

**ALEO GOVERNANCE HUB
ABERDEEN EXHIBITION AND CONFERENCE CENTRE LTD
15 AUGUST 2016**

APPENDIX 3

ABERDEEN, 16 August 2016. Minute of Meeting of the ALEO GOVERNANCE HUB. Present:- Roderick MacBeath (Democratic Services), Chairperson; and Mary Agnew (Health, Safety and Wellbeing), Neil Buck (CG Business Team), Jeff Capstick and Keith Tennent (Human Resources and Customer Service), Paul Dixon (Finance) and Scott Ramsay (Economic Development); and Graeme Cumming, interim Managing Director/Finance Director (Aberdeen Exhibition and Conference Centre Ltd (AECC)).

Also in attendance: Iain Robertson (Clerk), Mark Johnstone (Audit Scotland) and Hilary Merrett (Good Governance Institute).

Apologies: Joan McCluskey (Commercial and Procurement Services).

No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
1.	Chair's Opening Remarks	N/A	The Chair (Democratic services) opened the meeting and welcomed Graeme Cumming (interim Managing Director/Finance Director, AECC). He then introduced Hilary Merrett from the Good Governance Institute (GGI) who would be supporting the Council's review of its approach towards risk management during the ongoing governance review. Ms Merrett advised that this work would touch upon the governance arrangements in place between the Council and its ALEOs.	<u>The Hub resolved:-</u> to note the information provided.	N/A
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
2.	External Audit Report	Audit Scotland Report to Audit, Risk and Scrutiny Committee – 27 June 2016.	The Chair advised that the External Audit Annual Report had been presented to the Audit, Risk and Scrutiny Committee on 27 June 2016 and explained that the report focussed on the Council's internal controls. He added that the Council's	<u>The Hub resolved:-</u> (i) to note the report; and (ii) to note the information provided.	R MacBeath

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			<p>relationship with its ALEOs would be subject to a significant degree of scrutiny as five of the report's seven recommendations related to ALEO governance. The Chair informed the Hub that recommendations had been approved by the Audit, Risk and Scrutiny Committee and its recommendations would now be taken forward by officers and noted that this process would be incorporated into the wider governance review. He added that this review would be supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the GGI.</p> <p>The Chair then summarised the report's recommendations:</p> <p>With reference to recommendation 1, the Chair advised that ALEO Service Level Agreements (SLA) would be reviewed by the legal team working with Commercial and Procurement Services but noted that this was a small team and the process would take time to complete;</p> <p>With reference to recommendation 2, the Chair explained that the Hub would begin to undertake more robust scrutiny of service performance in order that clear assurance could be provided to Council committees;</p> <p>With reference to recommendation 3, the</p>		
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			<p>Chair highlighted that the remit of the Hub would be reviewed and that the 360 survey would be incorporated into wider governance review;</p> <p>With reference to recommendation 4, the Chair noted that the Hub would now take a view on the robustness of governance arrangements and service performance to provide further assurance to Council committees; and</p> <p>With reference to recommendation 5, the Chair advised that the Hub would begin to adopt a more proportionate approach to ALEO scrutiny and would have the discretion to determine the frequency of meetings based on the level of assurance provided by each ALEO.</p>		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
3.	Minute of Previous Meeting	Minute of the previous Hub meeting - 9 May 2016.	<p>With reference to item 1(ii) Graeme Cumming advised that the ALEO forum had not met since the previous Hub meeting and explained that all tier 1 ALEOs had met with the Council's Director of Corporate Governance and it was his impression that these meetings would be scheduled on a regular basis and he noted that this engagement had overtaken the ALEO forum process;</p> <p>The Chair noted that all other relevant items and actions had been included in</p>	<p><u>The Hub resolved:-</u></p> <p>(i) to approve the minute as a correct record; and</p> <p>(ii) to note the information provided.</p>	I Robertson

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			today's Improvement Plan.		
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4.	Improvement Plan	AECC's Improvement Plan as at 15 August 2016;	<p>With regards to item 1 (Procurement Reform Act), Graeme Cumming advised that it would be prudent to postpone a meeting with Commercial and Procurement Services until the tender process for the new venue's operator had concluded;</p> <p>With regards to item 2 (Business Plan), Mr Cumming explained that the business plan was being developed by the Finance Department and they had recently recruited a chartered accountant on a fixed term contract to support this process and to undertake a review of their financial procedures. Mr Cummings explained that a revised financial forecast would be presented to the Board on 24 August 2016;</p> <p>With regards to item 3 (Tender Sub-Group), Mr Cumming informed the Hub that the AECC Board had delegated authority to the Tender Sub-Group (TSG) to avoid conflicts of interest with the Board members who were also City Councillors. He explained that the TSG had met regularly with the last meeting held on 6 August 2016 wherein the detailed tender had been approved and submitted to the Council on 8 August 2016.</p>	<p><u>The Hub resolved:-</u></p> <p>(i) to note the Improvement Plan;</p> <p>(ii) to note the information provided;</p> <p>(iii) to request that the Hub be provided with the Financial Report that would be presented to the AECC Board at its meeting on 24 August 2016;</p> <p>(iv) to request that the Hub be provided with AECC's annual audited accounts for 2015-16 and other such reports for areas of the business that had been externally audited; and</p> <p>(v) to note that AECC's tender proposal would be presented to the Finance, Policy and Resources Committee on 20 September 2016 for decision.</p>	I Robertson

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			<p>Mr Cumming noted that AECC awaited a decision on whether it would advance to the next round of the procurement process; and if they were to go through then further TSG meetings would be scheduled to govern this next phase. Scott Ramsay (Economic Development) confirmed that it was still the Council's intention to submit the tender proposals to the Finance, Policy and Resources Committee meeting on 20 September 2016 for decision; and</p> <p>With regards to item 4 (Internal Audit), Mr Cumming advised that AECC had no independent internal audit arrangements in place as they were a small organisation which processed a low number of transactions. He highlighted that Anderson Anderson Brown had conducted an annual audit of their accounts and other external organisations had been commissioned to audit their sustainability and health and safety arrangements. He also noted that they had attained Investors in People accreditation through external validation.</p>		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
5.	Risk Register	AECC's Risk Register as at 4 May 2016.	Neil Buck (CG Business Team) noted that AECC's risk register had identified low staff morale due to the uncertainty of the tendering process as a risk and he asked what measures they had put in place to	<p><u>The Hub resolved:-</u></p> <p>(i) to note the register;</p> <p>(ii) to note the information provided; and</p>	N Buck

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			<p>manage and mitigate this risk. Graeme Cumming advised that senior managers had held town hall briefings with staff and explained that all staff worked out of a single open planned office so they were a close knit team and managers shared as much information as they could to offer reassurance. In addition Mr Cumming cited that staff morale was also impacted by the downturn in the oil and gas industry as partners of staff had been affected by this, as well the recent EU Referendum result as AECC had a small number of permanent staff who were EU nationals and there were a number of others who had EU partners.</p> <p>Mary Agnew (Health, Safety and Wellbeing) enquired if AECC provided any counselling to their staff. Mr Cumming responded that they did not provide counselling but staff had access to support staff if they suffered from stress or depression and he explained they closely monitored sickness rates and absenteeism to determine if trends had been developing and whether staff required further support. He added that the Board would be reviewing these procedures in October 2016. Ms Agnew noted the response and explained that the City Chaplain offered a counselling service and she would be grateful if Mr Cumming could make his staff aware of this service. Mr Cumming</p>	<p>(iii) to request that AECC make staff aware of the City Chaplain's counselling service.</p>	
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			replied that he would be happy to do this.		
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6.	Annual Budget 2016-17	Executive Summary of AECC's Annual Budget 2016-17 from the meeting of the AECC Board on 9 March 2016.	<p>Paul Dixon (Finance) noted that AECC had a deficit this year as well as a negative reserves position and he asked how this position was being managed. Graeme Cumming noted that the accounts were positive given the value of the preference shares on top of the balance sheet. He then advised that cash receipts in the conferencing and entertainment sectors were received significantly in advance of an event and therefore funds could be pulled forward to mitigate the negative reserves position. As an example of this he highlighted that they expected to receive Offshore Europe receipts in January 2017 ahead of the conference in September 2017. Mr Cumming explained that there was no risk of bad debt being accrued as promoters who had not released their payment upfront would not be permitted to use the facilities. He noted their turnover target would not be achieved due to the slowdown in the oil and gas industry which had had a detrimental impact on conferencing and banqueting sectors.</p> <p>Mr Dixon enquired if the Council would be required to meet any potential budgetary shortfall. Mr Cumming informed the Hub that he hadn't considered this as an option</p>	<p><u>The Hub resolved:-</u></p> <p>(i) to note the accounts; and</p> <p>(ii) to note the information provided.</p>	P Dixon

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			but expected 2017 to be a significantly stronger year than 2016, and from 2019 onwards the new venue with its increased capacity and facilities would open up greater opportunities for revenue generation.		
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7.	Service Performance	N/A	<p>Scott Ramsay asked Graeme Cumming for an overview of service performance over the previous quarter. Mr Cumming informed the Hub that business had seen a sharp fall in revenue in comparison to the previous financial year and they were looking at all aspects of their cost base in order to maximise potential revenue. He explained that the sales team had been given greater flexibility to secure events if the option was financially viable in order to generate activity. He highlighted that the banqueting sector was indicative of the drop in activity as the number facilitated by AECC had more than halved in comparison to the previous financial year largely due to the downturn in the oil and gas industry. He also advised that the existing facility required significant investment but recognised that this would not be done as the new venue was due to open in 2019.</p> <p>Mr Ramsay noted that staff morale was low and enquired if AECC had lost staff and what their approach was with regards</p>	<p><u>The Hub resolved:-</u></p> <p>(i) to note the information provided;</p> <p>(ii) to note that senior managers from the Council would be available to speak to AECC staff and address their concerns with regards to the tendering process; and</p> <p>(iii) to request that AECC's Annual Health and Safety Review and Action Plan be provided to the Council's Health, Safety and Wellbeing Manager.</p>	S Ramsay

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			<p>to workforce planning. Mr Cumming advised that to date they had not lost too many staff due to the softness of the general Aberdeen job market but explained that the uncertainty caused by the ongoing tendering process was the primary reason for low morale. He added that difficult workforce decisions lay ahead as it was his view that that an upswing in activity and revenue was unlikely in the short term. He noted that under the Service Level Agreement AECC were required to consult with the Council if a major reduction in headcount was being considered. Mr Ramsay advised that senior managers from the Council would be happy to speak to AECC staff and address the uncertainty and concerns they had about the process.</p> <p>Mary Agnew enquired about the annual health and safety review and Mr Cumming responded that this would be published in the autumn. Ms Agnew asked if this could be sent to her, together with any improvement or action plans which would explain how issues were closed out.</p>		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
8.	Closing Remarks	N/A	The Chair thanked Mr Cumming for his attendance and contributions and brought the meeting to a close.	<p><u>The Hub resolved:-</u> To thank Graeme Cumming for his attendance and contributions at today's meeting.</p>	N/A

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

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