

ABERDEEN CITY COUNCIL

COMMITTEE ENTERPRISE, PLANNING AND INFRASTRUCTURE

DATE 18 January 2011

DIRECTOR Gordon McIntosh, Enterprise, Planning & Infrastructure

TITLE OF REPORT AECC Update

REPORT NUMBER: EPI/11/048

1. PURPOSE OF REPORT

This report provides Committee members with an update on activities relating to the AECC

2. RECOMMENDATION(S)

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

3. FINANCIAL IMPLICATIONS

None

4. OTHER IMPLICATIONS

None

5. BACKGROUND/MAIN ISSUES

A number of papers have been presented to Committee over the past year concerning the future development and funding of AECC. These provide a full explanation of the current funding situation and operating situation of the AECC.

The intention of these papers was to consider:

- a) How to place AECC on a sound financial footing in relation to its funding structure and future operational viability
- b) How to fund the development of a new Four star hotel on a site (currently Car Park No. 2) adjacent to the Exhibition and Conference Centre.
- c) How to ensure the AECC's ongoing operating situation following the Council's recent decision not to underwrite the proposed hotel development, on terms judged to be too risky for the Council.

- d) How to realise best value from the Council's land assets within and around the AECC site

The last paper presented to EP&I Committee on 10 November was remitted to Finance and Resources Committee on 2 December, for their endorsement, before being subsequently referred to full Council on 15 December.

The paper was approved by full Council and therefore officers are now in a position to move forward with regard to:

- a. Separating the operations of the AECC from the management of the land and property assets within and around the AECC site, in order to focus the AECC Ltd's attention on the need to manage, run and maintain an efficient and sustainable exhibition and conference venue.
- b. Transferring all property and land assets currently owned or leased by AECC Ltd to the City Council, so the Council assumes full responsibility for the future development of these assets.
- c. Investigating the potential for developing the land and property assets, through the creation of a joint venture development company charged with developing the assets according to an agreed asset development plan, possibly using funding raised through the creation of a Local Asset Backed Vehicle (LABV).

During the course of January 2011, Council Officers will launch a procurement process to locate suitable development/investment partners to initiate a Hotel development as part of a larger development plan for Council owned land in and around the AECC.

In parallel with this activity, the Council's asset management and legal teams will commence negotiations with AECC Ltd. to acquire control of all land and buildings currently owned by, or leased to, AECC.

At the full Council meeting on 15 December, Council also considered the contents of an internal audit report that reviewed the governance and operational procedures of the AECC.

The objective of this review was to provide an independent review and challenge of the adequacy of the governance arrangements and operating procedures in place within the AECC and the effectiveness of the working agreement with ACC. The scope of our review was to consider the effectiveness of existing arrangements in relation to governance, financial forecasting and reporting, strategic direction and planning, performance management and operational procedures.

This report highlighted a need for the AECC Board to:

- Establish an appropriate governance framework for AECC which;
 - defines the Board composition,
 - clarifies roles and responsibilities and establishes a clear schedule of decisions reserved for Board approval or a scheme of delegation
 - adopts appropriate performance monitoring and reporting arrangements
 - includes a robust and sustainable strategy and financial plan
- Establish standing financial instructions and implement appropriate management financial controls and procedures, including risk management procedures and improved month-end financial controls. A risk register should be produced and reported quarterly to the AECC Board and ACC.
- Produce a Business Plan that defines clear criteria against which performance can be measured by the AECC Board or the Council. The lines of responsibility and accountability between the ACC and AECC for the setting of strategic priorities and monitoring of financial and operating performance for the AECC need to be formally agreed.
- Reconfirm and clarify the strategic priorities for the AECC and the reporting and accountability lines between the AECC and ACC
- Implement robust tendering and procurement procedures when procuring goods or services, to ensure AECC is achieving best value for money
- Revise the Articles of Association for AECC to reflect current legislation and best practice

The report highlighted a need for the Council to:

- Incorporate a formal review process into the annual work programme for the AECC Board and Council committee cycle.
- Clarify the level of authority that the AECC Board has and what decisions require ratification by ACC.
- Establish procedures whereby an appropriate ACC official, who is not a director of AECC, has an oversight role regarding AECC. This individual should attend regular AECC meetings and have a clearly defined remit as to their responsibilities for monitoring AECC.
- Agree, with AECC, the form, content and frequency of reporting needed by the Council and the basis of circulation of such reports
- Ensure that all AECC Board members are subject to a formal appointment process and an annual performance appraisal.

Consideration should also be given to the co-opting of non executive directors from the independent business sector to enhance and strengthen the skills and experience of the Board.

Senior Council Officers are currently working with AECC executives and Board members to ensure that whatever procedures are required, to address each of the above points, are put in place as quickly as possible.

During the course of discussion at Council, Councilors also reiterated the need to appoint new Board Directors in line with the previous Council decision of 18 August [whereby it was agreed that AECC would replace three of their current councilor Board members with three new, non-councilor Board members and appointing a non-councilor chairperson, as agreed by Council in February 2010, and that the remaining five councilor Board members be replaced by five councilors on the basis of three Administration members and two Opposition members – with non-councilor Board members being appointed following external advertisement].

To date, all Council appointed Board members have been changed as required and a non-councilor Chairperson has been appointed.

However the three new non-councilor Board member appointments have yet to be made - since the AECC Board felt it was unrealistic to commence a recruitment process for these posts until the Internal Audit Report had been completed and the exact involvement of AECC in any future property development activities was known.

Following completion of the Internal Audit process, and subsequent confirmation that AECC will have no direct role in the future development of land in and around the AECC, ACC's HR department have started working with the AECC Board to define roles and responsibilities for the three new directors and agree upon a suitable recruitment process. It is expected that these posts will be advertised before the end of January 2011 and that appointments will be made in February 2011.

6. IMPACT

The AECC contributes significantly and directly to the achievement of five SOA National Outcomes:

- 1 We live in a Scotland that is the most attractive place for doing business in Europe
- 2 We realise our full economic potential with more and better employment opportunities for our people;
- 10 We live in well-designed, sustainable places where we are able to access the amenities and services we need;

- 12 We value and enjoy our built and natural environment and enhance it for future generations;
- 13 We take pride in a strong, fair and inclusive national identity

Vibrant, Dynamic and Forward Looking emphasises the fact that the future prosperity of our city depends on ensuring that Aberdeen becomes an even more attractive place in which to do business and so ensure that high quality employment opportunities exist for citizens.

It then goes on to highlight how this aim will be achieved by continuing to promote Aberdeen as the Energy capital of Europe and seek to lead in the field of renewable energy.

The AECC is a key element of the business infrastructure needed to promote Aberdeen as the Energy capital of Europe. Therefore the provision of continued support to maintain this asset, and enable it to develop and do an even better job, is essential.

The AECC is also, however, located on a site that has the potential to realize greater value to the Council by pursuing a sensible long-term development plan, in partnership with developers and investors that have the skills and expertise to do this in a cost-effective manner.

No Equality Impact Assessment has been carried out in connection with this paper.

7. BACKGROUND PAPERS

Committee Paper EPI/10/062
Committee Paper EPI/10/220
Committee Paper EPI/10/253
Committee Paper EPI/10/264

9. REPORT AUTHOR DETAILS

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