

**ALEO GOVERNANCE HUB  
ABERDEEN HEAT AND POWER LTD  
22 AUGUST 2016**

**APPENDIX 8**

ABERDEEN, 22 August 2016. Minute of Meeting of the ALEO GOVERNANCE HUB. Present:- Roderick MacBeath (Democratic Services), Chairperson; and Neil Buck (CG Business Team), Paul Dixon (Finance), Mai Muhammad (Land and Property Assets) and Keith Tennant (HR and Customer Service); and Ian Booth, General Manager and Mike Scott, Board Member (Aberdeen Heat and Power Ltd (AHP)).

Also in attendance: Iain Robertson (Clerk) and Mark Johnstone (Audit Scotland).

Apologies: Mary Agnew (Health, Safety and Wellbeing), Joan McCluskey (Commercial and Procurement Services) and Janice Lyon (Aberdeen Heat and Power Ltd).

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 representatives from Aberdeen Heat and Power (AHP) and explained that the Good Governance Institute (GGI) and Chartered Institute of Public Finance and Accountancy (CIPFA) would be supporting the Council's governance review and would advise on strengthening the governance arrangements between the Council and its ALEOs. The Chair asked if GGI had contacted AHP and Ian Booth (General Manager, AHP) advised that a telephone interview had been scheduled with the GGI for 24 August 2016.	<b><u>The Hub resolved:-</u></b> 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	The Chair advised that the External Audit Annual Report had been presented to the	<b><u>The Hub resolved:-</u></b> (i) to note the report;	R MacBeath

**ALEO GOVERNANCE HUB  
ABERDEEN HEAT AND POWER LTD  
22 AUGUST 2016**

**APPENDIX 8**

		<p>June 2016.</p>	<p>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 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.</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>(ii) and to note the information provided.</p>	
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**ALEO GOVERNANCE HUB  
ABERDEEN HEAT AND POWER LTD  
22 AUGUST 2016**

**APPENDIX 8**

			<p>With reference to recommendation 3, the 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-13 May 2016.	The Chair informed the Hub that all relevant items and actions had been included in today's Improvement Plan.	<p><b><u>The Hub resolved:-</u></b></p> <p>(i) to approve the minute as a correct record; and</p> <p>(ii) to note the information provided.</p>	I Robertson
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
4.	Improvement Plan	<p>(a) AHP's Improvement Plan as at 22 August 2016;</p> <p>(b) Policy and Operations Sub Group Remit;</p>	With reference to item 1 (Business Continuity Plan), the Hub was advised that AHP's Business Continuity Plan had been added to the list of items to be reviewed	<p><b><u>The Hub resolved:-</u></b></p> <p>(i) to note the Improvement Plan;</p> <p>(ii) to note the reports;</p>	I Robertson

**ALEO GOVERNANCE HUB  
ABERDEEN HEAT AND POWER LTD  
22 AUGUST 2016**

**APPENDIX 8**

		<p>(c) Development Sub Group Remit;</p> <p>(d) Changes to Public Procurement Law Regulation – 5 July 2016; and</p> <p>(e) AHP Tendering Procedures – 16 July 2016.</p>	<p>on an annual basis unless there was a change of staff that required a revision to the contact arrangements;</p> <p>With reference to item 2 (Internal Audit Arrangements), the Hub was informed that AHP do not have an independent internal audit service due to the low number of employees but they commissioned external bodies to support their recruitment process and to develop their bad debt procedure;</p> <p>With reference to item 3 (Remit of AHP Sub Groups), the Chair advised the remits had been attached under item 3(a) of today's agenda;</p> <p>With reference to item 4 (Board Report Template), the Hub was advised that AHP had given consideration to adopting a template similar to the Council's and a proposal would be presented to the Policy and Operations Sub Group and the Board in due course;</p> <p>With reference to item 5 (HR Documentation), the Hub was informed that AHP had met with the Council's HR Manager to discuss the modifications that needed to be made to their HR documentation and advised that these changes had been actioned;</p>	<p>(iii) to note the information provided;</p> <p>(iv) to note that the Council's HR Manager would contact Hay's in respect of AHP's Job Evaluation Procedure; and</p> <p>(v) to defer consideration of item 9 (Procurement Reform Act) and item 10 (Procurement Procedures) to the Hub's next meeting on 12 October 2016.</p>	
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**ALEO GOVERNANCE HUB  
ABERDEEN HEAT AND POWER LTD  
22 AUGUST 2016**

**APPENDIX 8**

		<p>With reference to item 6 (Job Evaluation Procedure), Ian Booth confirmed that AHP's Job Evaluation Procedure was based on the Hay process and their HR Consultant advised that the process used was partially commercially sensitive;</p> <p>With reference to item 7 (Health and Safety Meeting), Mr Booth confirmed that AHP had met with a Health and Safety Adviser from the Council to review their documentation and level of compliance;</p> <p>With reference to item 8 (Health and Safety Policy), the Hub was informed that AHP's Health and Safety Procedures for external contractors were being revised and they had received guidance from the Council and Safety Scotland in this regard. Mr Booth explained that health and safety issues were largely resolved through discussions amongst the three members of staff but incidents could be escalated to the Policy and Operations Sub Group for further support and all incidents were recorded until they had been resolved and closed off. He advised that AHP did not formally report their health and safety performance and did not produce an annual health and safety report as issues were largely resolved by management or through the Policy and Operations Sub Group;</p>		
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**ALEO GOVERNANCE HUB  
ABERDEEN HEAT AND POWER LTD  
22 AUGUST 2016**

**APPENDIX 8**

			<p>With reference to item 9 (Procurement Reform Act) and item 10 (Procurement Procedures), the Chair advised that Joan McCluskey (Commercial and Procurement Services) had submitted her apologies for today's meeting and proposed that consideration of these items be deferred until the Hub's next meeting; and</p> <p>With reference to item 11 (AHP Business Plan), the Chair advised that this was attached under item 6 of today's agenda.</p>		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
5.	Risk Register	AHP's Risk Register.	<p>Neil Buck (CG Business Team) highlighted that accidental damage to underground piping had been assigned a moderate risk and noted that they would be required to mark out routes across all areas of soft ground in line with markings for underground district heating water pipes to prevent accidental damage. Mr Buck asked how this information would be displayed. Ian Booth explained they would consult with the Council before outlining any markers and the Chair advised that colleagues in Public Infrastructure and Environment could assist in this matter.</p>	<p><b><u>The Hub resolved:-</u></b></p> <p>(i) to note the register;</p> <p>(ii) to note the information provided;</p> <p>(iii) to request that AHP add the risk of accidental damage to underground district heating water pipes in areas of soft ground to their Risk Register; and</p> <p>(iv) to request that AHP contact the Council's Public Infrastructure and Environment service to discuss marking routes for areas of soft ground to prevent accidental</p>	N Buck

**ALEO GOVERNANCE HUB  
ABERDEEN HEAT AND POWER LTD  
22 AUGUST 2016**

**APPENDIX 8**

				damage to underground district heating water pipes.	
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
6.	Management Trading Accounts	AHP's Management Accounts as at 30 June 2016.	<p>Paul Dixon (Finance) informed the Hub that AHP's Management Accounts were comprehensive and noted that performance was good but not quite as strong as last year. Ian Booth explained that this year's financial performance was impacted by unseasonably warm weather which reduced the level of heating used by consumers. Mike Scott (Board Member, AHP) added that delays to projects coming on stream such as the Tillydrone project had also resulted in a number of variances.</p> <p>Mr Dixon asked if they perceived any threats to the business on the horizon. Mr Scott replied that projects could encounter a number of challenges that were difficult to anticipate and advised that they had been monitoring the downturn in the oil and gas industry very closely. He reported that AHP had secured their gas supply up to 2019 to support the budget setting process as the gas unit price would now be relatively stable.</p> <p>Mr Dixon asked how their management accounts were reported throughout the organisation. Mr Booth explained that the</p>	<p><b><u>The Hub resolved:-</u></b></p> <p>(i) to note the accounts;</p> <p>(ii) to note the information provided; and</p> <p>(iii) to request AHP's 2015-16 audited annual accounts be presented to the Hub's next meeting on 12 October 2016.</p>	P Dixon

**ALEO GOVERNANCE HUB  
ABERDEEN HEAT AND POWER LTD  
22 AUGUST 2016**

**APPENDIX 8**

			accounts were presented to the Policy and Operations Sub Group and to the Board. He informed the Hub that their 2015-16 audited annual accounts had been approved by the Board and they would be forwarded onto to the Council later this week and submitted to the next Governance Hub meeting in October.		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
7.	Business Plan	AHP Business Plan 2015-20.	Mike Scott introduced the Business Plan and stated that the plan represented a good springboard for further development based on sound financial performance over the previous few years. Mr Scott advised that a Board development day had been scheduled for 29 September 2016 to review their five year plan and to provide an opportunity for the Board to discuss strategic challenges such as the downturn in the oil and gas industry and the development of the Altens East Recycling and Waste Management Facility.	<b><u>The Hub resolved:-</u></b> (i) to note the Business Plan; and (ii) to note the information provided.	P Dixon/M Muhammad
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
8.	Service Performance	(i) Agreement Between AHP and ACC – March 2005; (ii) Framework Agreement between AHP and DEAL – December 2013; and (iii) Amendment Agreement between AHP, ACC and	Mai Muhammad (Land and Property Assets, ACC) informed the Hub that she continued to hold bi-monthly meetings with AHP colleagues to receive performance information and project updates; this meeting was also a forum to resolve issues. Ms Muhammad advised that the	<b><u>The Hub resolved:-</u></b> (i) to note the reports; (ii) to note the information provided; (iii) to request information on the number of households alleviated	M Muhammad



**ALEO GOVERNANCE HUB  
ABERDEEN HEAT AND POWER LTD  
22 AUGUST 2016**

**APPENDIX 8**

		DEAL – December 2013.	<p>Council's Energy Team continued to monitor AHP's major projects and connections to the district heating system and would be able to provide data on the number of households alleviated from fuel poverty through AHP installations.</p> <p>The Chair advised that he had received a number of questions from the Council's Director of Communities, Housing and Infrastructure with regards to District Energy Aberdeen Limited (DEAL) which was a subsidiary of AHP, and he had requested that the Governance Hub scrutinise this area of the business. The Chair asked if AHP were TEKAL compliant and Mike Scott replied that Brodies had assured them that they were and they had liaised with the City Council's Legal Service on this matter. The Chair enquired if AHP owned installed assets such as generator systems, pipes and heat exchanges that had been purchased through Council grant and capital funding. Ian Booth confirmed that AHP's position was that they owned these assets, whereas the Council owned fixed assets within the curtilage of the Council buildings that are supplied with heat from AHP.</p> <p>The Chair asked if AHP had taken account of the risks associated with trading as a commercial energy provider. Mr Booth explained they had undergone a legal</p>	(iv) from fuel poverty through AHP installations; and to request an update on AHP's approach to workforce and succession planning.	
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**ALEO GOVERNANCE HUB  
ABERDEEN HEAT AND POWER LTD  
22 AUGUST 2016**

**APPENDIX 8**

			<p>process to set up a separate entity to focus on commercial trading opportunities. He highlighted that DEAL had Directors but no employees, with the exception of a shared accountant and noted that the purpose of DEAL was to act as a retailer to third party customers whilst AHP remained the supplier. Mr Booth added that DEAL feasibility studies were submitted to AHP's Development Sub Group to provide assurance to AHP that the level of risk undertaken was minimal and was being mitigated. He also informed the Hub that DEAL Committee minutes were presented to the AHP Board for scrutiny.</p> <p>Keith Tennant (HR and Customer Service) asked if AHP had developed a workforce or succession plan. Mr Scott advised that AHP only had two full time employees and any aspirations for additional resource were restricted by cost. Mr Booth noted that this issue had been discussed at the Policy and Operations Sub Group and explained he shared as much knowledge with the other staff member as he could to ensure that he could perform the duties of General Manager on a short term basis if required.</p>		
No	Item	Documents Submitted	Assurance Provided	Actions/Decisions	Lead Officer(s)
9.	Closing Remarks	N/A	The Chair thanked the representatives from Aberdeen Heat and Power for their	<b><u>The Hub resolved:-</u></b> To thank the	N/A

**ALEO GOVERNANCE HUB  
ABERDEEN HEAT AND POWER LTD  
22 AUGUST 2016**

**APPENDIX 8**

			attendance and contributions and brought the meeting to a close.	representatives of AHP for their attendance and contributions at today's meeting.	
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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](mailto:iairobertson@aberdeencity.gov.uk)

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