

---

<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>19 November 2024</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/74/24/AP/AE</b>
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b>	<b>01475 712090</b>
<b>Subject:</b>	<b>Governance of External Organisations- Annual Update and Review</b>		

---

## **1.0 PURPOSE AND SUMMARY**

- 1.1  For Decision  For Information/Noting
- 1.2 In November 2023 the Committee approved a revised process recommended by the CMT (Appendix 1) which reduced the number of organisations to be formally reported through Committee and set the minimum governance requirements to be undertaken by Officers. An annual report on delivery to Policy & Resources Committee is a requirement as per the Financial Regulations.
- 1.3 An audit has been added to the 2024/25 Internal Audit Plan which will review compliance with the Governance Oversight arrangements and other relevant matters associated with External Organisation Governance.
- 1.4 Appendix 2 (in the private papers for today's meeting), covers the main governance oversight points and provides a summary assessment based on latest information from Directors/Heads of Service and other information reviewed. Directorate reports to relevant Committees earlier this committee cycle provided more detail in relation to governance meetings including any concerns raised during the monitoring period.
- 1.5 Overall, the governance oversight arrangements have been delivered and the organisations covered have operated appropriately. The CMT would however recommend that there needs to be greater time between the reporting to relevant parent committees and the production of this annual report to the Policy & Resources Committee. The CMT also recommend that a tiered approach is adopted whereby those organisations which are part of the Councils Group Accounts plus two others which have higher reputational/financial risk to the Council, continue to comply with appendix 1, whilst the remaining 7 organisations come under a lighter touch process outlined in appendix 4.
- 1.6 One issue which has been highlighted from the recent governance meetings is that several of the self-run community facilities do not pay the Real Living Wage (RLW) or have advised that they will be unable to do so in future as the grant received from the Council which have been frozen for many years. Given the Council's ie required to comply with Fair Work First, of which paying the RLW is a key part, then it is recommended that officers review the implications of mandating payment of the RLW by the organisations covered under the Governance of External Organisations process.

- 1.7 Finally, last November the Policy & Resources Committee agreed that a report be presented to the Council by the Chief Executive regarding the appropriateness of Councillor nominations to Boards of organisations which tender for Council contracts. This matter remains outstanding and it is intended to report this matter to the Full Council by September 2024.

## **2.0 RECOMMENDATIONS**

- 2.1 It is recommended that the Committee considers the matters raised within this report and thereafter:
  1. Notes the performance for the period November 2023 to October 2024 against the governance oversight process approved by Policy & Resources Committee November 2023.
  2. Notes that this area is part of the 2024/25 Internal Audit Action Plan
  3. Approves the move to a tiered approach and approves the lighter touch arrangements set out in appendix 4,
  4. Approves the principle of mandating the payment of the Real Living Wage by the organisations in appendix 3 pending a report back from officers on the financial and other implications,
  5. Note that the report on councillor representation on the boards of organisations which tender for council work will be presented to the Full Council by September 2025.

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

### 3.0 BACKGROUND AND CONTEXT

- 3.1 A corporate process to fulfil the Council's governance obligations in respect of key external organisations was approved by the Policy & Resources Committee in May 2011 with an annual report on adherence produced for the Policy & Resources Committee each November. The 2022/23 Annual Governance Statement (AGS) identified an action to review the monitoring process and continue with an annual report on key partnerships with the Council. The new process was approved by the Policy & Resources Committee in November 2023 along with a remit that a report be presented to the Council by the Chief Executive following a review of the appropriateness of councillors being represented on the boards of organisations which tender for Council contracts.
- 3.2 The new process removed Social Work/Social Care services from the Council annual reporting process as cyclical updates and annual reporting for this aspect of service delivery continues to be reported to both the IJB and the Social Care & Social Work Scrutiny Panel. The net result being that the number of organisations covered by this process reduced from between 60-80 to 12.
- 3.3 The Corporate Risk Register approved by the Policy & Resources Committee in February 2024 had Partnership failure as an "Amber Risk" with one of the mitigations against failure being the approved External Organisations governance process.
- 3.4 Appendix 1 attached details the process approved for the period November 2023 to October 2024. In summary, the approved process requires financial accounts to be reviewed by Finance Services, all governance meetings are documented, and notes of board meetings shared with identified senior/statutory officers. In addition, a report should be presented to the relevant committee annually covering performance and quality issues arising during the monitoring period. The process requires services to consider contingency plans if the organisation were to fail and consider any risks arising from the governance process within the service risk registers where applicable.
- 3.5 For the Council's two identified Arms Length External Organisations (ALEOs) there are additional requirements as set out in the Financial Regulations and highlighted in bold below:
- "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"**
- 3.6 **2023/24 Performance Summary**  
Appendix 2 presents the position based on information received from Directors/Heads of Service, reports presented to committee and information from Finance Managers. From this it can be seen that delivery against the approved process has been largely achieved, albeit there were some delays in the receipt of information. To address this latter point it is proposed that the annual report in future years be delayed until after the festive break.
- 3.7 On 22 October the Audit Committee agreed to add an audit of the Governance of External Organisations process to the 2024/25 Audit Plan.
- 3.8 The list of bodies covered by this process have different levels of risk for the Council, both reputationally and financially and as such the CMT propose that the Committee agree to refining the oversight arrangements to have a two-tier approach.

3.9 Organisations included in the Council Group Accounts are included there because they are assessed to have a significant impact on the Council's operations as well as having councillors in a materially influential position on the Board. In addition, there are two other organisations, Beacon Arts Centre and Inverclyde Community Development Trust where the CMT assess that the reputational and financial risks are material enough to be included in the top tier.

**3.10 Payment of the Real Living Wage**

One issue which has been highlighted from the recent governance meetings is that several of the self-run community facilities do not pay the Real Living Wage (RLW) or have advised that they will be unable to do so in future, as the grant received from the Council which have been frozen for many years.

Given the Council's is required to comply with Fair Work First, of which paying the RLW is a key part, to access increasing tracts of Scottish Government funding and / or pass on that funding to other organisations, then it is recommended that officers review the implications of mandating payment of the RLW by the organisations covered under the Governance of External Organisations process.

**4.0 PROPOSALS**

4.1 The Committee are asked to note the contents of appendix 2 and agree that the annual report on compliance move to after the festive break to give greater time between updates to parent committees and the annual report to Policy & Resources Committee.

4.2 The Committee are asked to consider the proposal to operate a tiered approach to oversight requirements as set out in 3.9 above and appendix 4.

4.3 The Committee are asked to agree that officers discuss the implications of all organisations covered by the Governance of External Organisations approach requiring to pay the RLW, and report back for a decision by Committee thereafter.

**5.0 IMPLICATIONS**

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

<b>SUBJECT</b>	<b>YES</b>	<b>NO</b>
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**

Elected member scrutiny of governance related matters in respect of the organisations covered by this report is a key requirement in terms of "Following the Public Pound". The level of scrutiny should be linked to the risks (not just financial), faced.

If the Council mandates that community organisations covered by this annual review must pay the Real Living Wage, then there is the potential that this will require increased Council funding.

#### 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

The Council's relationships with all the bodies in appendix 3 are covered by either SLA's, contracts or Minutes of Agreement which are kept under regular review.

Partnership failure risk appears in the Council's Corporate Risk Register and the Governance Oversight process is a key mitigating factor in providing reassurance around this risk.

### 5.4 Human Resources

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

### 5.5 Strategic

The organisations listed in Appendix 3 all contribute towards the Councils strategic priorities.

## 6.0 CONSULTATION

6.1 Lead officers have supplied the returns/updates on which appendix 2 is based. The CMT support the proposals in this report.

## 7.0 BACKGROUND PAPERS

7.1 None.

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.

Key External Organisations – November 2024 – October 2025

<u>Organisation</u>	<u>Reason for Inclusion</u>
<b>Tier 1 Organisations</b>	
1/ Inverclyde Leisure	ALEO, Significant Councillor Board Representation. Part of Council's Group Accounts
2/ Riverside Inverclyde	ALEO, Significant Councillor Board Representation. Part of Council's Group Accounts
3/ Inchgreen Marine Park Ltd	Joint Venture Significant Councillor Board Representation. Part of Council's Group Accounts
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.
<b>Tier 2 Organisations</b>	
6/ Craigend Resource Centre	Large annual grant from the Council, no readily identified alternative service provider, Grant with SLA.
7/ Youth Connections	As for Craigend Resource Centre.
8/ Kilmacolm New Community Centre.	As for Craigend Resource Centre plus Councillor Board Representative.
9/ Inverkip Community Initiative	As for Craigend Resource Centre.
10/ Gibshill Community Centre	As for Craigend Resource Centre.
11/ Branchton Community Centre	As for Craigend 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 are presented to the Environment & Regeneration Committee. The remainder would go to Education & Communities.

Classification : Official

AP/LA  
22/10/24



External Organisations Governance

Governance Oversight – Light Touch

- a) Annual Accounts received by Service and reviewed by Finance.
- b) Annual documented Governance meetings with organisations where chief officers do not attend board meetings.
- c) Annual Committee report covering performance and quality issues.
- d) Evidence that risks associated with these organisations are considered as part of the preparation of Service/Directorate risk registers.
- e) Contingency Plans are in place within the service to ensure continuity of service delivery if the agreement ends/organisation ceases to exist.

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