Community Centre.	As for Craighend Resource Centre plus Councillor Board Representative.
9/ Inverkip Community Initiative	As for Craighend Resource Centre.
10/ Gibshill Community Centre	As for Craighend Resource Centre.
11/ Branchton Community Centre	As for Craighend Resource Centre.
12/ Inverclyde Voluntary Council of Social Services	Councillor Board Representation. Financial risk to Council if organisation ceased to operate.

Note – Organisation Governance reports for numbers 2,3 & 4 would be presented to the Environment & Regeneration Committee. The remainder would go to Education & Communities.

AP/LA  
2/10/23



External Organisations Governance

Governance Oversight

- a) Annual Accounts received by Service and reviewed by Finance.
- b) Briefing circulated after each board meeting attended by officers to Director, Head of Service, Chief Financial Officer and Head of Legal, Democratic, Digital & Customer Services.
- c) Annual documented Governance meetings with organisations where senior officers do not attend board meetings.
- d) Annual Committee report covering performance and quality issues.
- e) Committee identify and monitor specific governance, finance and performance indicators in order to give early warning of any potential problems.
- f) Evidence that risks associated with these organisations are considered as part of the preparation of Service/Directorate risk registers.
- g) Contingency Plans are in place within the service to ensure continuity of service delivery if the agreement ends/organisation ceases to exist.
- h) Where services are delivered through ALEOs, the Council has well-developed strategy for the delivery of services which is linked to the wider Council's strategic objective and priorities, this strategy being reviewed and reported to Committee every 5 years as a minimum

Note: 1. The above are the minimum requirements however Services may decide on more frequent meetings / reporting based on specific risks / intelligence.