

**ALEO GOVERNANCE HUB
ABERDEEN PERFORMING ARTS**

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ABERDEEN, 10 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), Paul Dixon (Finance), Joan McCluskey (Commercial and Procurement Services) and Lesley Thomson (Education Service); and Lynn MacFarlan, Director of Finance and Jane Spiers, Chief Executive (Aberdeen Performing Arts (APA)).

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

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
1.	Chair's Opening Remarks	N/A	The Chair opened the meeting and welcomed representatives from Aberdeen Performing Arts (APA) and advised that the Governance Hub had commenced in June 2015 but had limited its scrutiny to the four tier 1 ALEOs but from this cycle onwards the Hub would expand its remit to include the three tier 2 ALEOs. He explained that the purpose of the Governance Hub was to put in place quarterly reporting arrangements in which each ALEO's performance would be scrutinised in areas of financial performance; service performance; the management of risk and contractual compliance in order to provide assurance to the Council.	<u>The Hub resolved:-</u> to note the information provided.	N/A
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
2.	Internal Audit Report on ALEO Governance	Internal Audit Report on ALEO Governance dated February 2016	The Chair advised that the purpose of the report was to review the governance arrangements in place between the	<u>The Hub resolved:-</u> (i) to note the report; and	R MacBeath

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			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.	(ii) to note the information provided.	
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
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 noted that the committee had highlighted ALEOs use of zero hours contracts and he asked if APA employed any staff under zero hour contracts. Jane Spiers advised that APA employed staff under casual contracts in which there was no obligation for staff to work shifts and employees were not restricted in their employment with APA and were free to</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>work elsewhere. She added that most staff were students and had second jobs. At this point Jeff Capstick (HR Manager, ACC) confirmed that these were casual contracts and not zero hour contracts.</p> <p>The Chair explained that the committee had noted in its report that it would be a derogation of duty by Local Authorities if staff which had transferred across to the ALEO were on less beneficial terms and conditions than they had been previously or in comparison to their counterparts employed directly by the Council.</p> <p>Ms Spiers explained that APA had been established as a company limited by guarantee which was regulated by OSCR and they viewed themselves to be autonomous of the Council and as a result it was the responsibility of the APA Board to set their pay and conditions.</p> <p>The Chair asked what areas were covered in APA's induction training for new Board members. Ms Spiers advised that members were trained on the governance, operation and scrutiny of an arts organisation and on issues such as the code of conduct and declaration of interests.</p> <p>The Chair enquired if APA had a role in the community planning process. Ms Spiers advised that under the Single Outcome Agreement they were</p>		
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			<p>represented in the community planning process on the Culture Network, and they were also the lead partner for the Youth Arts Collective North East. Ms Spiers had also been directly involved in the development of the cultural strategy for the city.</p> <p>The Chair asked what APA's approach to branding was and if they found that there was still a perception that APA was a Council service. Ms Spiers informed the Hub that their marketing strategy had been successful and the public had begun to view them as an independent and entrepreneurial organisation but it took a significant period of time for perceptions to change.</p> <p>The Chair asked if APA benchmarked against other similar organisations. Ms Spiers confirmed that they benchmarked against other cultural organisations as a regularly funded portfolio client of Creative Scotland and as members of organisations such as the Federation of Scottish Theatres and the UK Touring Partnership. She advised that APA expected and welcomed scrutiny and they were happy to engage with partners in this regard.</p>		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
4.	Risk Mitigation and Management	(a) Business Plan 2015-16 – 2022-23; and	Neil Buck (Performance and Risk Manager, ACC) introduced the Risk	<u>The Hub resolved:-</u> (i) to note the reports;	N Buck

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		<p>(b) Risk Register as at May 2015.</p> <p>Mitigation and Management section and outlined the criteria he expected to be met. He explained that the scrutiny of each ALEO would be high level and that the Hub sought a level of assurance that ALEOs had the proper systems and processes in place and were effectively managing and mitigating their own risks and the risks to the Council.</p> <p>Mr Buck asked if APA was intending to develop business continuity arrangements. Jane Spiers explained that this was a work in progress. To date, a statement of intent and a suite of documents which covered ICT and business systems had been completed. She explained that Board and Senior Management Team development days had been planned during 2016 to ensure the input of Board members to complete the exercise with the assistance of an external facilitator. Mr Buck advised that it would be helpful if an update on the development on business continuity planning could be provided to the Hub at its next meeting.</p> <p>Mr Buck noted that APA maintained a Risk Register and enquired if they had developed a broader Risk Management Strategy which outlined their risk appetite. Ms Spiers informed the Hub that they had not developed an overarching narrative on their tolerance of risk but would consider doing so. She explained that their existing</p>	<p>(ii) to note the information provided;</p> <p>(iii) to request an update on the development of business continuity planning at the Hub's next meeting on 22 August 2016; and</p> <p>(iv) to request further information on APA's internal audit arrangements at the Hub's next meeting on 22 August 2016.</p>	
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			<p>procedure in relation to risk appetite was to produce option appraisals for all major projects and then to score the identified risks. Lynn MacFarlan (Director of Finance, APA) added that the corporate risk register was reviewed by their Finance sub committee on a quarterly basis and by the Board twice a year.</p> <p>The Chair asked if there was a separate risk register for recording risks related to the refurbishment of the Music Hall. Ms Spiers confirmed that this was the case and was a requirement of the various funding partners and added that a project execution plan had been developed and that a Music Hall Strategic Board had been put in place to oversee the project which met every six weeks. The Council was represented on the Strategic Board by the Head of Policy, Performance and Resources in Education and Children's Services.</p> <p>Mr Buck enquired if APA had an impartial internal audit function in place. Ms MacFarlan highlighted that they had previously commissioned an external body to provide their internal audit function but this service was currently being delivered in-house. She added that their financial and risk reports were reviewed regularly and their external auditors tended to assign APA a clean audit report. Ms Spiers added that external consultants</p>		
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			were used regularly to review business areas with the aim of achieving continuous improvement. Mr Buck advised that it would be useful if APA could provide further information on their internal auditing arrangements at the next Hub meeting.		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
6.	Financial and Commercial Compliance	(a) Financial Procedures; and (b) Consolidated Accounts as at 31 March 2015.	<p>Paul Dixon (Accounting Manager, ACC) noted that it was APA's policy to maintain a minimum of £100,000 in financial reserves and he asked if it was a concern that the reserves currently stood at £18,000. Lynn MacFarlan advised that their reserves position had deteriorated due to the introduction of the National Living Wage in April 2016; the reduction in core funding; and the closure and refurbishment of the Music Hall, in which £1.25million of reserves had been invested but confirmed that reserves for 2015-16 would be above the £100,000 threshold. Jane Spiers added that the financial climate had been challenging but they had generated income from different sources to mitigate the impact and they had hired external consultants to maximise their food and beverage revenues.</p> <p>Mr Dixon asked how often their financial procedures were reviewed by the Board. Ms Spiers informed the Hub that their financial procedures were reviewed by the</p>	<p><u>The Hub resolved:-</u></p> <p>(i) to note the reports; (ii) to note the information provided; (iii) to request a recent example of an APA Board report which demonstrated how financial implications were presented to the Board; (iv) to request that APA meet with the Council's Commercial and Procurement Services Team to receive guidance and support on the development of robust procurement procedures to satisfy regulations and reporting arrangements set out in the Procurement</p>	P Dixon/J McCluskey

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			<p>Board every two years.</p> <p>Mr Dixon enquired if APA's Board Report Template included a requirement for authors to record the financial implications of their report. Ms Spiers explained that financial risks were embedded in the report process and no report would be submitted to the Board without this issue being reviewed by senior managers. She advised that APA did not use the Council's templates and she was satisfied that their reporting arrangements were robust and appropriate. She highlighted that all financial implications were captured in the minutes of Board meetings and they reviewed their reporting arrangements on a regular basis. She added that financial matters were considered by APA's Finance, Audit and Property Sub Committee which met four times a year and reported to the APA Board.</p> <p>Mr Dixon enquired if external audit recommendations were presented to the Board. Lynn MacFarlan confirmed that external audit recommendations were submitted to the Board and noted that APA had no outstanding audit recommendations to action. She also noted that APA's Finance Manager was seconded from the Council and that this arrangement had worked well.</p> <p>Joan McCluskey (Corporate and</p>	<p>(v) Reform (Scotland) Act (2014); and to request Joan McCluskey to clarify if APA were required to record the number and value of artists and shows booked by them on their contracts register.</p>	
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			<p>Procurement Manager, ACC) advised that how public money was spent was very important and subject to changing legislation and regulations from the Scottish Government and the European Union and it was essential that procurement procedures were in line with legislation. Ms McCluskey informed the Hub that the Procurement Reform Act came into effect on 17 April 2016 and mandated that all contracts for goods and services that exceeded £50,000 over the course of its lifetime needed to be tendered and that public bodies were required to maintain and publish a Contracts Register. Jane Spiers advised that they aimed to be as transparent as possible and that they had financial procedures in place for tendering approved by the APA Board. Ms McCluskey advised that she would find out if APA would be required to record their bookings of artists and shows on their contracts register and correspond with them outside the meeting.</p> <p>Ms McCluskey added that the Act also included fair working practices and commercial sustainability provisions; and there was an expectation on public bodies to pay their staff the Scottish Living Wage and encourage their contractors to do likewise. Ms Spiers informed the Hub that they would update their financial procedures to comply with the legislation</p>		
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			but noted that it would be challenging to pay staff the Scottish Living Wage as Council funding had been reduced by £200,000 over the previous five financial years while the services provided had expanded. She explained that further austerity measures in addition to requirements to meet the Scottish Living Wage may require the renegotiation of their Service Level Agreement. She added that there was a package of employee benefits in place.		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
7.	Decision Making	(a) Guide to Governance and APA Board; and (b) Board Report Template.	<p>The Chair (Senior Democratic Services Manager) spoke to the Decision Making section and enquired if APA provided training to Board members on registering and declaring interests. Lynne MacFarlan advised that they did provide training for the Board on members' interests and the register was updated on a regular basis. She highlighted that declaration of interests was always the first item on the Board's agenda.</p> <p>The Chair asked how APA recruited Board members and if they had co-opted members onto their Board in the past. Ms Spiers informed the Hub that they evaluated the skills profile of their Board and conducted a gap analysis to identify areas of strength and weakness against the priorities outlined in their business</p>	<p><u>The Hub resolved:-</u></p> <p>(i) to note the reports; (ii) to note the information provided; and (iii) to request that a meeting be arranged between the Chair and Lesley Thomson to discuss APA's Board Report Template to ensure that appropriate requirements were covered.</p>	R MacBeath

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			<p>plan. All positions were advertised in the public domain and candidates with the desired skillset would be invited to interview for the post. Ms Spiers explained that recent practice had been to co-opt former members onto their sub committees for up to two years in order to retain their skills and institutional knowledge.</p> <p>The Chair asked if APA welcomed the contribution of Councillors on their Board. Ms Spiers advised that Councillors were an integral link between APA and the Council although they all appreciated that they were APA Board members first and foremost rather than Councillors in this role. She highlighted that Councillors were busy people and some Councillors did not manage to make all Board meetings.</p> <p>The Chair enquired if any Council officer attended APA Board meetings and in what capacity. Ms Spiers confirmed that Lesley Thomson attended Board meetings and she regularly addressed and advised the Board.</p> <p>The Chair asked if APA had developed a checklist for their Board report template which ensured that report authors would be aware of the financial, equalities and communication implications of their proposals when reporting to the Board. Ms Spiers advised that they submitted both</p>		
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			formal and informal written reports to the Board and highlighted that the Board appreciated the detail contained in the quarterly Creating A Spark Board Report compiled by the Senior Management Team in addition to the Board papers received. The Chair suggested that he would meet with their Service Lead, Lesley Thomson outside of the meeting to ensure that appropriate requirements were being covered in APA's Board reports.		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
8.	HR Compliance and Best Practice	(a) Capability and Competency Review dated 31 May 2015; (b) Sickness Absence Procedure dated 31 July 2015; (c) Disciplinary Procedures dated 31 May 2015; (d) Staff and Stakeholder Engagement Plan; (e) Health and Safety Policy and Procedures dated 31 May 2015; and (f) Health and Safety Maintenance Schedule as at June 2014.	<p>Jeff Capstick asked how APA met their equal pay obligations. Jane Spiers advised that they had a job evaluation scheme in place, with a bespoke system and pay structure in place. She added that a full time Organisational Development Manager was in post and it was his responsibility to review their equal pay obligations on a regular basis.</p> <p>Mr Capstick noted that APA should provide a definition in their documentation of what would constitute a long term staff absence and he enquired what the sickness absence rate was at APA. Ms Spiers explained that their sickness rate was reported to their Organisational Development sub committee and advised that it was not a significant issue. Mr Capstick referred to the attached Staff and Stakeholder Engagement Plan and</p>	<p><u>The Hub resolved:-</u></p> (i) to note the reports; (ii) to note the information provided; (iii) to request that a meeting be arranged between Jeff Capstick and APA's Organisational Development Manager to discuss APA's equal pay obligations; (iv) to request that APA's Sickness Absence Procedure be revised to include a definition of long term staff absence; (v) to request that APA's workforce/succession	J Capstick/M Agnew

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			<p>noted that it was very impressive and asked how they kept their staff and partners happy and motivated. Ms Spiers advised that they held regular staff meetings, including themed cross departmental working groups; they facilitated workshops which supported the development of their vision and a bottom-up approach to the operation of the business; they conducted staff opinion surveys every two or three years; they ensured that managers were visible and approachable; and they were also externally validated in order to maintain rigorous customer service standards.</p> <p>Mr Capstick enquired if they had developed a policy on workforce and succession planning. Ms Spiers informed the Hub that SMT had drafted a policy which would be submitted for the Board's approval at its next meeting.</p> <p>Mary Agnew (Health, Safety and Wellbeing Manager, ACC) asked how APA provided their health and safety training. Ms Spiers advised that they had a Health and Safety Policy and Action Plan in place and a Health and Safety Working Group which met six times a year and health and safety was a standing agenda item on the agenda for the Organisational Development Sub Committee. She added that risk assessments were conducted for every show. Ms Agnew noted that their</p>	<p>(vi) planning policy be presented to the Hub at its next meeting on 22 August 2016;</p> <p>(vii) to request that the number of staff who had received COSHH training be added to APA's Health and Safety Policy;</p> <p>(viii) to request that APA's Annual Health and Safety Report; Health and Safety Action Plan; and the most recent minutes from the Organisational Development meeting be provided to the Hub at its next meeting on 22 August 2016; and</p> <p>(viii) to request that a meeting be arranged between Mary Agnew and APA's Organisational Development Manager to discuss APA's Health and Safety Maintenance Schedule.</p>	
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			<p>Health and Safety Policy had omitted the number of staff who had received Control of Substances Hazardous to Health (COSHH) training and advised that this should be inserted into the policy.</p> <p>Ms Agnew referred to the attached Health and Safety Maintenance Schedule and asked how health and safety actions were closed. Ms Spiers advised that accidents, incidents and near misses were all recorded and their implications were reported to the Organisational Development subcommittee on a quarterly basis. She added that health and safety matters could also be escalated to the Board for decision if required.</p>		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
9.	Operational Performance	<p>(a) Funding and Service Provision Agreement between Aberdeen City Council and Aberdeen Performing Arts; and</p> <p>(b) Memorandum and Articles of Association dated 8 September 2008.</p>	<p>Lesley Thomson (Cultural Policy and Partnership Manager, ACC) referred to the attached Funding and Service Provision Agreement and advised that this needed to be updated as it did not reflect the reduced level of funding that APA now received from the Council, and that this was an outstanding recommendation from a February 2014 internal audit report. Ms Thomson informed the Hub that APA had contributed to a new Aberdeen City cultural action plan which would be submitted to the Council's Education and Children's Services Committee later in 2016 and this would include new</p>	<p><u>The Hub resolved:-</u></p> <p>(i) to note the reports; and</p> <p>(ii) to note the information provided.</p>	L Thomson

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			<p>performance indicators and outcomes which should be included in the revised Service Provision Agreement. Ms Thomson highlighted that Creative Scotland had developed a pilot peer review which would evaluate quality of artistic output across the arts sector and noted that APA would participate in this peer review as part of the Creative Scotland compliance arrangements.</p> <p>Ms Thomson asked if APA had been impacted by the downturn in the oil and gas industry. Jane Spiers confirmed that they were concerned about the potential detrimental impact on business. She explained that the success of the business depended on disposable income and if there was less disposable income it would likely impact on business. They were reviewing their marketing strategy in light of change.</p> <p>The Chair asked if APA's Service Provision Agreement had been scheduled for review. Ms Thomson explained that Internal Audit had recommended that this review be carried out by June 2017. The Chair advised that a number of service level agreements would be reviewed over the next few months and the June 2017 timeframe may be challenging due to staff shortages in Commercial and Procurement Services.</p>		
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10.	Closing Remarks	N/A	<p>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. He added that the minutes from today's meeting would be submitted to the Audit, Risk and Scrutiny Committee on 27 June 2016 and to the Education and Children's Services Committee on 8 September 2016.</p> <p>The Chair thanked the Aberdeen Performing Arts representatives for their attendance and contributions and brought the meeting to a close.</p>	<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