

**ALEO GOVERNANCE HUB
ABERDEEN EXHIBITION AND CONFERENCE CENTRE (AECC) LTD**

ABERDEEN, 9 May 2016. Minute of Meeting of the ALEO GOVERNANCE HUB. Present:- Roderick MacBeath (Democratic Services), Chairperson; and Mary Agnew (Human Resources and Customer Service), Neil Buck (IT and Transformation), Jeff Capstick (Human Resources and Customer Service), Paul Dixon (Finance), Joan McCluskey (Commercial and Procurement Services) and Scott Ramsay (Economic Development); and Graeme Cumming (interim Managing Director/Finance Director (AECC Ltd)).

Also in attendance: Iain Robertson (Clerk), Steven Inglis (Legal Services) and Mark Johnstone (Audit Scotland).

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
1.	Chair's Opening Remarks	N/A	<p>The Chair opened the meeting and explained that meetings of the Governance Hub would now be held on a quarterly basis and the Clerk advised that the Council was currently undertaking a review of its governance documents, procedures and arrangements and as part of this review all stakeholders in the ALEO governance process would be invited to take part in a 360 survey to provide their feedback on the current arrangements for ALEO governance and how these could be strengthened to provide greater assurance to the Council and enhance future engagement with ALEOs.</p> <p>Graeme Cumming (interim Managing Director/Finance Director, AECC) informed the Hub that an Aberdeen ALEO forum had been established to discuss best practice and explore areas where</p>	<p><u>The Hub resolved:-</u></p> <p>(i) to note the information provided; and</p> <p>(ii) to request that an update on the development of the Aberdeen ALEO forum be provided to the Hub at its next meeting on 15 August 2016.</p>	N/A

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			collaboration was possible between the ALEOs. The Chair welcomed this initiative and requested that an update be provided to the Hub's next meeting on the forum's development and if any areas of shared concern had been identified.		
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2.	Internal Audit Report on ALEO Governance	Internal Audit Report on ALEO Governance dated February 2016	<p>The Chair advised that the purpose of the report was to review the governance arrangements in place between the Council and its ALEOs, including the determination of sources of assurance with regards to risk management, internal controls, staff and information governance. The Chair then summarised the report and outlined what progress the Council had made with regard to the report's recommendations.</p> <p>The Chair referred to the report's recommendation that all material ALEO SLAs should contain a requirement for an independent internal auditing system and he asked if AECC had plans to introduce an internal audit function. Graeme Cumming advised that although they hadn't commissioned an external organisation to provide an internal auditing service they had an internal mechanism in place that performed this function.</p>	<p><u>The Hub resolved:-</u></p> <ul style="list-style-type: none"> (i) to note the report; (ii) to note the information provided; and (iii) to request an update on AECC's internal auditing arrangements at the Hub's next meeting on 15 August 2016. 	R MacBeath
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3.	Local Government and Regeneration Committee Report on ALEO Governance	Scottish Parliament Local Government and Regeneration Committee Report on ALEO Governance dated March 2016	<p>The Chair advised that the purpose of the report had been to examine if ALEOs were the most efficient and cost effective way of delivering public services or a way to shift accountability for the delivery of public services. He added that the report focussed on the role of ALEOs in the delivery of public services; the Local Authority governance arrangements for ALEOs; and the accountability of ALEOs to Local Authorities and the communities they provide services to. Arising from the issues raised in the report, the Chair asked a number of questions.</p> <p>The Chair asked what AECC's approach to branding was and if they found that there was still a perception amongst service users that AECC was run by the Council. Graeme Cumming advised that there was still a lingering perception that the Exhibition Centre was managed by the Council and he explained that public and press misunderstanding of their autonomy and purpose made it difficult for them to highlight good news stories. He added that their marketing strategy focussed on the promotion of featured artists and performers and the economic benefit they brought to the city.</p> <p>The Chair noted that the Committee had highlighted ALEOs use of zero hours</p>	<p><u>The Hub resolved:-</u></p> <p>(i) to note the report; and (ii) to note the information provided.</p>	R MacBeath
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			<p>contracts which Jeff Capstick (HR Manager, ACC) defined as contractual conditions which placed restrictions on staff working elsewhere and that also reduced their ability to refuse shifts when offered. The Chair asked how many AECC employees were on zero hour contracts. Mr Cummings advised that AECC employed staff under seasonal contracts and no staff were employed under zero hours contracts. He added that AECC paid all staff regardless of age the UK Living Wage of £7.20 per hour.</p> <p>The Chair enquired if AECC had a role in the community planning process. Mr Cummings informed the Hub that they had no input into community planning but would welcome greater involvement in this process.</p> <p>The Chair referred to paragraph 35 of the report and informed the Hub of the Committee's concern that ALEOs were not as accountable to the public as Local Authorities and that the public sector landscape was becoming increasingly cluttered and bureaucratic and they highlighted that ALEO arrangements should be aligned with the Scottish Government's public service reform agenda. Mr Cumming replied that AECC's ALEO status increased their flexibility to</p>		
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			<p>take advantage of opportunities that would not have been available to the Council but he noted that this benefit had slowly been eroding over the past decade as they had to comply with increasing levels of regulation.</p> <p>Neil Buck (Risk Manager, ACC) asked if AECC benchmarked their performance against other exhibition centres. Mr Cumming explained that they benchmarked performance for concerts on indicators such as average spend per head and security information, however benchmarking was more restricted for conferencing but they did compare sales figures and marketing strategies.</p> <p>The Chair asked about the benefits of having Councillors as AECC Board members. Mr Cumming responded that this benefit was diminishing as current developments had lead Councillors to declare interests more frequently.</p> <p>The Chair advised that the Community Empowerment Act included provisions to ensure the greater involvement of local communities in the shaping and delivery of public services and asked if the AECC Board had discussed the impact of the Act. Mr Cumming advised that the Board was aware of the Act and they understood</p>		
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APPENDIX 2

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			its significance particularly with regards to the new venue as it would provide better public space and would be more accessible than the existing facility so community buy in would be essential. He added that enhanced community engagement would raise their profile and increase public understanding of the services they provided.		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
4.	Minute of previous meeting – 8 December 2015	ALEO Governance Hub minute from 8 December 2015	The Chair advised that all actions noted in the minute had been recorded in the attached Improvement Plan.	<u>The Hub resolved:-</u> to approve the minute as a correct record.	I Robertson
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
5.	Improvement Plan	AECC Improvement Plan as at 9 May 2016	With reference to item 1 (Risk Register) Neil Buck noted that the risk of high staff turnover had received a high risk rating and he asked why this was the case. Graeme Cumming advised that higher staff turnover was anticipated due to the uncertainty of the procurement process; the 25% reduction in their budget from the previous financial year; and the slowdown in business related to the downturn in the oil and gas sector and the high risk rating was reflective of this. Mr Cumming explained that the updated risk register had been presented to the AECC Board on 5 May 2016 and highlighted that the impact on the business of the downturn in the oil and gas sector had been reflected	(i) to note the Improvement Plan; (ii) to note the information provided; (iii) to request that AECC's 2016-17 Business Plan be presented to the Hub at its next meeting on 15 August 2016; and (iv) to request that AECC contact the Council's Commercial and Procurement Services team to discuss their compliance with the	I Robertson

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			<p>in the register with a higher risk rating. He also noted that the Board had instructed senior managers to review the risks related to the tendering process and to report back to the Board;</p> <p>With reference to item 2 (Commercial Compliance) Joan McCluskey (Corporate Procurement Manager, ACC) informed the Hub that she had met with Graeme Cumming to discuss AECC's compliance with the Procurement Reform Act and she noted that they had developed a Contracts Register and enquired if this had been published. Mr Cumming advised that the Contracts Register had not been published but they would endeavour to do so by the end of May 2016.</p> <p>Ms McCluskey highlighted that other provisions of the Act included regulated procurements; the sustainability of the supply chain and the promotion of the Scottish Living Wage and she asked if AECC had made progress in their compliance with these provisions. Mr Cumming informed the Hub that in terms of sustainability they were the only Scottish venue with an ISO 20121 sustainability accreditation in the events management industry and this had been embedded into the organisation and their supply chain. He explained that AECC</p>	<p>regulated procurements, fair working practices and commercial sustainability provisions of the Procurement Reform Act.</p>	
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			<p>already paid the UK National Living Wage to all their staff including under 25s and the introduction of this as a statutory requirement in April 2016 had minimal impact on the business. And in terms of inclusion, he explained that AECC had developed strong ties with the city's universities and schools and they had collaborated with partners to build pathways to help support excluded groups into the workforce. Ms McCluskey added that she would be happy to meet with representatives from AECC to provide further advice and guidance on the new legislation. Mr Cumming welcomed this continued offer of support.</p> <p>With reference to item 3 (Financial Procedures) Graeme Cumming advised that the 2016-17 Business Plan had been approved by the Board on 9 March 2016 and could be submitted to the Hub's next meeting;</p> <p>With reference to item 4 (tendering arrangements) Mr Cumming advised that the AECC Board had created a tender sub group which would focus exclusively on the tendering process and report back to the Board but he added that he was restricted in the level of information he could provide to the Hub due to the confidentiality requirements of the</p>		
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			tendering process.		
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6.	AECC Annual Budget 2016-17	Executive Summary of the AECC Annual Budget 2016-17 submitted to AECC Board on 9 March 2016	<p>Paul Dixon (Accounting Manager, ACC) asked Graeme Cumming to provide an update on AECC's financial position at Year End. Mr Cumming advised that they had recorded a loss and significant cost had been related to the procurement process for the new venue. He added that the oil and gas downturn had adversely impacted on trading, with the most acute impact being recorded in the conferencing sector.</p> <p>Mr Dixon asked Mr Cummings to provide his financial assumptions for 2016-17. Mr Cummings informed the Hub that he anticipated that AECC would record a loss and their reserves would continue to be in a negative position. He highlighted that it was difficult to make an accurate forecast before the summer period as this was historically when business was at its lowest.</p> <p>Mr Dixon enquired if he was concerned about AECC's reduction in funding and negative reserves. Mr Cummings explained that he would have liked to have cumulated greater reserves but this had not been possible due to a reduction in funding; a decline in trade volumes; and</p>	<p><u>The Hub resolved:-</u></p> <p>(i) to note the report;</p> <p>(ii) to note the information provided; and</p> <p>(iii) to request an update on AECC's negative reserves position at the Hub's next meeting on 15 August 2016.</p>	P Dixon

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			<p>the absence of Offshore Europe in September 2016 which would detrimentally affect their financial position. He added that it was incumbent on AECC to develop other trading opportunities to meet this shortfall as he was unwilling to further cut into their existing infrastructure.</p> <p>Mr Dixon asked when their negative reserves would become unsustainable. Mr Cumming advised that under the existing contract, fundamental change would be required after one year of negative reserves. This would manifest itself in reductions in headcount and the level of service provision. He explained that they were currently developing a viable business model to give themselves the best possible opportunity to be awarded the contract to operate the new Exhibition Centre for the next twelve years and they aimed to submit their revised Business Plan to the Council within the next three months.</p> <p>Mr Dixon asked if AECC's financial procedures had been reviewed by the Board in the previous year. Mr Cummings explained that the review had been superseded by the procurement process but advised that it would be worthwhile to review these procedures during their compliance period in July and August</p>		
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			2016.		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
7.	AECC Service Level Agreement	Service Level Agreement between ACC and AECC dated 5 April 2016	<p>Scott Ramsay (Senior Project Officer, ACC) advised the Hub that AECC's SLA with the Council had been updated and explained that it had been developed during the procurement process and would be effective through the transition period until the preferred operator for the new venue had been confirmed. Mr Ramsay highlighted that KPIs had been added which covered services AECC provided and the sectors they were involved with such as sports; conferencing and concerts. He informed the Hub that the revised SLA was more robust and required AECC to do more than simply deliver services to budget and he noted that the promotion of the venue would be a key priority in which the Council would invest an additional £170,000 to support AECC in this regard. Mr Ramsay explained that the SLA would expire on 1 April 2017 and if AECC Ltd had been successful in their bid to be the operator of the new venue then they would be awarded a new twelve year contract as operators of both the existing and new venues; but if they were unsuccessful in their bid then the existing ALEO would be wound up.</p> <p>The Chair asked Mr Cummings how</p>	<p><u>The Hub resolved:-</u></p> <p>(i) to note the SLA;</p> <p>(ii) to note the information provided; and</p> <p>(iii) to request an update on the projected opening date for the new Exhibition Centre at the Hub's next meeting on 15 August 2016.</p>	S Ramsay

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			<p>concerned he was that the new venue would not be delivered on schedule. Graeme Cumming advised that they had been working to a delivery date of April/May 2019 and would take bookings for the new venue from 2020-21. He added that it was important to provide customers with clarity and stability to instil confidence but this was a challenge as the venue operator did not have control over the opening date and he noted that this was the responsibility of the Council and its contractors. Mr Cummings explained that they had only taken bookings up to May 2019 that could be accommodated inside the existing facility in case the new venue was not ready. However he advised that a significant number of customers had been hesitant to book with them as they wanted to assess the construction progress of the new facility before committing and this approach was particularly prevalent in the conferencing sector. He stated that this was not a significant issue for entertainment promoters who tended to book venues at shorter notice.</p> <p>Mary Agnew (Health, Safety and Wellbeing Manager, ACC) asked when the April/May 2019 opening date for the new venue had been set and if this had been verified by the Council. Graeme Cumming</p>		
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			<p>advised that their bid to be the operators of the new venue had been based on this delivery date and he explained that he had written to the Council's Commercial and Procurement Services team to request an official commitment but he had not yet received this confirmation. Scott Ramsay informed the Hub that that he had been receiving weekly updates from the contractor on construction timeframes and projected opening dates and these were reported to the Programme Board. He highlighted that the Council was currently in negotiations with the contractor on a fixed term contract and anticipated that this would be finalised soon. Mr Ramsay cautioned that it was challenging to commit to a delivery date early in the process as there were risks out of their control and he highlighted that the Glasgow Hydro had been delayed by two months due to a fire risk. The Chair explained that the Council's Corporate Management Team was due to review the Corporate Risk Register and Neil Buck advised that the new Exhibition Centre not being delivered on schedule was a corporate risk, not a service level risk and should be added to the corporate register.</p> <p>Mary Agnew referred to the health and safety KPIs in the revised SLA and enquired if the level of funding allocated to</p>		
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			<p>health and safety training had been cut. Mr Cumming advised that the budget for health and safety training had not been reduced from the previous financial year.</p> <p>Jeff Capstick asked how they had been maintaining staff morale throughout the procurement process. Mr Cummings explained that they had a workforce planning policy in place and he noted that despite the uncertainty, turnover had been lower than initially thought due to the weakening labour market in Aberdeen.</p>		
	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
8.	Estate Management	License to Occupy between ACC and AECC dated 20 January 2016	<p>The Chair advised that responsibility for repairs and maintenance had been identified by Hub members as an area of concern for the Council as there was a lack of consistency across ALEO leases on areas of responsibility between the parties. He asked Mr Cumming which party had responsibility for the Exhibition Centre's repairs and maintenance. Mr Cumming advised that it was his interpretation that the Council was responsible for ensuring that the facility was wind and watertight and the AECC had responsibility for everything else. He highlighted that upgrading the existing facility was not a priority as it would only be in operation for another three years but noted that greater clarity would be needed</p>	<p><u>The Hub resolved:-</u></p> <p>(i) to note the License; and</p> <p>(ii) to note the information provided.</p>	S Ramsay

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			<p>on the capital replacement cycle and the maintenance roles and responsibilities for the new Exhibition Centre.</p> <p>Mary Agnew enquired if the lease agreement had identified areas where the Council and AECC had joint responsibility for maintenance. Mr Cumming informed the Hub that the repair and maintenance of the Exhibition Centre's heating system would be one such area.</p>		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
9.	The Chair's Closing Remarks	N/A	The Chair thanked Mr Cumming for his attendance and contribution and the Clerk advised that the minutes from today's meeting would be submitted to the Council's Audit, Risk and Scrutiny Committee on 27 June 2016 and thereafter to the Communities, Housing and Infrastructure Committee on 25 August 2016. The Chair then brought the meeting to a close.	<u>The Hub resolved:-</u> to note the information provided.	N/A

If you require further information about this minute, please contact Iain Robertson tel. 01224 522869 or email iairobertson@aberdeencity.gov.uk