

North Lanarkshire Council

Draft Report

Audit and Scrutiny Panel

approval noting

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

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Executive Summary

This report provides Audit and Scrutiny Panel members with an overview of governance, financial governance and risk management within the council's arm's length external organisations (ALEOs) and strategic partnership vehicles. The report describes monitoring and scrutiny arrangements through the relevant Service Committees and provides 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.

An update on the in-sourcing of cultural, leisure and sports services from Culture and Leisure NL Ltd to the council on 1 April 2021 is provided, along with confirmation that the transfer of assets and undertaking from Campsies Centre (Cumbernauld) Ltd to the council took place on 30 June 2021, slightly later than the previously targeted date of 31 March 2021.

The report provides an overview of ALEOs' stewardship over the past six months and summarises the measures and recovery strategies that are being put in place by individual companies to resume service delivery as Covid-19 restrictions are lifted. The report also updates 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 effectively managed;
2. Note the Head of Financial Solutions' assessments in relation to those ALEOs where the Coronavirus pandemic continues to have 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 measures and recovery strategies that are being put in place by individual companies to resume service delivery as the Covid-19 restrictions are lifted, 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. North Lanarkshire Council continues to deliver a number of frontline services via its Arm's Length External Organisations (ALEOs) and strategic partnership vehicles. These have been established over the years to provide innovative means of service delivery, enabling the council to generate efficiencies, build up specialisms and provide flexible and responsive service delivery.
- 1.2. Although the ALEOs are all separate entities in their own right, with their own governance and decision-making arrangements, the council remains publicly accountable for the services provided and must ensure that the externalised service delivery model continues to achieve Best Value and meets the council's requirements and expectations.
- 1.3. Operational performance and financial performance are reported by the relevant Head of Service to the respective service committee every six months in line with the council's Strategic Performance Framework. Further assurance is also provided through the Panel's consideration of this six-monthly composite governance and risk management oversight report confirming where ALEO governance arrangements, including financial governance, remain sufficiently robust and identifying any issues which may present a potential operational, financial or reputational risk to the council.
- 1.4. Previous reports to the Panel in September 2020 and March 2021 have:
 - Confirmed that effective governance and management arrangements are in place within each ALEO and strategic partnership;
 - Provided updates in relation to the impact of Covid-19 on company operations;
 - Highlighted by exception where individual ALEOs had failed to comply with the council's prescribed financial monitoring arrangements or where financial matters required close scrutiny by the relevant Board of Directors or Management Committee, alongside separate oversight by Financial Solutions; and most recently,
 - the report submitted in March 2021 identified the top five risks for each ALEO.
- 1.5. This report continues and extends this information by providing updated details in relation to the in-sourcing of Culture and Leisure NL Ltd and the more recent transfer to the council of the assets and undertaking of Campsies Centre (Cumbernauld) Ltd.

2. Report

Performance Reporting and Council Scrutiny

- 2.1. The council monitors performance, service delivery and financial management within each of its arm's length companies and joint venture partnerships through structured oversight and reporting arrangements comprising:
 - A formal Service Level Agreement (SLA) or Partnership Agreement in place between the council and the individual company setting out the council's requirements, expectations and details of any council funding provided by way of a management fee;
 - Formal Client Liaison meetings between senior officers from the relevant Client Service and the individual ALEO to consider operational matters;
 - Appointment of council elected members and/or officers to serve on the company Boards or Management Committees;

- Attendance at Board and Management Committee meetings by the Client Officer and/or nominated Link Officer from Business Solutions;
 - Financial oversight by Financial Solutions including the contractual requirement on ALEOs to submit management accounts as per the timescale prescribed in the SLA;
 - Six monthly operational and financial performance monitoring report considered by the relevant Service Committee; and
 - Six monthly governance report considered by this Panel.
- 2.2. The chief executive officers, or responsible officer from each company, also complete an Annual Assurance Certificate and Checklist, providing assurances in relation to all governance, financial, employee, risk and business continuity matters and highlighting whether there are any significant or material issues which the council may require to consider for inclusion in its annual governance statement published in the annual accounts. All ALEOs have successfully completed and submitted their Assurance Certificates with the detail reflected in the preparation of the governance statement.
- 2.3. The ALEOs which fall within the scope of the Panel are listed in Appendix 1, together with relevant service committees and confirmation of the most recent performance updates.

Confirmation and Update of ALEO in-sourcing

- 2.4. Culture and Leisure NL Ltd
- 2.4.1. As reported to the Policy and Strategy Committee in March this year, the transfer of culture, sport and leisure services from Culture and Leisure NL (CLNL) Ltd to the council took place on 31 March 2021. Staff from CLNL transferred into the council, principally as the Active and Creative Communities service within the Communities division of Enterprise and Communities although a working group has been established under the *Delivering for Communities* remit to review staffing structures, future use and investment decisions for all transferring assets and wider integration opportunities across the council and the wider community. The findings from this review will be reported to the Policy and Strategy Committee in due course.
- 2.4.2. Operationally, all cultural, leisure and sports services have now been recovered in line with Scottish Government Covid-19 guidance on a phased basis. At present, the only services still to recover are two smaller libraries, where building renovations are required. Risk registers for Active and Creative Communities are currently being developed with support from the council's Risk and Insurance team. This work will be finalised by the end of August 2021 and will continue to be monitored on an ongoing basis. Similarly, Business Continuity Planning and emergency/contingency arrangements are being updated to reflect the cultural, sports and leisure services and these will continue to be monitored.
- 2.5. Campsies Centre (Cumbernauld) Ltd (CCCL)
- 2.5.1. Following the ALEO review of Campsies Centre Cumbernauld Ltd in 2017/18 and the decision by the Infrastructure Committee in May 2018 that winding-up the company and transferring the net assets and future income to the council for allocation to projects within the boundaries of Cumbernauld provided the greatest potential to secure Best Value and support the council's strategic priorities, whilst continuing to reflect the company's business objectives, the transfer took place on 30 June 2021.

This was slightly later than the target transfer date of 31 March 2021 due to protracted property negotiations during the due diligence phase and operational requirements in relation to banking and insurance matters which had to be put in place prior to transfer. Regular progress updates have been submitted to the Community Empowerment Committee, with the most recent on 23 August 2021.

- 2.5.2. The net balance of assets, following the settling of CCCL's affairs to 30 June 2021, plus earmarking provision for a period of 10 years to meet the direct costs and future maintenance costs associated with the physical assets that transferred to the council, will be used to support projects within the boundaries of Cumbernauld. Any future income from CCCL's assets, primarily the ground lease rental income from the Antonine Centre, will also be allocated to projects within the boundaries of Cumbernauld in line with the Infrastructure Committee's decisions.
- 2.5.3. Work is now underway by council officers and the company directors in both CLNL Ltd and Campsies Centre (Cumbernauld) Ltd as appropriate to wind-up each company's affairs and apply for strike off through Companies House. It is anticipated that this will be completed during the remaining months of this financial year and in both cases the actual strike off date will be reported via this Panel.

Statutory Bodies

- 2.6. Monitoring the performance of arm's-length bodies needs to be proportionate to the scale of activity and the likely level of potential risk to the council. Consideration must also be given to the extent of the council's influence and wider external scrutiny and public accountability that the organisations may already be subject to. ALEOs which are wholly owned subsidiaries of the council and/or in receipt of council support, followed by the Strategic Joint Venture Partnerships (where the council has a 33% shareholding) have the greatest scope to expose the council to financial, service delivery or reputational risk and as such are subject to close scrutiny and monitoring as described above.
- 2.7. The statutory bodies, although responsible for service delivery in North Lanarkshire and governed by Boards including membership by elected members appointed by the council, are legislated bodies in their own right and already subject to various forms of external scrutiny and public accountability. As such, the statutory bodies listed below are reported annually in accordance with the Council's Scheme of Administration.

Statutory Body	Committee	Reporting Status
Strathclyde Partnership for Travel	Environment and Transportation	Joint oversight report, covering the period 2018 to 2020, considered 20/11/20
Strathclyde Concessionary Travel Scheme	Environment and Transportation	
Lanarkshire Valuation Joint Board	Finance and Resources	Annual Oversight Report 2019/20 considered 20/03/21

- 2.8. Similarly, Health and Social Care North Lanarkshire's Integrated Joint Board (IJB), established through the Public Bodies (Joint Working) (Scotland) Act 2014, is also a statutory body. In addition to performance reporting via the Adult Health and Social Care Committee, the IJB has its own monitoring and oversight arrangements in place through its Performance, Audit and Finance Committee (click on [link](#)) and matters will only be brought to this Panel where they have a material impact on the council.

Governance and Risk Management Oversight

- 2.9. Monitoring, reporting and scrutiny confirms that the council's ALEOs continue to operate satisfactorily and, with the exception of the continuing impact of Covid 19 on trading and operational service delivery in North Lanarkshire Properties (NLP) LLP and MEARS Scotland LLP, there are no new or substantial governance or risk matters which require to be highlighted at this stage.
- 2.10. The Defined Service Agreement which was put in place between the council and MEARS at the start of the first phase of the pandemic in March 2020 remained in place to June 30 this year. The Defined Service Agreement was designed to facilitate company trading on a no-profit / no-loss basis and 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 with all such advances fully reimbursed to the council. MEARS and Financial Solutions are working to reconcile the position and identify whether there is any continued requirement for the Defined Service Agreement to financial year end (31 December 2021).
- 2.11. ALEO Board and Management Committees have continued to meet remotely and monitor the impact of the pandemic on company operations, business objectives, cash flow and overall financial management. (Further information on financial matters, where individual ALEOs are experiencing significant financial uncertainty or risk is provided by the Head of Financial Solutions at section 2.13.)
- 2.12. In line with the Scottish Government's recent lifting of restrictions, ALEOs are assessing future operating models including the potential to reintroduce direct contact with service users or indoor based services, where these were stood down, and a full or a partial return to the workplace by employees where home working was introduced. Appendix 2 provides update summaries for each company.

Financial Governance

- 2.13. To satisfy the council's duty to ensure that the external organisations delivering services on its behalf are financially sound, the Council's Section 95 Officer maintains appropriate and proportionate processes and procedures for scrutinising ALEOs' financial performance. The individual contractual arrangements specify the financial information which each ALEO must submit to the council and these generally include an annual business plan, monthly management accounts and audited financial statements. 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, financial matters that require close monitoring by the individual ALEOs' Board of Directors or Management Committees, along with robust, separate oversight by Financial Solutions.

2.13.1 Culture and Leisure NL Ltd

CLNL ceased to provide services for the Council on 1 April 2021 following the successful insourcing of culture, sport and leisure services to North Lanarkshire Council. The charity's statutory accounts have been prepared and are currently being audited. The charity will be wound-up later this financial year with anticipated completion scheduled for October 2021.

2.13.2 Routes to Work

Routes to Work (RTW) are compliant with financial governance arrangements, providing required financial information on request. The RTW income budget for 2021/22 has increased to £4.531m from £3.163m originally set in 2020/21 largely due to additional funding received from the Scottish Government to facilitate economic recovery from the pandemic. The risks and challenges of managing this increased budget have been considered by the RTW management team and reported to the Board.

2.13.3 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 has had 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. The council has provided NLP with a letter of comfort to support NLP's financial sustainability. In the short term NLP will utilise accumulated reserves to sustain financial operations whilst continuing to progress their recovery plan and investment strategy towards longer term financial security.

2.13.4 MEARS Scotland LLP

The pandemic outbreak continued to impact the work-mix being delivered by Mears during the first and second quarters of 2021 trading. The open and transparent approach previously agreed through the Defined Service Agreement, continues although the Agreement itself formally ended on 30 June 2021. This is in line with the general agreement of the financial governance approach

The Defined Service Agreement initially limited the service delivery to mainly emergency work, and those works which could be carried out safely in conjunction with Government advice. With the relaxation of some COVID operating restrictions over the summer, MEARS has continued its gradual recovery with all resources now fully returned from furlough. The partnership trading continues to reflect and remains in line with current safe working principles.

Trading difficulties remain regarding the sourcing of material / labour and the impact of ongoing restrictions which could impact on future profits. 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. Public Sector Equality Duty and Fairer Scotland Duty

- 3.1. There are no equality matters which require to be considered in connection with this report.

4. Impact

4.1. Financial impact

- 4.1.1. There are no direct financial impacts arising from this report, although Panel members are requested to note the additional information provided by Financial Solutions in respect of specific ALEOs and described more fully at Section 12.13.

4.2. **HR / Policy / Legislative impact**

4.2.1. Culture and Leisure NL Ltd

Members are requested to note the in-sourcing of Culture and Leisure NL Ltd and the associated staff transfer into the council with effect from 1 April 2021.

4.2.2. Routes to Work (RTW) Ltd

Due to the additional investment being made in skills and employability services by the UK and Scottish Governments as part of the economic recovery process, RTW's 2021/22 budget has increased to £4.5m which in turn has necessitated a headcount increase of around 35%. This may increase further dependant on the outcome of the council's Community Renewal Fund bid to the UK Government. This establishment increase has led to an interim change being approved to the company's Senior Management Team structure for 2021/22 with the creation of a temporary Senior Operations Manager role to assist the Depute Chief Executive with the increased operational and performance management responsibilities. This interim structure will be reviewed towards the end of the current financial year in light of the post-pandemic funding environment and RTW's ambitions for 2021 to 2024, as articulated in the new three-year business plan which is in the process of being finalised.

4.2.3. Fusion Assets Ltd

In May Fusion Assets worked in partnership with the council to recruit a full time Development Manager. This is a new post within the council's establishment, with the post holder seconded to Fusion Assets for three years. This appointment increases capacity within the company and addresses previously identified staffing risks in relation to over-reliance on the single Managing Director post.

4.2.4. Amey Public Services (APS) LLP and MEARS Scotland LLP

The easing of restrictions will allow APS and MEARS to return to more '*business as usual*' working practices in line with UK and Scottish Government guidance and specific requirements issued by the Health and Safety Executive and Construction Scotland. While APS has agreed that office-based staff, where there is no requirement for on-site attendance, may predominantly continue to work from home, MEARS has recently taken the decision to return all office staff on a phased based.

4.3. **Technology / Digital impact**

- 4.3.1. There are no substantial technological or digital impacts arising from the ALEOs' operations during the reporting period although members are advised that the impact of the previously reported cyber-attack on Amey Public Services (APS's) parent company's IT systems is lessening as systems are recovered.

4.4. **Environmental impact**

- 4.4.1. There are no environmental impacts arising from the ALEOs' operations during the reporting period.

4.5. **Communications impact**

- 4.5.1. The individual updates provided at Appendix 2 highlight the activity undertaken by ALEOs to ensure that effective communications and engagement with service users,

customers, employees and the council remained in place during the Covid-19 restrictions. As these restrictions are lifted heightened activity is now underway to ensure services users and employees are aware of revised operating models and safe working arrangements that have been put in place in response to the pandemic.

4.6. Risk impact

- 4.6.1. Although the ALEOs are separate companies in their own right, the council remains publicly accountable for the services delivered on its behalf. Moreover, the council's interest and potential levels of influence in the ALEOs, through its shareholding and levels of finance that may be provided, mean that the council has a degree of investment which can be significant. As such it is essential that the council is fully aware of any financial, service delivery or governance issues within an individual ALEO which may impact on service delivery and result in potential operational , financial or reputational risks to the council.
- 4.6.2. The Service Committee monitoring and scrutiny arrangements, along with the further assurances and oversight provided through this report help to mitigate such risks and provide a mechanism by which the council may identify potential risks in early course and consider further measures, including closer scrutiny or examination by the Client Service or specific corporate functions within the Chief Executive's Service, as required.

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 managing risks where such are unavoidable.
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6. Supporting documents

- 6.1. Summary of in-scope ALEOs and Strategic Partnerships
- 6.2. Appendix 2 - ALEOs' Covid-19 Update, Governance and Oversight Summaries



Katrina Hassell
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
Routes to Work Ltd	Relief of poverty through supporting individuals to secure and 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 	Enterprise & Growth – Operational and Financial performance from 01/4/20 to 31/12/20 (Q1 to Q3 - 2020/21) considered by Committee on 19/05/21.
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 – Operational performance 2020/21 and financial performance from 01/4/20 to 31/12/20 (Q1 to Q3 - 2020/21) considered by Committee on 19/05/21.
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 – Operational performance 28/07/20 to 15/01/21 and Financial performance from 01/4/20 to 08/01/21 considered by Committee on 27/05/21.
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 – limited separate reporting requirement since business is transacted through the LLP above.
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	Maximum of 7 directors (all elected members) appointed by NLC	Finance & Resources – 2019/20 annual oversight report considered by Committee on 27/05/21.○

WHOLLY OWNED ALEOs	OBJECTIVES / SERVICES DELIVERED	STATUS	BOARD OF DIRECTORS COMPOSITION	SERVICE COMMITTEE
		are shareholders, with an individual share of £0.05.		

- **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. An annual report is submitted following company approval of the year end accounts and any further matters raised as required through Treasury Management reporting to Finance and Resources Committee 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 – Operational performance 01/10/20 to 31/03/21 and Financial performance as at year end 31/12/20 considered by Committee on 20/05/21.
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 – Operational performance 01/04/20 to 28/02/21 and Financial performance as at year end 31/12/20 and at 28/02/21 considered by Committee on 19/05/21.

ALEOs subject to dissolution per previous Council decisions	OBJECTIVES / SERVICES DELIVERED	STATUS
Campsies Centre (Cumbernauld) Ltd	Facilitate the development of Cumbernauld town centre	Assets and undertaking transferred to Council on 30/06/21 as per Infrastructure Committee decision of 2 May 2018. Regular progress updates to Community Empowerment Committee.
Culture and Leisure NL Ltd	Cultural, sporting, leisure and recreational activities to: improve conditions of life; advance health & education; and promote equalities. Advancement of arts, heritage, culture and science.	Company in-sourced with assets and undertaking transferred to the Council from 31 March 2021. Anticipate formal dissolution and strike-off during the remainder of 2021/22.
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.	Assets and undertaking transferred to CultureNL Ltd on 22 June 2019 per Policy & Resources Committee decision of 27 September 2018. Anticipate formal dissolution and strike-off during the remainder of 2021/22.

ALEOs' Covid-19 Update, Governance and Oversight Summaries

Routes to Work (RtW) Ltd
<p>Governance – Board meetings have continued to be held remotely as per the scheduled dates (16/03/21 and 22/06/21) with additional meetings held on 26/05/21 to consider the Business Plan 2021 – 2024 and a company development session held on 22/06/21. The final business plan will be available in mid-August and the AGM will take place on 21/09/21.</p> <p>Following guidance published by OSCR on the requirement for charities to ensure that their Memorandum and Articles of Association provide sufficient scope for Board meetings to be held remotely, RtW's Directors approved a review of the company's articles of association. This confirmed that RtW had the facility to meet remotely, however, the Board is considering further refinements to the Articles in light of experience gained during the pandemic, to ensure they are fit for purpose in this regard moving forward. Following review by the Governance sub-group at their August '21 meeting, it is anticipated that the revised articles of association will be presented to the AGM on 21/09/21 and the council for approval thereafter.</p> <p>The 2021/22 annual external audit is underway with a view to finalising year end accounts for consideration at the AGM in September.</p> <p>RtW's formal Sub-Groups have also continued to meet remotely to fulfil the detailed scrutiny and oversight functions of the Board:</p> <ul style="list-style-type: none"> • Governance and HR Sub-Group's – quarterly meetings; • Finance Sub-Group – monthly meetings; and • HR Sub Group – quarterly meetings. <p>Minutes of all Sub-Group meetings are circulated with the Board papers to ensure all-round 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 from Employability Support and Skills Development continue to be held monthly.</p>
<p>Summary of Impact of Covid-19 on Business and Recovery To Date - Service delivery since April 2021 and submission of the last Panel report has continued to be predominantly home working, with the exception of continued face to face delivery in support of the Council's Pathways Programme and some additional delivery within schools. Remote delivery continues as the default position 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 has also delivered face to face interventions and innovative approaches such as '<i>walk and talk</i>' sessions with clients in partnership with external specialists, and these have proved successful.</p> <p>The Board has instructed a phased return to office-based working for all staff towards the end of the summer (exact dates will be decided as appropriate in line with the Scottish Government guidance) and the Board's position in this regard has been communicated to all staff. In addition, appropriate arrangements are being made to accommodate an earlier return to office-based work on a limited basis for staff who are experiencing adverse wellbeing and mental health challenges due to isolation.</p> <p>In anticipation of Covid-19 restrictions being lifted, RtW are working through an action plan to cover the following aspects for returning: Blended service delivery; Hybrid working rotas; Partners' delivery intelligence; Client and staff surveys; Venues / Mapping exercise; Reviewing Risk Assessments taking account of relevant changes to physical distancing; Communication; and Corporate and local Health and Safety activities. RtW has communicated and re-introduced the idea of returning to offices through the RtW Leadership Team, at a full staff briefing in April 2021 and regular updates to all staff each month through a 'key messages' approach.</p>
<p>Risk Management - The Risk Register is reviewed quarterly by Senior Management Team and discussed at the Governance Sub Group quarterly meeting. A Risk Management update report</p>

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

Underperformance on key contracts	Unsuccessful transition from post-Covid measures	Failure to deliver on objectives for services being delivered under the Young Persons' Guarantee	Information security breach	Failure to protect the charity against fraud.
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Business Continuity - RTW has a Business Continuity Policy and a Business Continuity Plan with revised arrangements introduced in 2020 to reflect Covid-19 requirements. This included the creation and roll out of an Interim Working from Home Policy. This year, RtW is reviewing its staff welfare arrangements in light of the impact of Covid and developing and consulting on a staff Mental Health Policy.

Fusion Assets Ltd

Governance – Board meetings were held remotely on 10/05/21 and 09/08/21 with the next Board meeting and AGM scheduled for 8/11/21. There has been no requirement for any subgroups of the Board to meet since the last Board meeting in May 2021. Virtual meetings with the Client Monitoring Officer have been on a service specific basis but are now scheduled to move to a more regular monthly meeting format.

Summary of Impact of Covid-19 on Business and Recovery To Date - Overall, Fusion Assets has continued to operate on a relatively '*business as usual*' basis and the industrial market in which the company operates remains buoyant post Covid, with the main challenge now being to capture all the potential economic opportunities for North Lanarkshire. Since the start of May 2021, when a new Development Manager took up position in the company – Fusion Assets has operated a hybrid working system of 2 – 3 days in the office and the remainder of the time spent working from home. Site meetings and Board meetings with Joint Venture companies continue to be held virtually although a return to face-to-face meetings is anticipated following the move to Level 0 in August 2021.

Fusion Assets continues to liaise with the council, primarily through the Planning and Regeneration division to identify where the company can contribute to the Council's Economic Recovery Plan by increasing its development and marketing activities to assist in securing additional investment and employment opportunities to North Lanarkshire.

Risk Management - Fusion Assets has recently undertaken its 6 monthly review and update of its corporate risk register with the results presented to the Board in August 2021. Overall, there has been a decline in the risk profile, primarily as a result of:

- The appointment of a new Development Manager which means the company is no longer dependent on a sole employee;
- The continued strength of the industrial market, both in terms of demand for space and the investment levels for sales of completed schemes – Fusion Assets is currently trading at 100% occupancy levels with no vacant units across its existing property portfolio;
- On the negative side, the company is starting to see increased construction costs and delays because of materials and staff shortages across the construction industry.

There is a one-off, short-term risk associated with limited staffing resources at Fusion Assets' external auditors and this has resulted in a delay to starting the audit process for this year's accounts. This is being closely monitored by both Fusion Assets and the council's nominated Accountant in Financial Solutions on behalf of the company and an earlier start to the process has recently been agreed with the auditors.

There is the potential for some overlap between Fusion Assets' economic regeneration, development and infrastructure services and the potential inclusion of these functions within the scope of the Enterprise Strategic Commercial Partnership (ESCP). As such, Fusion Assets'

Board of Directors ensures ongoing dialogue with the council to identify any potential risks or uncertainty to the company's existing business objectives and operating model.				
Top 5 Risks				
Loss of key personnel	Contract and procurement risks	Accessing adequate financial resources	Grant availability	Compliance – approved annual accounts
Business Continuity - Fusion Assets business continuity arrangements have been enhanced through the recruitment and appointment of a Development Manager to the company. This now means that the company has an additional staff resource to deputise for the Managing Director if necessary. The additional resource means that the company can also capitalise on current economic opportunities resulting from the strength of the industrial and logistics market both nationally and in North Lanarkshire.				

North Lanarkshire Properties (NLP) LLP (including NL Property Investments Ltd)				
Governance – The Management Committee continues to meet remotely every quarter with meetings held on 21 May 2021 and 12 August 2021 and the AGM scheduled to take place on 2 September 2021. Regular meetings continue to take place between company staff and Financial Solutions and Assets and Procurement Solutions, who continue to provide Strategic Business Management Support services as defined within the Service Level Agreement.				
Summary of Impact of Covid-19 on Business and Recovery To Date – NLP continues to experience a reduction in rent levels, however, collection data indicates that this may not be at the levels as initially anticipated and budgeted for. There is evidence to suggest that if debt recovery and cash collection trends continue, then there may be potential for the budgeted figure to be revised downwards. Given the continued uncertainty of the impact on tenants of the withdrawal of government support schemes such as business grants and furlough, however, the Management Committee is maintaining a prudent approach and continues to review the impact of the pandemic on both its own trading and that of its tenants to ascertain the potential impact upon future rentals receivable and the consequential impact on NLP's overall budget forecasting. NLP continues to attempt to contact tenants to re-instigate payment of current rent and recovery of historical debt where this has accumulated due to COVID-19.				
<p>NLP has continued to see a slight upturn in property enquiries and new transactions during the period covered by this report when compared to the same period last year when lockdown restrictions were at their height. Despite this some of the smaller sole traders are continuing to express hardship despite the roll out of grant assistance. Terminations broadly remain at similar levels to previous years.</p> <p>A key element of NLP's recovery plan is to ensure that the company is poised to respond when the market picks up and existing sectors, such as hospitality, re-open. Similarly, the company is witnessing increasing levels of interest in industrial premises. As such NLP's investment planning includes analysis of properties which have been vacant for a period more than one year to determine which of these would be suitable for investment and also to determine which should be considered for disposal. Robust business cases on each property are required, taking into consideration the viability of the investment set against the demand for the property and opportunity cost of investment. Maintaining a competitive property portfolio, underpinned by a robust investment plan to boost income, can materially improve NLP's opportunities to secure favourable refinancing terms in 2023 when the existing finance agreement terminates.</p> <p>NLP continues to work closely with the council's Planning and Regeneration division to explore opportunities for collaborative projects including for example Airdrie Town Centre and Orbiston Street industrial units.</p> <p>NLP staff continue to work predominantly from home and on site as required with only minimum staff members attending the office on a rotational basis to administer mail, payments received and to operate certain systems which cannot be operated remotely. NLP ensures that social distancing is maintained.</p>				
Risk Management – NLP recognises that there are risks involved in all of its trading activities and business objectives which may potentially impact upon the LLP's ability to provide quality				

services within its existing budgetary provision. Recognising the continuing uncertainty over the nature and extent of economic recovery in North Lanarkshire and the potential impact on tenants, a Risk Register update is reported at each Management Committee meeting.				
Top 5 Risks				
Financial performance	Business continuity planning	Failure of key business systems	Non-compliance with Health & Safety requirements	Impact of legislative change
Business Continuity – NLP has continued its system modernisation programme with investment in the Idox property management database and this is due to be rolled out following completion of technical work by Idox.				

North Lanarkshire Municipal Bank Ltd				
<p>Governance – Board of Directors’ meetings are generally held bi-annually, unless specific matters require attention, resulting in further meeting(s) being convened. The Board meeting and AGM to consider the 2019/20 annual accounts and external auditor’s report were held remotely on 11 March 2021. At this meeting Directors reviewed the interest rate payable to depositors and approved a reduction in the interest rate offered to customers with a 0.10% reduction agreed, reducing the interest rate from 0.20% to 0.10%, with effect from 1 June 2021.</p> <p>The 2019/20 annual oversight report was considered by the Finance and Resources Committee on 27/05/21 where it was further agreed that previously requested activity to monitor customer numbers and financial balances, including the extent to which the Bank continues to deliver Best Value for the council given the availability of alternative sources of borrowing at more competitive rates, will continue with the findings of a subsequent review reported during 2022/23.</p>				
<p>Summary of Impact of Covid-19 on Business and Recovery To Date – The Municipal Bank opening hours, which had been reduced during the first lockdown in the spring of 2020, were increased to almost business as usual as the initial Covid-19 restrictions were lifted later in the autumn and this remains the case. 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 and staff are required to adhere to social distancing in addition to the enhanced cleaning regime in place.</p> <p>The further lifting of Covid-19 restrictions may result in an increase in footfall to cash offices and increased Municipal Bank transactional activity within the cash offices which has reduced significantly due to the restrictions, this will be monitored and managed accordingly.</p>				
<p>Risk Management – The Municipal Bank’s risk management arrangements are largely incorporated within the council’s risk management processes due to the council’s controlling interest in the company and Financial Solutions staff having direct responsibility for administration, management and oversight of banking services. The Bank operates within council premises; council staff provide counter services, and the Bank operates using the council’s IT network and systems. The Bank also produces an annual certificate of assurance for internal and external audit purposes, detailing the corporate governance and financial internal controls in place, including further details around the risk management arrangements in place.</p>				
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
<p>Business Continuity - Business continuity arrangements within the Municipal Bank are reviewed regularly by Financial Solutions as part of wider operational considerations. Although slightly reduced opening hours have been introduced, customers have still been able to access their bank accounts. Contingency measures in place include:</p> <ul style="list-style-type: none"> • 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 – Following the re-scheduling of the March 2021 Management Committee meeting to 1 April 2021, the Committee thereafter met on 11 June 2021 with the next meeting scheduled for 10 September 2021. Management Committee meetings continue to be held remotely. Responsibility for chairing Management Committee meetings alternates at each meeting between the council and APS. Amey's Highways Business Director for Scotland and Northern Ireland has recently joined the Management Committee on behalf of the company, succeeding the Highways Managing Director who previously represented Amey.

APS' Senior Management Team meets with the council's Roads and Land Maintenance Senior Management Team at the Roads, Street Lighting and Winter Services' monthly meetings. There is a standing agenda which includes: Contract Performance Management (including review of Performance Indicators); Financial Management; Health and Safety; Operational Service Delivery; Winter; and any issues escalated from other contacts between the council and APS. During the COVID situation meetings with Financial Solutions, which were previously held quarterly, were stood down due to competing priorities, however it is anticipated that these will be reintroduced.

Summary of Impact of Covid-19 on Business and Recovery To Date - APS continues to deliver services very much on a business as usual basis (pre-Covid) but in line with Scottish Government and Amey's Covid work restrictions in relation to social distancing and safe working practices. This will continue going forward and company staff continue to work from home where practicable, particularly office based non-operational staff.

APS 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. The company has experienced small numbers of employee absences due to self-isolating, as a result of personally contracting Covid, or more usually, as a result of a family member testing positive.

Risk Management – Robust risk management arrangements continue 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 and Land Maintenance Team.

Top 5 Risks

Insufficient council budget (Revenue and Capital) to maintain APS resource productivity and utilisation	Accelerating labour market (e.g. construction) recruiting operational staff from APS with higher wages	Increase in need for third party work to offset council budget restrictions / constraints	Aging fleet resulting in reliability issues. The limited remaining duration of the LLP contract (June 2024) will be short-term hires at potentially higher costs
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Business Continuity - APS keeps its Business Continuity Plan and other risk assessments under review to reflect the latest guidance coming either from Scottish Government/Construction Scotland or via Amey HSE team. The cyber-attack on Amey's IT systems in December and reported to the previous Panel meeting, continues to impact across the company, albeit to a lesser extent than previously. Full access to the council's Roads Management System has been restored and access to the information held on Amey's servers is improving.

MEARS Scotland LLP

Governance – Quarterly Management Committee meetings have been held remotely on 01/06/21 and 10/08/21 with the next meeting scheduled for 23 November 2021.

A structured programme of liaison is in place with the council comprising:

- Quarterly governance meetings with the Client Monitoring Officer;

- 4 weekly Liaison Meetings;
- Monthly Finance Liaison meetings; and
- Service Improvement and Customer Success Improvement Groups.

MEARS has recently reorganised its staffing structure to deliver improved alignment with the council's priorities and are working closely with external advisers in advance of the contractual termination date to minimise potential risks to the Partnership. MEARS is also working in conjunction with Financial Solutions and operational teams to agree a financial forecast to 31/12/21 (financial year end), following cessation of the Defined Service Agreement.

Summary of Impact of Covid-19 on Business and Recovery to Date – In April MEARS moved into Tier 3 restrictions, which permitted the company to extend its existing services to include multi trade repairs and domestic works such as kitchen and bathroom installations. As a result, MEARS were able to return all remaining staff from furlough and attention focused on the backlog of postponed / delayed works caused by previous restrictive measures.

The lifting of restrictions will permit closer proximity working to 1m distance and while this will have minimum impact on the current work content and approach, MEARS anticipate significant benefits to working practices through for example the ability to operate under safe working practices, with multiple operatives in closer proximity and in vehicles. Although these are relatively small enhancements, they should allow MEARS to expedite job completions.

Health and Safety remains central to MEARS operating model the company will continue to work to the approved Covid risk assessments and procedures to ensure a safe working environment for staff and to protect the wellbeing of tenants and residents.

MEARS has reviewed home working practices in line with Mears Group and government guidance and has recently made the decision for all staff to return to the office in a phased approach. In addition to operational changes to support a safe return, MEARS has enhanced communication and engagement with all employees to include:

- Fortnightly cascades from the Covid Group;
- Bi-Monthly leadership briefings containing key messages from the Executive Team; and,
- Regular contact by mentors with apprentices to ensure personal health and wellbeing as well as ensuring course work remains on track.

Improved digital platforms enable MEARS to engage with its workforce remotely, ensuring staff and operatives receive critical messages quickly and accurately, with the added facility for two-way communication.

Risk Management MEARS has robust risk management arrangements in place with updates provided to the Management Committee at each meeting. The company has provided details of the following risks that are currently assessed as potentially being the most significant. The potential impact of each risk is assessed and measures are in place to mitigate the likelihood of a risk materialising and control the impact where issues do occur.

Top 5 Risks

Risk of health and safety breaches in relation to additional Covid Health and Safety requirements.	Resource supply risks including: Labour; Materials; and, Sub-contractors	Partnership financial risks following the cessation of the Defined Service Agreement from 30/06/21	Non-compliance with Data Protection requirements	Risk that employee Terms and Conditions and pay rates are no longer competitive within the labour market
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Business Continuity – MEARS updated its Business Continuity Plan (BCP) on 30/06/21 to reflect the new operating structure. The BCP provides contact details for key personnel to respond or escalate matters in the event of an incident or event occurring. All operating systems are accessible remotely and data protected through remote desktop Virtual Private Networks.