

North Lanarkshire Council

Report

Audit and Scrutiny Panel

approval noting

Ref KH/JL

Date 25/03/21

ALEOs' Governance and Risk Management: Oversight and Assurance Report (Programme of Work Number 75.1 – Part 6)

From Katrina Hassell, Head of Business Solutions

Email hassellk@northlan.gov.uk

Telephone 07903 096121

Executive Summary

The council delivers a number of customer facing and strategic services through joint venture partnerships and Arm's Length External Organisations (ALEOs). Although these companies are separate entities, the council remains publicly accountable and has a duty under '*Following the Public Pound*' to ensure that service delivery reflects Best Value and that individual ALEOs' governance arrangements are fit for purpose and minimise the potential of any financial, service delivery or reputational risks to the council. The council fulfils these obligations through its Strategic Performance Framework with individual reports on each ALEO considered by relevant service committees on a six monthly basis and the submission of composite reports to this Panel, again on a six monthly basis, providing oversight and assurance in relation to ALEOs' governance, financial governance and risk management arrangements.

This report provides an overview of ALEOs' stewardship over the past six months and highlights where individual companies have been adversely impacted by the Coronavirus pandemic and the measures that are being put in place to resume service delivery and develop recovery strategies, where appropriate, and in line with the council's Recovery Plan. The report also highlights the top five risks for each company.

Recommendations

The Audit and Scrutiny Panel is requested to:

1. Note that governance and risk management arrangements within the council's arm's length service delivery providers remain sufficiently robust, providing assurance to the council that the entities delivering services on its behalf are being effectively managed;
2. Note the Head of Financial Solutions' assessments in relation to those ALEOs where the Coronavirus pandemic is having a material impact on company trading and financial statements and agree that the relevant Boards or Management Committees should continue to monitor financial performance closely, along with ongoing, separate oversight by Financial Solutions;
3. Note the wider impact of the Coronavirus pandemic on ALEO operations and the measures put in place by individual ALEOs to recover service delivery alongside managing risks and maintaining business continuity arrangements;
4. Note the top five risks identified by each ALEO and included within individual company Risk Registers; and,
5. Identify any areas of activity for further detailed reporting and consideration at future meetings of the Audit and Scrutiny Panel.

The Plan for North Lanarkshire

Priority All priorities

Ambition statement (25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning

1. Background

- 1.1. At its meeting in September last year Panel members noted that revised performance monitoring arrangements had been put in place for the council's Arm's Length External Organisations (ALEOs) and agreed that a composite governance report would be provided to this Panel on a six monthly basis to provide oversight of governance and stewardship arrangements within each entity.
- 1.2. Although the council has taken a number of decisions to bring the services previously delivered by some ALEOs in-house, the council continues to have significant interest in a number of externalised service delivery arrangements and strategic partnerships. As such, it is essential that the council retains robust oversight and monitoring arrangements to ensure quality of service delivery and minimise any potential financial, operational or reputational risks to the council.
- 1.3. This report provides separate assurances in relation to each ALEO and includes updates by the Section 95 Officer where an individual ALEO has failed to comply with financial monitoring arrangements or where there are financial matters that require close monitoring by the individual ALEO itself along with robust, separate oversight by Financial Solutions.

2. Report

North Lanarkshire Council ALEOs and Strategic Partnership Vehicles

- 2.1. Following changes to the council's Scheme of Administration in 2018, responsibility for monitoring individual ALEOs' service delivery, performance, financial performance and compliance with the contractual partnership or Service Level Agreement (SLA) now sits with the relevant service committee. Heads of Service submit a six-monthly report to the respective service committee confirming that the ALEO is fulfilling its contractual obligations and meeting the council's service delivery expectations. Statutory bodies, such as Lanarkshire Valuation Joint Board and Strathclyde Partnership for Transport (SPT) are reported annually given that each entity is already subject to separate scrutiny and accountability in its own right.
- 2.2. Despite recent decisions to in-source some ALEO services and wind-up the relevant companies, the council continues to have 100% controlling interest in 8 ALEOs where it is the sole shareholder. In addition, the council has a 33% interest in Amey Public Services and Mears Scotland limited liability partnerships. Appendix 1 provides Panel members with the current ALEO landscape, including service committee reporting arrangements, and provides an update on the status of the winding-up processes where appropriate.
- 2.3. The companies listed in Appendix 1 and falling within the scope of this Panel are each responsible for delivering services or undertaking statutory responsibilities on behalf of the council. As such, the council remains publicly accountable and has a duty to ensure that service delivery and governance arrangements reflect Best Value. The council is also required by the Code of Practice on Local Authority Accounting to disclose its interest in companies where it has a controlling influence, or has the potential to exert '*control or influence*' through levels of funding or representation on the Board, when preparing its annual statutory accounts. The following explanations, along with a materiality threshold of > £250,000, are used to define the relationship between each entity and the council.

- 2.3.1. The council is identified as the sole shareholder (e.g. Culture and Leisure North Lanarkshire Ltd and Fusion Assets Ltd).
- 2.3.2. The council has significant influence over the financial and operating policies of its associate companies; however, the council has no shares or ownership of these individual companies and they are entirely independent of the council under law and taxation (e.g. SPT and Concessionary Travel and Lanarkshire Valuation Joint Board).
- 2.3.3. Joint ventures, whereby the council and the other partners have joint control of the partnership arrangement and also have rights to the net assets of the partnership arrangement. The council owns a share in each of its joint venture companies (e.g. Amey Public Services LLP, Mears Scotland LLP and Health and Social Care North Lanarkshire Joint Integration Board).

Governance and Risk Management Oversight

- 2.4. The previous report to this Panel in September 2020 recommended that future reporting would provide assurances in relation to ALEOs' governance, stewardship and risk management arrangements, including oversight of financial governance by the Head of Financial Solutions. At that time, ALEOs were emerging from the first wave of the Coronavirus pandemic and the report highlighted arrangements that had been put in place during the initial lockdown. These included a shift wherever possible to home or agile working for employees, focusing on emergency works or prioritised service delivery only, and delegating decision making authority to either the chief officer, chairperson and/or a sub-group of the Board of Directors or Management Committee. Panel members agreed that future reports should highlight where ALEOs had been able to resume service delivery and introduce recovery planning measures aligned to the council's wider Recovery Plan.
- 2.5. A summary of progress within each ALEO is provided at Appendix 2, however, Panel members are advised of the following summarised developments.
 - 2.5.1. Governance arrangements have remained in place across all ALEOs throughout both the first wave of the pandemic, the emerging recovery period during the autumn and the more recent further lockdown periods introduced to minimise the impact of the subsequent waves including the virus in its newer variant forms. All ALEOs have now reverted to full Board or Management Committee meetings, conducted remotely, and replacing delegated authority decision making arrangements where these had initially been introduced.
 - 2.5.2. The impact of the pandemic has varied across ALEOs depending on the nature of the business, the extent of customer-facing , frontline service delivery responsibilities and the ALEOs' reliance and requirement for regular and consistent income streams as part of their financial business model and in-year cash flow and budgetary requirements. This is described more fully in Section 2.6 where the Head of Financial Solutions highlights the impact of Covid-19 on financial sustainability within individual ALEOs and identifies the need for robust financial monitoring and planning by Boards and Management Committees.
 - 2.5.3. ALEOs have continued to monitor all company operating risks, including where the pandemic has further impacted or exacerbated previously identified risks such as 'loss of key personnel' or 'failure to meet income targets.'

ALEOs have also considered the risks associated with resuming service delivery and employees returning to the workplace.

2.5.4. As service delivery resumes Client Officers within relevant services, Financial Solutions and the Business Partnership Team will continue to work closely with individual companies to ensure that recovery is fully aligned with the council's recovery, renewal and redesign plans. At a strategic level, the focus will be on ensuring that service delivery and developments between the council's own service areas and arm's length partners are fully linked to help inform, shape and fast track safe and effective routes to recovery.

Financial Governance

2.6. While ALEOs are individual entities, the council has a duty under its '*Following the Public Pound*' obligations to ensure that the external organisations delivering services on its behalf are financially sound. The Head of Financial Solutions, as the Council's Section 95 Officer, is responsible for scrutinising ALEOs' financial performance using appropriate and proportionate financial oversight procedures. The individual agreements in place with each company specify the financial information which must be submitted to the council and this information enables Financial Solutions to assess and report any financial risk likely to arise as a result of the council using the ALEO to deliver these services. The following paragraphs highlight, by exception, where ALEOs have failed to comply with the prescribed monitoring arrangements during financial year 2020/21 to date; or where they have been impacted by Covid 19; or, where there are matters that require close monitoring by the individual ALEO's Board of Directors or Management Committee along with robust, separate oversight by Financial Solutions.

2.6.1. Culture and Leisure NL Ltd

With Scottish Government COVID-19 restrictions on the operation of leisure, culture and sport facilities since the first national lockdown in March 2020, Culture and Leisure North Lanarkshire (CLNL) has been forced to either close facilities or amend operating models throughout 2020/21. As reported previously, this has had a significant impact on the financial performance and risk to the overall financial sustainability of the company due to the material loss of income suffered. During the initial wave of the pandemic the council approved supplier relief payments to CLNL which are currently forecast at £6.800m to 31 March 2021. This reflects compensation for loss of income and the residual balance of CLNL's 2020/21 budget gap (net of savings achieved in-year by CLNL), which are partially offset by Coronavirus Job Retention Scheme (CJRS) funding and significant curtailment of non-essential expenditure. The extension of CJRS (furlough) to the end of April 2021, higher than anticipated income generation during the period that Government guidance allowed facilities to open, and further curtailment of non-essential expenditure has reduced the potential council support required by CLNL.

Panel Members will be aware that the culture, leisure and sport services will be in-sourced to the council on 1 April 2021. Throughout the current financial year, Financial Solutions has been working with CLNL and officers throughout the council to ensure appropriate measures are in place to successfully transition CLNL services to the council's financial management and financial administration processes.

2.6.2. Routes to Work

The previous report to this Panel identified that Routes to Work had experienced staff absences within their Finance Team and as such, the company had been unable to provide the council with 2020/21 management accounting information. Following the recruitment of the vacant post of Finance Manager in the staffing establishment, Routes to Work (RTW) are now compliant with financial governance arrangements providing required financial information on request.

2.6.3. North Lanarkshire Properties LLP

North Lanarkshire Properties (NLP) are continuing to experience a material reduction in rental income collection as a result of the pandemic and the impact this continues to have on tenants' ability to pay. The company is continuing to assess the forecast impact on rent collection levels and long-term debt recovery to understand the impact on the overall financial sustainability of the company with detailed consideration of financial statements at each Management Committee meeting. The council has provided NLP with a letter of comfort to support NLP's financial sustainability throughout the crisis. In the short-term NLP will utilise accumulated reserves to sustain financial operations whilst continuing to progress the recovery plan towards longer term financial security.

2.6.4. Amey Public Services (APS) LLP

During the initial lockdown period up to 15 July 2020, Amey Public Services (APS) provided emergency roads services in conjunction with council priorities, with the Council providing supplier relief payments in addition to other support received by APS via the UK Government's Coronavirus Job Retention Scheme. Financial support provided by the Council totalled £2.602m. As initial lockdown eased and the construction industry resumed, APS has operated as 'business as usual' providing services in line with Council requirements and compliance with government work restrictions and safety measures. Regular monitoring indicates that the company continues to perform in line with financial forecasts for this and next year's financial years and the council continues to gain assurances over the financial sustainability and standing of the company.

2.6.5. MEARS Scotland LLP

The pandemic outbreak continues to severely impact the work-mix being delivered by MEARS with the previously agreed defined service agreement introduced in response to the first national lockdown continuing. The Covid19 outbreak limited the service delivery to mainly emergency works, and those works which could be carried out safely in conjunction with Government advice as it changed during the year. The business is currently re-applying furlough to a small number of staff, following the national lockdown introduced in January, with works still being carried out where restrictions permit. The open and transparent approach agreed, whereby the partnership neither profits nor loses from the arrangement, has been extended and all costs will be finalised on an open book basis in line with the general agreement of the financial governance approach. To date, financial support provided by the council totals £3.480m of which £2.050m related to cash flow support for furloughed staff during the first months of the pandemic and this has been fully refunded to the council. Both the service delivery and financial position will be continually reviewed during the remainder of the year by MEARS and council representatives as part of the governance arrangements.

3. Equality and Diversity

3.1. Fairer Scotland Duty

3.1.1. There are no Fairer Scotland Duty requirements in relation to this report.

3.2. Equality Impact Assessment

3.2.1. There are no requirements to complete an Equality Impact assessment on this report.

4. Implications

4.1. Financial Impact

4.1.1. There are no additional financial impacts other than those referenced at Section 2.6 above.

4.2. HR/Policy/Legislative Impact

4.2.1. Activity to insource the services, undertaking and staffing establishment of CLNL is now at an advanced stage with employees expected to transfer under Transfer of Undertakings (Protection of Employment) (TUPE) Regulations 2006 on 1 April 2021. Regular engagement with employees and trade unions is taking place and progress is reported via the Policy and Strategy Committee.

4.3. Environmental Impact

4.3.1. There are no environmental impacts arising from this report.

4.4. Risk Impact and Covid-19 Response

4.4.1. This report confirms that sufficiently robust governance and risk management arrangements remain in place within each ALEO and identifies the top five risks for each entity.

4.4.2. The governance, financial governance and risk management oversight provided through the Panel's consideration of these reports, alongside the individual ALEO performance reports submitted to service committees, provide the mechanism by which the council may ascertain that ALEOs are operating effectively, delivering high quality public services, achieving value for money and minimising the threat of potential operational, financial or reputational risks to the council.

5. Measures of success

5.1. The following measures of success are summarised for Panel members' consideration:

5.1.1. Arm's length service delivery providers continue to deliver high quality public services that achieve Best Value for the council.

5.1.2. Effective and timely monitoring and reporting to relevant service committees and this Panel provide assurance to the council that adequate governance, financial and risk management procedures are operating effectively in each of the ALEOs.

5.1.3. Panel members have adequate assurance that the council is fulfilling its 'Following the Public Pound' obligations and the externalised service delivery mechanisms are delivering services as per the council's requirements and expectations with minimal risk to the council, or effectively managed risks where such are unavoidable.

6. Supporting documents

- 6.1. Appendix 1 Summary of in-scope ALEOs and Strategic Partnerships
- Appendix 2 ALEO Governance, Risk Management and Business Continuity Updates

A handwritten signature in black ink, appearing to read "Katrina M. Powell". The signature is written in a cursive style with a large, stylized initial 'K'.

Head of Business Solutions

Summary of in-scope ALEOs and Strategic Partnerships

WHOLLY OWNED ALEOs	OBJECTIVES / SERVICES DELIVERED	STATUS	BOARD OF DIRECTORS COMPOSITION	SERVICE COMMITTEE
Culture & Leisure NL (CLNL) Ltd	Cultural, sporting, leisure & recreational activities to: improve conditions of life; advance health & education; and promote equalities. Advancement of arts, heritage, culture & science.	Following decision by Policy & Strategy Committee in January 2020 to insource delivery of culture, sport and leisure services, the transfer process is now at an advanced stage and expected to conclude on 1 April 2021.	Current composition comprises: <ul style="list-style-type: none"> • 4 Partner Directors appointed by NLC • 3 Independent Directors • 1 Trade Union Director nominated by the relevant trade unions. 	Community Empowerment (Performance reporting) Policy & Strategy Committee (In-sourcing)
Routes to Work Ltd	Relief of poverty through supporting individuals to secure & sustain employment Advance education and training, particularly where this will lead to paid employment.	Incorporated as a limited company with charitable status. Council is sole shareholder (100%).	Maximum of up to 10 directors of whom: <ul style="list-style-type: none"> • Up to 2 are Category A Directors (1 elected member & 1 chief officer) appointed by NLC; • Up to 8 are Category B Directors representative of local community or possessing key skills/experience ① 	Enterprise & Growth
Fusion Assets Ltd	Physical regeneration and infrastructure projects, focusing in remediation of vacant & derelict land where there is little speculative development by the private sector and/or market failure.	Incorporated as a limited company. Council is sole shareholder (100%).	Maximum of up to 8 directors of whom: <ul style="list-style-type: none"> • Up to 5 are Partner Directors (3 elected members & 2 chief officers) appointed by NLC; • Up to 3 are Co-opted Directors possessing key skills/experience 	Enterprise & Growth
North Lanarkshire Properties LLP	Management, marketing and leasing of commercial property portfolio that transferred from NLC in 2013. Provision of general lease advice to NLC and management of NLC's retained commercial properties (Legacy Estate).	Incorporated as a limited liability partnership with 2 members: NLC owns a 99.999% shareholding and NL Property Investments Ltd holds a 0.001% shareholding.	Maximum of 6 Management Committee members: <ul style="list-style-type: none"> • 5 representatives are appointed by NLC (4 elected members and 1 chief officer); • 1 representative is appointed by NL Property Investments Ltd 	Finance & Resources
NL Property Investments Ltd	To facilitate and support North Lanarkshire Properties LLP	Incorporated as a limited company. Council is sole shareholder (100%).	Maximum of 6 directors appointed by NLC (5 elected members & 1 chief officer being the same individuals as those referenced above)	Finance & Resources

WHOLLY OWNED ALEOs	OBJECTIVES / SERVICES DELIVERED	STATUS	BOARD OF DIRECTORS COMPOSITION	SERVICE COMMITTEE
North Lanarkshire Municipal Bank Limited	Provision of deposit savings account facility for individuals and organisations and source of credit finance to NLC	Incorporated as a limited company and defined as a “municipal bank” under Section 103 of the Banking Act 1987. All serving elected members of NLC are shareholders, with an individual share of £0.05.	Maximum of 7 directors appointed by NLC (all elected members)	Finance & Resources ②See note below

- ① **Note:** The council's Enterprise and Growth Committee approved the re-appointment of 6 Category B Directors at its meeting on 4 February 2021 in line with RtW's Memorandum and Articles of Association which require such appointments to be for a period of up to 3 years, with directors eligible for re-appointment thereafter if they are willing to remain in the position.
- ② **Note:** NL Municipal Bank Ltd primarily provides a service to its customers and as such performance reporting is through publication of the annual statutory accounts and the Annual General Meeting. Treasury Management reporting to Finance and Resources Committee is in place given the Bank's position as a source of credit finance to NLC.

STRATEGIC PARTNERSHIP VEHICLES	OBJECTIVES / SERVICES DELIVERED	STATUS	MANAGEMENT COMMITTEE COMPOSITION	SERVICE COMMITTEE
Amey Public Services LLP	Provision of roads, street lighting and winter services contract	Incorporated as a limited liability partnership with Amey LG Ltd holding a 67% shareholding and NLC holding a 33% shareholding	• 5 representatives with 3 appointed by Amey LG Ltd and 2 appointed by NLC (1 elected member and 1 chief officer)	Environment & Transportation
MEARS Scotland LLP	Provision of housing and corporate property repairs	Incorporated as a limited liability partnership with MEARS plc holding a 67% shareholding and NLC holding a 33% shareholding	• 5 representatives with 3 appointed by MEARS plc and 2 appointed by NLC (1 elected member and 1 chief officer)	Housing & Regeneration

ALEOs subject to dissolution per previous Council decisions	OBJECTIVES / SERVICES DELIVERED	STATUS
Campsies Centre (Cumbernauld) Ltd	Facilitate the redevelopment of Cumbernauld town centre	Dissolution underway per Infrastructure Committee 2/5/18. Target date for transfer is March 2021. Regular progress updates to Community Empowerment Committee.
NL Leisure Ltd	Provision of sports, leisure, recreational activities and facilities. Transferred to integrated service delivery model with CultureNL in June within single, renamed Culture & Leisure NL.	Dissolution underway per Policy & Resources Committee decision of 27 September 2018.
Town Centre Activities Ltd	Public space CCTV monitoring and town centre initiatives transferred in-house from 1 April 2019. Shopmobility transferred to voluntary sector partner from 1 July 2019	Company now wound-up and formally struck off Companies House Register on 22 September 2020.

ALEO Governance, Risk Management and Business Continuity Updates

Culture and Leisure NL (CLNL) Ltd				
<p>Governance – Established schedule of monthly Board meetings in place throughout the pandemic and all conducted remotely. Regular discussions and meetings have also taken place with the Client Officer in relation to CLNL’s in-sourcing, along with company updates on recovery of service and progress towards delivery of outstanding savings targets.</p>				
<p>Summary of Impact of Covid-19 on Business and Recovery To Date – CLNL’s services closed to the public in March 2020 resulting in 1000+ employees being placed on furlough and later, flexible furlough, as restrictions were lifted. Contract variations, introducing homeworking, were issued to employees as appropriate.</p> <p>From June 2020 the following services were recovered on a phased basis and with reduced operating hours: Golf and tennis; Summerlee Museum; NL Heritage Centre; 6 sports/leisure facilities and 9 libraries; and, outdoor sports and pitches. CLNL’s Chief Executive engaged in wider council recovery planning arrangements with recovery reports, written by CLNL, considered at the council’s Recovery Group.</p> <p>Throughout the pandemic CLNL staff have volunteered to work in a number of essential services for either the council or NHS Lanarkshire including managing, staffing and providing activities in hubs for children of key workers/vulnerable children; driving for NHS Lanarkshire; providing manual roles in hospitals; providing community facilities for out of school care; providing library and community facility space for expansion of 1140 early years or expansion of education service (extra classroom); set up and provision of flu vaccination centres; and more recently, Covid vaccination centres with 400 staff involved on rota basis.</p>				
<p>Risk Management - CLNL risk registers have been updated to reflect the impact of Covid on services and any other material changes.</p>				
Top 5 Risks				
Ongoing impact of COVID /restrictions on service delivery and loss of income	Failure to adapt to external factors - e.g. competition	Failure to adapt to/be included in the digital agenda	Increased savings targets	Impact of loss of key staff
<p>Business Continuity – While there are no current business continuity issues, CLNL has continued to monitor any potential matters arising through the in-sourcing including the potential impact of merger related savings and associated reductions to the staffing establishment. These are primarily management posts or where there was some duplication in roles between the former CultureNL and NL Leisure staffing establishments.</p>				

Routes to Work (RtW) Ltd				
<p>Governance – All quarterly Board meetings have been held remotely (via Microsoft (MS) Teams) since June 2020. Further governance is in place through three sub-groups meeting at regular intervals between each full Board meeting to: receive reports from the Executive Team; to scrutinise relevant matters in detail; and, to report back to the Board quarterly. Terms of Reference and membership of each sub-group is approved at each AGM with the current sub-groups focussing on i) Governance & Risk; ii) Finance; and iii) HR. Sub-group minutes are included within the Board papers to ensure all Directors have full visibility of all discussions and decisions taken on the Board’s behalf by each sub-group.</p> <p>Meetings between RtW and the Client Monitoring Officer are held monthly with detailed notes taken and shared.</p>				
<p>Summary of Impact of Covid-19 on Business and Recovery To Date - RtW operated within the original timeframes contained in the Scottish Government’s Routemap for the reopening of non-essential offices and call centres. Detailed return to office risk assessments were carried out in advance of each office re-opening in summer 2020. The return to office working plans were prepared with a blended-working arrangement reflecting staff availability (in the context of home-schooling and dependent care responsibilities – which were established through a staff survey exercise) and in accordance with appropriate social-distancing arrangements, however a</p>				

reopening date never materialised and accordingly, the default work from home position has been maintained throughout the second-half of 2020. The only divergence from this arrangement related to the continuation of face-to-face delivery in support of the council's priority education Pathways Programme where service delivery was subject to stringent and ongoing risk-assessment and associated mitigation measures being put in place to protect both RtW staff, partners and Programme participants. Mainstream service delivery continues remotely using telephone/Zoom/MS Teams contact with clients and through delivery of online personal development/pre-vocational/wellbeing supports delivered by the RTW training team.

RtW will continue to deliver the vast majority of its services on a remote basis, as outlined above, until there is an appropriate level of relaxation applied to lockdown restrictions. At this point, RtW will revisit all previously developed return-to-work planning arrangements – updated as appropriate in light of revised home-schooling and dependent care responsibilities of staff, which will be assessed via an updated staff survey. RtW maintain their commitment to face-to-face service delivery within the Pathways Programme, however the staffing deployment has been reduced, from three to two, to further reduce the potential for transmission of the virus. Regular liaison continues to take place with key stakeholders within the public and third sectors to ensure that partners and their service-users are aware of the range of RtW's service provision and delivery arrangements.

Risk Management - The Risk Register is reviewed quarterly by RtW's Senior Management Team and discussed at the Governance Sub Group quarterly meeting. A Risk Management update report is submitted at each Board meeting. This identifies any new risks and outlines where the impact of a potential risk is considered to have heightened in terms of severity or proximity. The Risk Management report also confirms where the impact of a potential risk is considered to have become less of a threat, including the point at which the risk is deemed to be sufficiently manageable or insignificant and may be removed from the Risk Register. Risks are assessed using a Red, Amber and Green (RAG) methodology.

Top 5 Risks

Under-performance on key contracts	Unsuccessful transition from post Covid-19 lockdown measures	Failure to fit within wider Government operating environments (UK & Scottish)	Reduction in NLC funding due to lack of ongoing match funding for ESF programme	Breach of information security
------------------------------------	--	---	---	--------------------------------

Business Continuity - RtW have a Business Continuity Policy and a Business Continuity Plan. Certain areas were reviewed against these plans specifically in relation to the onset of a pandemic. A critical function checklist was conducted, and a critical function recovery process was undertaken for the following priorities:

Client Service	Staff/Partners / stakeholders/suppliers	Workspace /Offices	IT	Finances	Communication
----------------	---	--------------------	----	----------	---------------

Outputs from this review include the creation of an Interim Working from Home Policy; the creation of online training materials for clients; the use of new platforms for communication (MS Teams and Zoom); and the creation of an Emergency Measures sub-group of the Board (which was stood-down in early June 2020).

In terms of the Brexit trade deal, the key impacting factor is RtW's procurement calendar, and the company are engaging a procurement expert to guide them through any key changes.

Fusion Assets Ltd

Governance – All Board meetings have been held remotely (via Webex) since August 2020 with a schedule of approved dates in the calendar to 15 November 2021. The Board may also approve the establishment of ad hoc sub groups as and when required. This has included a Recruitment and Remuneration Sub Group and a Project Specific Approvals Sub Group where it has been necessary to bring forward consideration in advance of a main Board meeting. Any decisions are subsequently ratified at Board meetings. The Council approved Councillor Watson to replace Councillor Currie as a partner director to the Company in August with Councillor

Watson appointed at the November 2020 Board meeting. Fusion Assets is in the process of recruiting a new post of Development Manager.

Summary of Impact of Covid-19 on Business and Recovery To Date - Fusion Assets continued to operate throughout 2020 with delegated authority arrangements in place until Board meetings resumed in August. The economic consequences of the pandemic are under on-going consideration by Fusion Assets, however, there has been little negative impact on company operations since the industrial sector, which is Fusion's primary business area, has remained relatively strong with demand for distribution warehousing growing during the pandemic.

Risk Management - Fusion Assets revised its risk register in July 2020, encompassing new risks that occurred due to the Covid 19 pandemic including: the possible effects of a second lockdown on contracts; risks to staff; and safe opening of sites. This has enabled Fusion Assets to continue to operate safely and effectively in the second lockdown. A further review of the risk register was undertaken in January 2021 and risks and mitigation measures amended to reflect current circumstances, including the creation of the Development Manager's post, and wider operational environment. A full presentation on how Fusion's risks are managed via the Figtree Risk Management system was considered by the Board at its February 2021 meeting.

Top 5 Risks

Loss of key personnel	Accessing adequate financial resources	Macro – economic situation	Grant availability	Winding-up of company
-----------------------	--	----------------------------	--------------------	-----------------------

Business Continuity - Business continuity arrangements currently being enhanced through creation of Development Manager post which will ensure that Managing Director is no longer sole member of staff (this will also positively impact in reducing a number of risks).

North Lanarkshire Properties LLP (including NL Property Investments Ltd)

Governance- NLP returned to scheduled Management Committee meetings in September 2020 following a short period of operating under temporary powers during the first wave of the pandemic. Quarterly Management meetings are held via Webex with the most recent meeting on 11 February 2021. Regular Client Liaison meetings between NLP and the council's Estates team are held and council's Strategic Asset Manager provides direct support as part the council's Strategic Business Management Support provision.

Summary of Impact of Covid-19 on Business and Recovery To Date

The impact of Covid-19 on both NLP its tenants has been significant. The level of expected rental income in financial year 2020/21 is reduced and is impacting on company cash flow and both in-year and potentially longer-term profitability projections.

In July 2020 the council's Gold Command Group noted the projected potential reduction in annual rental income at that time and provided assurances that the council would support NLP to maintain financial sustainability through for example 'Supplier Relief,' should this become necessary, and ensuring that NLP is considered and receives a proportionate share of any 'Loss of Income' or similar compensatory or additional funding streams allocated by either the Scottish or UK Governments. Discussions with the company's lenders facilitated a relaxation in reporting covenants for 2020/21 and similar discussions will resume in relation to 2021/22.

NLP is concentrating on encouraging tenants to continue to pay their current rent, with flexible repayment plans being agreed and further support, such as signposting tenants towards appropriate Government relief schemes. Some progress is being made with a reduction in the level of anticipated rental shortfall. While Covid is impacting on NLP's rent collection and vacancy rates, new lettings showed signs of recovery as lockdown restrictions were lifted in the autumn of last year, reflecting NLP's flexibility and responsiveness to meet tenants' requirements. The more recent lockdown restrictions are continuing to impact however, and the Management Committee carefully scrutinises financial and operational performance and trends at each meeting.

All staff have been assessed as home-working with only a small number of employees required to attend the office or commercial premises on a planned basis to deal with incoming mail or receipt/handover of keys for example. This allows NLP to operate effectively and ensure staff safety under the recently heightened Covid-19 restrictions. The company's new website will

enable prospective tenants to view properties online and enable NLP to market its sites remotely and reach wider audiences.

The council's Asset and Procurement Solutions division continues to provide strategic business management support services in line with the updated Service Level Agreement agreed between NLP and the council in September 2020. At its most recent meeting, and following a review of provision, the Management Committee agreed to continue this for a period up to March 2024 subject to annual review or at Management Committee request. This will ensure that NLP's recovery is aligned to the council's Economic Recovery Plan; provide stability and consistency during the ongoing volatile and challenging economic period; and support NLP in continuing to trade its way out of Covid and to ensure that the company is in as strong a position as possible when entering future financial negotiations and considerations.

Risk Management – NLP has effective risk management arrangements in place, including robust financial risk management, and a quarterly Risk Management report is submitted to each Management Committee meeting.

Top 5 Risks

Financial Performance	Failure of key business systems	Impact of legislative changes (GDPR)	Business Continuity	Failure to comply with Health and Safety legislation
-----------------------	---------------------------------	--------------------------------------	---------------------	--

Business Continuity – The Strategic Business Management Support services provided by the council provide high levels of assurance in relation to business continuity with the company's arrangements reflecting those in place within the council. Further assurances are provided through NLP's employment policies reflecting those in the council and financial and 'Line of Business' operating systems are the same as those used in the council providing back-up and workaround contingencies should these be required.

North Lanarkshire Municipal Bank Ltd

Governance – Board of Directors' meetings are generally held bi-annually, unless specific matters require attention, resulting in further meeting(s) being convened. The Board met remotely on 23 October 2020 with the Annual General Meeting due to be held on 11 March 2021.

Summary of Impact of Covid-19 on Business and Recovery To Date – Municipal Bank opening hours, which had been reduced during the first lockdown, were increased to almost business as usual as the initial Covid-19 restrictions were lifted. A risk assessment for staff working in First Stop Shops and providing banking services was undertaken with the staff required to operate social distancing protocols. Screens are in place and hand sanitiser available in addition to the enhanced cleaning regime in place. These arrangements introduced during the period July to December 2020, remain in place during the more recent lockdown.

Risk Management - Due to North Lanarkshire Council having a controlling interest and the nature of the business relationship with the Municipal Bank, the council's risk management arrangements generally provide risk assurance for the Municipal Bank's activities. This is demonstrated by the sharing arrangements in place including: the Bank operating within council premises; use of council staff to provide counter services; Financial Solutions manage corporate governance arrangements e.g. production of annual accounts; and, the Bank operates using the council's IT network and systems. The Banks also produces an annual certificate of assurance for internal and external audit purposes, detailing the corporate governance and financial internal controls in place, which includes further details around the risk managements arrangements in place.

Top 5 Risks

Ability to align with The Plan for North Lanarkshire (e.g. Digital Transformation) due to statutory limitations on Municipal Bank services	Maintain cost effectiveness in Service Delivery	Competition from High Street Banks	Legislative / Regulatory changes	Loss of key Financial and administrative staff
--	---	------------------------------------	----------------------------------	--

Business Continuity - Business continuity arrangements within the Municipal Bank are reviewed regularly as part of the Coronavirus Gold and Silver Command meetings. During the first lockdown reduced opening hours were introduced and although these delivered a reduced

service this ensured that customers were still able to access their bank accounts. After restrictions eased in June and July 2020 and offices were made Covid secure, there was a return to more normal opening hours. Contingency measures in place include:

- Loss of Buildings – redirect customers to nearest alternative branch available and implement communication plan informing customers of the temporary closure.
- Loss of Staff – use mobile cash office staff from other branch offices.
- Loss of systems - operate with manual records provided by the Controls and Reconciliation Team to confirm customer balances with customers' bank books withheld and updated once system is up and running and passbook later posted out to customer.

Amey Public Services (APS) LLP

Governance – The Management Committee continues to meet quarterly via MS Teams with an additional meeting held on 9 October 2020 to consider financial considerations and budget pressures as a result of the pandemic. The most recent scheduled meeting was held on 18 December 2020.

In addition, APS's Senior Management Team meets with the council's Client Service on a monthly basis as part of the Roads, Street Lighting and Winter Services' (RSLWS) contractual monitoring arrangements. Standing agenda items include: contract performance management (including a review of Performance Indicators); financial management; Health and Safety; operational service delivery, winter preparedness and delivery; and any issues escalated or emanating from wider meetings between the council and APS. Monthly or fortnightly sector specific meetings are held between the respective teams to discuss ongoing operational matters.

Summary of Impact of Covid-19 on Business and Recovery To Date - Following the end of the restricted services / COVID lockdown period in summer 2020, APS returned to very much business as usual, undertaking all works activities as instructed by the council. These were undertaken in line with the ongoing COVID work restrictions (e.g. social distancing) as set out both by the Scottish Government and Construction Scotland. Since July 2020 there have been no further/ additional restrictions placed on the construction sector or the maintenance sector, that prevented APS from undertaking its full responsibilities under the RSLWS contract. APS introduced additional vehicles to seek to reduce the risk of employees sharing transport to and from sites and the company continues to work very closely with the council at all levels to ensure consistency of service delivery and to flag, discuss and resolve any issues at the appropriate level.

No additional measures required to be introduced as a result of the most recent lockdown (post-Christmas 2020). APS continues to follow Scottish Government/Construction Scotland guidance alongside Amey's own Health and Safety protocols - both on site and in the office or depots.

APS employees, largely office based and non-operational staff, have worked from home wherever possible since April 2020. Employees who are required to attend the office/depot environment follow good practice in terms of distancing, hand hygiene, face coverings and desk/vehicle sanitation. In addition, if there is a well-being or operational need for an individual who could be working from home to attend an office, this is also being allowed on a limited basis. Employees are encouraged to wear face coverings when there is more than one person in a company vehicle. As a result of these measures, developed over the period since the start of the first lockdown, APS has not been impacted too greatly by the virus to date.

Risk Management – Robust risk management arrangements are in place with operational, performance, Health and Safety and financial risks considered at quarterly Management Committee meetings. The Risk Register is regularly reviewed at joint meetings between APS and the council's Roads Management and Maintenance Team.

Top 5 Risks

Insufficient NLC revenue and capital budget to maintain APS resource and utilisation	Operational delays linked to accessing client systems following cyber attack.	Increase in need for third party work to offset NLC budget restrictions/constraints.
--	---	--

Business Continuity - APS keeps its Business Continuity Plan and other RAMS under review to reflect the latest guidance from either the Scottish Government/Construction Scotland or via Amey HSEQ team. Similarly, the company reviews any Brexit implications with its supply chain partners.

Business continuity is currently being impacted as a result of the external Cyber-attack that impacted IT systems across the company. This was advised at the December 2020 Management Committee meeting. Working closely with the Head of Environmental Assets and Roads Management and Maintenance Team, effective workarounds have been put in place allowing APS to continue to receive works instructions and close these off when completed. Access to the council's Roads Management System is still limited pending ongoing discussions between Amey IT and the council's Technology – Information and Risk Team.

MEARS Scotland LLP

Governance – Regular schedule of quarterly Management Committee meetings resumed in August 2020 with all meetings held remotely via MS Teams. Most recent Committee meeting was on 16 February 2021. In addition, four weekly Client Liaison meetings are held, along with monthly Finance Liaison meetings. Service Improvement Group meetings are also held monthly, led by MEARS' Section Leads, and tasked with identifying continuous improvement opportunities and resolving any operational issues, areas for improvement or hurdles.

Summary of Impact of Covid-19 on Business and Recovery To Date – During the initial lockdown MEARS operations were restricted to emergency and essential services only with around 450 employees furloughed to July 2020. Thereafter MEARS worked collaboratively with the council to design a road map following Government guidance which allowed a staggered approach to returning employees from furlough safely. By October 2020 all employees had been returned from furlough with all work streams operating under new working practices. All staff returning from furlough were given a COVID induction prior to recommencing work.

Health and Safety was the primary focus throughout the crisis management phase with new working practices in both back-office support and out in the field. MEARS used MS Teams and WhatsApp broadcasts to safely carry out toolbox talks in a two-way environment with staff. MEARS has also engaged with employees more frequently to cascade information, support mental health and wellbeing and importantly, ensure that apprentices are not isolated and their course work remains on track.

During this lockdown the council agreed a Defined Service Agreement with MEARS to facilitate company trading on a no-profit / no-loss basis. The agreement required MEARS to maximise all available Government relief after normal trading conditions. Any profit shortfall was made good through a Defined Service payment scheme and any trading profits were used to offset the prior month's support. In addition, cashflow support was provided by the council in advance of receipt of HMRC job retention funds. All council cash advances have now been paid back in full.

In December 2020, and following agreement with the council, MEARS returned to 'Emergency and External' works only. The reduction in work volumes, coupled with no redeployment or company requirements for alternative work to be undertaken, meant that MEARS had to revert to furloughing some staff. In January MEARS furloughed 111 employees, of which 8 were furloughed due to shielding and 6 due to childcare requirements. The company has since returned 3 employees from furlough in February 2021.

Home working, wherever possible, continues to reduce the footfall in the depot. Individual Risk Assessments have been carried out and line managers are aware of their responsibilities to ensure wellbeing of employees whilst working remotely. Access to MEARS' systems are protected through remote desktop servers and Virtual Private Networks and additional security measures such as multifactor authentication have been introduced to reduce risks. The Health and Safety Executive carried out a spot inspection site visit to the depot at the end of January and confirmed that MEARS is operating in a COVID-secure environment. The check consisted of ensuring that an appropriate Covid-19 risk assessment was in place, that physical

distancing of 2 metres is maintained and that suitable hygiene procedures had been implemented. MEARS will continue to work collaboratively with the council to review government guidance in preparation for a return to normal activity as soon as safe to do so.

Risk Management – MEARS has robust risk management arrangements in place with the potential impact(s) should any risks materialise clearly documented and control measures in place to mitigate the likelihood of risk occurring and minimise the impact. Governance, risk and Health and Safety reports are considered at all quarterly Management Committee meetings.

Top 5 Risks

Failure to recover operations in a disaster or crisis	Health and Safety breaches relating to additional practices around Covid-19	Failure to comply with Data Protection requirements.	Partnership Finance – Covid-19	Employees - T&Cs and pay rates remaining competitive/comparable to the market
---	---	--	--------------------------------	---

Business Continuity – MEARS' Business Continuity Plan was updated in April 2020 to include Covid-19 and to reflect key personnel changes within the company.