



419th meeting of the Accounts Commission for Scotland
Thursday 10 September 2015, 10.15am
in the offices of Audit Scotland, 18 George Street, Edinburgh

Agenda

1. **Apologies for absence.**
2. **Declarations of interest.**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 9 to 12 in private (* see note).
4. **Minutes of meeting of 13 August 2015.**
5. **Minutes of meeting of Audit Scotland Board, 4 June 2015.**
6. **Update report by the Secretary to the Accounts Commission:** The Commission will consider a report by the Secretary to the Commission on significant recent activity in relation to local government.
7. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit providing an update on his recent activity.
8. **Briefing: Community Empowerment Act:** The Commission will consider a report by the Secretary to the Commission.

The following items are proposed to be considered in private:

9. **Code of Audit Practice:** The Commission will consider a report by the Assistant Auditor General.
10. **Draft Commission engagement plan:** The Commission will consider a report by the Secretary to the Commission.
11. **Briefing: Greater Manchester Combined Authority:** The Commission will receive a briefing from Grant Thornton.
12. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 9 to 12 be considered in private because:

- Item 9 proposes a draft Code of Audit Practice, which the Commission is to consider before publishing.
- Item 10 proposes a draft Commission engagement strategy, which the Commission is to consider before publishing.
- Item 11 involves a briefing which may include discussion on audit issues which have yet to be reported or published in the public domain.
- Item 12 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of meeting of the Commission of 13 August 2015	AC.2015.8.1
Agenda Item 5: Minutes of meeting of the Audit Scotland Board of 4 June 2015	AC.2015.8.2
Agenda Item 6: Report by Secretary to the Commission	AC.2015.8.3
Agenda Item 8: Report by Secretary to the Commission	AC.2015.8.4
Agenda Item 9: Report by Assistant Auditor General	AC.2015.8.5a/b
Agenda Item 10: Report by Secretary to the Commission	AC.2015.8.6a/b
Agenda Item 11: Report by Secretary to the Commission	AC.2015.8.7

MEETING 10 SEPTEMBER 2015**MINUTES OF PREVIOUS MEETING**

Minutes of the 418th meeting of the Accounts Commission held in the offices of Audit Scotland at 18 George Street, Edinburgh, on Thursday, 13 August 2015, at 10.15am

PRESENT: Douglas Sinclair (Chair)
Ronnie Hinds (Deputy Chair)
Alan Campbell
Sandy Cumming
Tim McKay
Christine May
Stephen Moore
Linda Pollock
Graham Sharp
Pauline Weetman
Colin Duncan

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Antony Clark, Assistant Director, PABV [Item 10]
Jaz Denness, Graphic Designer [Item 16]
Russell Frith, Assistant Auditor General [Items 9 and 14]
James Gillies, Communications Manager [Item 16]
Shirley James, Web Officer [Item 16]
Keith MacPherson, External Consultant, PABV [Item 10]
Tricia Meldrum, Senior Manager, PABV [Item 12]
Fiona Mitchell-Knight, Assistant Director, ASG [Item 12]
Ronnie Nicol, Assistant Director, PABV [Item 12]
Jim Rundell, Senior Audit Manager, ASG [Item 12]
Fiona Selkirk, Audit Manager, PABV [Item 12]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 11 June 2015
5.	Minutes of Financial Audit and Assurance Committee of 18 June 2015
6.	Minutes of Performance Audit Committee of 18 June 2015
7.	Update report by the Secretary to the Commission
8.	Update report by the Controller of Audit
9.	Annual Audit Scotland transparency and quality report
10.	Following the public pound
11.	Commission meeting arrangements 2016
12.	Audit of Best Value: Falkirk Council
13.	Audit of Best Value: Falkirk Council

14. Audit procurement strategy
15. Draft Commission strategy 2015-18
16. Website demonstration
17. Commission business matters

1. Apologies for absence

It was noted that apologies for absence had been received from Colin Peebles.

2. Declarations of interest

Christine May declared an interest in items 7 and 10. She played no part in the consideration of the latter item.

3. Decisions on taking business in private

It was agreed that items 13 to 17 should be taken in private for the following reasons:

- Item 13 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision. The Commission does this before making this decision public.
- Item 14 proposes a draft audit procurement strategy which contains information of a commercially sensitive nature.
- Item 15 proposes a draft strategy for the Commission, which the Commission is to consider before publishing the report.
- Item 16 involves the Commission reviewing a website design that has yet to be launched or made public.
- Item 17 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required, and what it covers.

4. Minutes of meeting of 11 June 2015

The minutes of the meeting of 11 June 2015 were submitted and approved.

Arising therefrom, the Commission:

- In relation to item 8 (Statutory performance information: strategy), noted advice from the Secretary that the Chair and Deputy Chair would be meeting the Local Government Benchmarking Framework Board on 14 August 2015.
- In relation to item 11 (Audit of Best Value: Aberdeen City Council), noted advice from the Secretary that the Chair, along with Christine May and Stephen Moore, would meet representatives of the Council on 28 August 2015.

Thereafter, the Commission agreed to note the report.

5. Minutes of Financial Audit and Assurance Committee of 18 June 2015

The minutes of the meeting of the Financial Audit and Assurance Committee of 18 June 2015 were submitted and approved, subject to noting the inclusion of Tim McKay in those present.

6. Minutes of Performance Audit Committee of 18 June 2015

The minutes of the meeting of the Performance Audit Committee of 18 June 2015 were submitted and approved, subject to noting the inclusion of Pauline Weetman in those present.

7. Update report by the Secretary to the Accounts Commission

The Commission considered a report by the Secretary to the Commission providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

During discussion, the Commission noted advice from the Secretary:

- In relation to paragraph 5, that the Chair, along with Sandy Cumming and Pauline Weetman, met representatives of East Dunbartonshire Council on 12 August.
- In relation to paragraph 11, that the Auditor General had responded to Jackie Baillie MSP, a copy of which was available to members on the extranet.
- In relation to paragraph 13, that the second sentence should refer to a “single public complaints handling process”.
- In relation to paragraph 14, that he had responded to the Local Government and Regeneration Committee providing background material that it had requested in relation to the evidence presented to it by the Commission.
- In relation to paragraph 21, that Audit Scotland had established an internal working group on new financial powers in relation to the Scotland Act, upon which the Commission would retain an interest, given the proposals in the Act in relation to devolution of welfare responsibilities.
- In relation to paragraph 40, that “50 hours” should read “30 hours”.
- In relation to paragraph 41, that this relates to North Lanarkshire Council.
- That the Scottish Government was consulting on its proposal to extend coverage of the Freedom of Information (Scotland) Act 2002 to more organisations, namely contractors who run privately-managed prisons; providers of secure accommodation for children; grant-aided schools; and independent special schools.

The Secretary advised that he would, with the Chair, prepare a response in conjunction with the Auditor General and Auditor Scotland and share with Commission members accordingly.

Action: Secretary

Thereafter, the Commission agreed to note the report.

8. Update report by the Controller of Audit

The Controller of Audit provided a verbal update on his recent activity including meetings and discussions with stakeholders.

9. Audit Scotland annual Transparency and Quality Report

The Commission considered a report by the Assistant Auditor General introducing Audit Scotland's annual Transparency and Quality Report.

Following discussion, the Commission agreed:

- To propose to Audit Scotland that, in future reports:
 - More information be provided on:
 - Equalities issues.
 - Audit Scotland's response to improvement actions such as those set out in paragraph 65.
 - Ethical standards, procurement and audit appointment rotations.
 - The roles and relationships in paragraph 2 be more clearly articulated, and consistent with the Accounts Commission strategy and 'Public Audit in Scotland'.
- In relation to Exhibit 10 in the report, to note advice from the Director of Performance Audit and Best Value on Audit Scotland's interest in the potential of refining judgements in relation to Best Value and value for money, particularly in work in relation to NHS and further education sectors.
- To note advice from the Assistant Auditor General that Audit Scotland Board was currently considering issues around ethical standards.
- To advise Audit Scotland that the Commission welcomed feedback from Audit Scotland officers on issues around its own transparency and quality.

Actions: Secretary

10. Following the public pound

The Commission considered a joint report from the Secretary to the Commission and Director of Performance Audit and Best Value providing on range of actions in relation to arm's-length external organisations (ALEOs), and in particular, outlining the findings of a review of the Code of Guidance for Funding External Bodies and Following the Public Pound ('the FtPP Code').

Following discussion, the Commission agreed:

- To note a letter from the Chair to council leaders and chief executives, setting out a range of actions taken to highlight the FtPP Code principles.
- To note the actions taken to reinforce to auditors their responsibilities in relation to assessing compliance with the FtPP Code through the refreshed audit guidance issued in May.
- To note the findings of the review of the FtPP Code set out in the report and agree that:
 - the FtPP Code remains valid and therefore the Commission should not undertake a formal refresh of its content

- compliance with the FtPP Code should be embedded into the Commission's performance expectations for councils under any revised Best Value guidance; and
- consequently, proportionate and risk-based auditing of compliance with the FtPP Code be undertaken as part of the new integrated Best Value audit approach.
- Not to undertake any specific work on further definition of ALEOs, but rather to articulate the Commission's view in appropriate policy or guidance documents around the need for accountability of public money however it is spent.
- Further in this regard, to note advice from the Director of Performance Audit and Best Value that wider issues around the implications of FtPP on the commissioning of services needs further thought as part of the development of a revised approach to the auditing of Best Value.
- Further in this regard, to consider as part of its performance audit programme some work on the benefits intended and delivered from using different vehicles to deliver services.
- To note advice from the Director of Performance Audit and Best Value that, similarly, issues around accountability and integrated joint health and social care boards would be considered as part of the development of the audit of such boards and the wider auditing of Best Value.
- To endorse the promotion of a stronger consideration of ALEOs and compliance with the FtPP Code in scrutiny work through revisions to the Shared Risk Assessment (SRA) process.
- That further engagement with stakeholders on its longer term approach to FtPP, as set out in this minute, take place as part of the Commission's general engagement with stakeholders in relation to it revising the auditing of Best Value.
- To notify stakeholders as to its decisions in this regard.

*Actions: Secretary and
Director of Performance Audit and Best Value*

11. Commission meeting arrangements 2016

The Commission considered a report by the Secretary to the Commission proposing meeting arrangements for 2016.

Following discussion, it was agreed:

- To approve the proposed schedule for meetings of the Commission and its committees in 2016.
- That members advise the Secretary of their views on the starting time for meetings of the Commission.
- To note the updated position with accessibility and transparency in relation to our meeting and business arrangements.
- That members advise the Secretary of any suggestions for guest speakers for the speaker session during committee days.

- That the annual strategy seminar take place in early March 2016.

Actions: Secretary

12. Audit of Best Value: Falkirk Council

The Commission considered a report by the Secretary to the Commission seeking its consideration of the Controller of Audit's report of the Best Value audit of Falkirk Council and seeking direction on how to proceed.

Following questions to the Controller of Audit, the Commission agreed to consider in private how to proceed.

13. Audit of Best Value: Falkirk Council [in private]

The Commission discussed how to proceed in relation to the statutory report by the Controller of Audit on the audit of Best Value in Falkirk Council.

Following discussion, the Commission agreed:

- To make findings, to be published on 27 August 2015.
- As part of those findings, to require the Controller of Audit to report back on progress by the end of 2016.

Actions: Secretary

14. Audit procurement strategy

The Commission considered a report by the Assistant Auditor General proposing a draft Procurement Strategy for the 2016/17 to 2020/21 audit appointments.

Following discussion, the Commission agreed the draft strategy in conjunction with the Auditor General and Audit Scotland, subject to revisions agreed in the discussion.

15. Draft Commission strategy 2015 – 18

The Commission considered a report by the Secretary to the Commission proposing a Commission strategy and accompanying action plan for the next three years.

Following discussion, the Commission agreed its draft strategy, subject to revisions agreed in the discussion, to be published in the week beginning 7 September 2015 and sent to stakeholders.

16. Website demonstration

The Commission viewed a presentation from the Communications Team in Audit Scotland, setting out the proposed website for the Commission, the Auditor General and Audit Scotland.

During discussion, the Commission made observations on the design and content of the website which were noted by the team

17. Commission business matters

The Chair briefed the Commission on matters of interest.

There being no further business, the meeting was closed.

MEETING: 10 SEPTEMBER 2015

MINUTES OF THE AUDIT SCOTLAND BOARD 4 JUNE 2015

PRESENT: J Maclean (Chair)
C Gardner
I Leitch
D Sinclair
H Logan

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
M Walker, Assistant Director, Corporate Performance and Risk
D Hanlon, Corporate Finance Manager
D McConnell, Assistant Director, Audit Services
L Slavin, International Liaison Manager
A Devlin, Corporate Governance Manager
I Metcalfe, Corporate Performance Officer
M Johnston, Thomson Gray Associates

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Accountable Officer's Report
5.	Accounts Commission Chair's Report
6.	Minutes
7.	Review of Action Tracker
8.	Q4 Financial Performance
9.	Q4 Corporate Performance report 2014/15 Annual Report
10.	Working with Other Countries 2014/15 Annual Report
11.	2014/15 Annual Report on Freedom of Information and Environmental Information
12.	2014/15 Draft Annual Report from the Audit Committee
13.	Draft Annual Report and Accounts 2014/15
14.	Draft Annual Impact Report: 'Making a Difference' 2014/15
15.	Review of Remco Performance and Identification of Future Priority Areas
16.	Fit Out Tender for 102 West Port
17.	Becoming World Class (a) Fees and Costs – Outturn 2014/15 (b) Procurement Strategy Discussion (c) Securing the audit
18.	Publications Schedule
19.	AOB
20.	Date of next meeting

1. Apologies

There were no apologies received.

2. Declarations of Interest

Heather Logan and Douglas Sinclair declared their membership of the Audit and Advisory Committee of the Scottish Public Services Ombudsman (SPSO).

It was noted that Russell would arrange individual meetings with board members over the summer to discuss handling conflicts of interest, and that he would now prepare a report on conflicts of interest for the August 2015 meeting.

Action(s):

- **Russell Frith, Assistant Auditor General to meet individually with board members and prepare an updated policy on conflicts of interest for discussion at the August 2015 board meeting. (August 2015)**

3. Chair's Report

The Chair provided an update on his activity since the previous board meeting, including attending the Parliamentary event hosted by Colin Beattie MSP and Paul Martin MSP to promote Audit Scotland's work among MSPs, meetings and telephone conversations with Caroline Gardner and Diane McGiffen, and meetings and telephone conversations about the board's role with prospective candidates for the board vacancy.

4. Accountable Officer's Report

Caroline Gardner provided an update on her activity since the previous board meeting, and introduced a discussion on the implications for audit of the legislative programme outlined by the new UK Government. She discussed the potential implications of continuing and perhaps increased austerity on public services and the response that would require from audit, and she outlined early thinking about the Scotland Bill. She reported that she had reviewed Audit Scotland's new Corporate Plan in the light of the new legislative programme and recent discussions with the Scottish Government Executive team, including the new Permanent Secretary, and stressed the importance of increasing Audit Scotland's capacity to consider employability issues and digital transformation, as well as increasing the pace of internal change.

Caroline discussed the meeting on Friday with Auditors General from the UK and Ireland, and highlighted the forthcoming round table discussion event being hosted for NHS directors of finance on 10 June 2015.

Caroline also drew attention to a forthcoming International Ethics Board meeting she would be attending in New York from 29 July to 1 August 2015.

Finally, Caroline highlighted to the board that the summer months were particularly busy for Audit Scotland staff with audit work on final accounts in progress and major projects, such as the relocation to West Port underway.

5. Accounts Commission Chair's Report

Douglas Sinclair drew the Board's attention to the announcement that the Local Government Minister would not be standing for election in 2016, the publication of the

East Dunbartonshire Best Value report and the current advertisement for three new Accounts Commission members.

6. Minutes of the meeting dated 8 May 2015

The minutes of the meeting dated 8 May 2015, which had been previously circulated, were agreed as an accurate record, subject to the removal of two typing errors.

It was noted that the conflict of interest policy discussed under item 2 would be added to the action tracker.

Action(s):

- **The conflict of interest policy being prepared by the Assistant Auditor General for August to be added to the Action Tracker.**

7. Review of Action Tracker

The board noted the update provided by the Action Tracker, which had been previously circulated.

The Board requested that the Action Tracker be produced in a larger font.

Action(s):

- **The Chief Operating Officer to arrange for the Action Tracker to be produced in a larger font.**

8. Q4 Financial Performance

The Board noted the Q4 Financial Performance report, which had been previously circulated and had been considered in detail at the earlier meeting of the Audit Committee.

9. Q4 Corporate Performance report 2014/15 Annual Report

Ian Metcalfe, Corporate Performance Officer, joined the meeting.

Martin Walker, Assistant Director, introduced the Q4 Performance report, which had been previously circulated, and highlighted the overall positive progress made in the previous quarter.

There was a detailed discussion of the report and the board invited the review to consider how the audit discipline of professional scepticism could be applied to the performance reporting framework as it developed further, particularly on the assessment of whether objectives or targets were stretching enough. There was also discussion of how the report is prepared, and the rigour and audit of the supporting information.

The Chief Operating Officer and the Corporate Performance Officer detailed the assurances that the Board could take, both from recent internal audit reports and from the operational checks and balances in place. Martin outlined the review process that was underway to revise the framework in the light of the new corporate plan.

The Board noted the report.

Ian Metcalfe, Corporate Performance Officer, left the meeting.

10. Working with Other Countries 2014/15 Annual Report

David McConnell, Assistant Director, Audit Services and Laurence Slavin, International Liaison Manager, joined the meeting

David McConnell, Assistant Director introduced the Working with Other Countries 2014/15 Annual Report, which had been previously circulated, and highlighted the many benefits that hosting the Eurorai conference had brought through greater exposure to other audit organisations.

Following discussion, the Board approved the report for publication and thanked David and Laurence for their report and encouraged them to seek further opportunities for Audit Scotland to continue to learn from other countries.

Action(s):

- **The Chief Operating Officer to arrange for the publication of the Working with Other Countries 2014/15 Annual Report. (June 2015)**

David McConnell, Assistant Director, Audit Services and Laurence Slavin, International Liaison Manager, left the meeting

11. 2014/15 Annual Report on Freedom of Information and Environmental Information

Alex Devlin, Corporate Governance Manager, joined the meeting

Alex Devlin, introduced the 2014/15 Annual Report on Freedom of Information and Environmental Information Regulations, arrangements and performance, which had been previously circulated. Alex provided an update from the Scottish Information Commissioner's recent Annual Report, which showed that FOI requests to Audit Scotland accounted for 0.12 per cent of all requests recorded by the Information Commissioner. He also highlighted the high performance achieved by Audit Scotland in responding within time. He further advised the board that Audit Scotland had not refused any requests on the grounds of cost, and nor failed to respond.

Following discussion, the Board welcomed the performance demonstrated in the annual report and thanked Alex for the report.

Alex Devlin, Corporate Governance Manager, left the meeting

12. 2014/15 Draft Annual Report from the Audit Committee

The Chair of the Audit Committee submitted the 2014/15 Annual Report from the Audit Committee, a copy of which had been previously circulated and considered at the earlier Audit Committee meeting.

The Board welcomed the report and noted that on the basis of the work reviewed and the progress made during 2014/15, the Audit Committee advised the Board that, in its opinion, there were adequate internal control systems in place at Audit Scotland.

The Board noted the report.

13. Draft Annual Report and Accounts 2014/15

The Chair of the Audit Committee advised the Board that the Audit Committee had met earlier in the day and had considered in detail the Annual Report and Accounts for 2014/15. The Board agreed to accept the recommendation of the Audit Committee to approve the draft Annual Report and Accounts 2014/15.

Action(s):

- **The Chief Operating Officer to arrange for the signing of the Accounts. (June 2015)**

14. Draft Annual Impact Report: 'Making a Difference' 2014/15

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the draft Annual Impact Report: "Making a Difference" 2014/15, which had been previously circulated and outlined the background to and purpose of the report.

Douglas Sinclair welcomed the report and suggested that next year it be expanded to capture the impact of the work of the three parties to Public Audit in Scotland – the Auditor General, the Accounts Commission and Audit Scotland.

Following further discussion on the report, the Board approved it for publication and agreed that the report should be developed further to capture the impact of all three parties to Public Audit in Scotland.

Action(s):

- **Martin Walker, Assistant Director, Corporate Performance and Risk, to arrange for publication of the report. (June 2015)**
- **Martin Walker, Assistant Director, to develop the Annual Impact report further for 2016 to capture the impact of all parties to Public Audit in Scotland. (June 2016)**

15. Review of Remco Performance and Identification of Future Priority Areas

The Chair of the Remuneration and Human Resources Committee introduced the report on the Review of Remco Performance and Identification of Future Priority Areas, which had been previously circulated.

16. Fit Out Tender for 102 West Port

David Hanlon, Finance Manager and Mike Johnston, Thomson Gray Associates joined the meeting

David Hanlon introduced Mike Johnston, project manager for the West Port office to the Board, and provided an update on his report on the Fit Out Tender for 102 West Port, which had been previously circulated.

Mike Johnston provided an update on the tenders received for the work, and the Board noted that the detailed review of costings was underway, but that early indications were that none of the tenders exceeded the budget estimate of the work. He outlined the process of review, discussed with the Board the ways in which further value would be

secured from the successful contractor, and outlined the contingencies that had been built in to the draft programme of works.

Following further discussion of the project and key milestones, the Board agreed to authorise the Chief Operating Officer to award a contract to the preferred contractor, on the basis of the detailed tender report from Stuart Gray Associates, and that the Chief Operating Officer should discuss that final report with the Chair of the Board before awarding the contract. It was agreed that, the Chief Operating Officer should revert to the Board for further discussion if the final tender report indicated that the contract was above the approved 2015/16 capital budget provision of £1,340k.

Action(s):

- **The Chief Operating Officer to award a contract for the fit out works at 102 West Port on the basis of the detailed tender report from Stuart Gray Associates, and to discuss that report with the Chair of the Board before awarding the contract. (June 2015)**
- **The Chief Operating Officer is to revert to the Board if the final tender report exceeds the approved capital budget provision of £1,340k. (June 2015)**

David Hanlon, Finance Manager and Mike Johnston, Project Manager, Stuart Gray Associates, left the meeting.

17. **Becoming World Class**

There were submitted three reports by the Assistant Auditor General, which had been previously circulated, and the Board considered each report.

a) **Fees and Costs – Outturn 2014/15**

Russell Frith, Assistant Auditor General introduced his report on Fees and Costs and provided an overview of the outturn by sector using the budget assumptions detailed in table 2 of the report, and which had been discussed at the March 2015 board meeting.

Ian Leitch advised the Board that he had met with Russell between Board meetings to discuss and probe the analysis of income and expenditure provided so that he could understand the extent to which there was cross subsidy between sectors or not. He asked for further clarification of the outturn by sector following earlier indications given to the Board on the extent to which income and expenditure were in or out of balance each year in each sector. Russell advised that earlier indications were indicative, based on cost allocation assumptions which had been tested and revised, and that, allowing for the fact that there would always be a degree of subjectivity in the cost allocation assumptions, the outturn by sector indicated in the report was accurate.

Ian Leitch highlighted the outturn achieved in each of the past five years, which indicated a range of surpluses and the Board discussed the parameters within which Audit Scotland operated, including the legislation governing breaking even, the budgeting cycle and the practice of budgeting income at the mid-point of indicative fee ranges. He suggested that the tolerance level for income/expenditure variances by sector should be reduced from the proposed 10 per cent to 5 per cent. It was agreed that as part of the summer budgeting round the Assistant Auditor General would model the impact of that shift, and consider the implications for managing the business.

Ian Leitch also proposed that in principle, the budget should be based on the minimum required from the SCPA, and that any additional or unexpected expenditure should be sought by in year requests for additional budget provision. The Auditor General highlighted the strengths of the current budgeting arrangements in securing the independence of audit funding from the Government, an important principle of public

audit, as funding for the Scottish Parliament's running costs and Audit Scotland's costs in auditing government were effectively top-sliced from the Scottish block grant. She raised concerns about the potential for eroding that principle of independence to move to a model that would require Government approval of funding proposals in year, while recognising that an improved approach to budgeting, given the reduced resources now in place, would be important in maintaining a sound approach to financial management.

It was agreed that the Assistant Auditor General and the Chief Operating Officer would develop further options for enhancing the budgeting process alongside the preparation of the 2016/17 budget, which the board would consider at its August 2015 meeting.

Action(s):

- **As part of the summer budgeting round, the Assistant Auditor General would model the impact of a shift from 10 to 5 per cent in the tolerance level. (August 2015)**
- **The Assistant Auditor General and the Chief Operating Officer will develop further options for enhancing the budgeting process alongside the preparation of the 2016/17 budget. (August 2015)**

b) Procurement Strategy Discussion

Russell introduced his Procurement Strategy Discussion report, which had been previously circulated.

Following detailed discussion, the Board agreed to the following provisional conclusions to shape the next stages in developing the procurement plan:

Paragraph 30

Primary consultancy support for performance audit work should be considered separately from this procurement exercise.

Paragraph 32

A single joint procurement exercise should be undertaken on behalf of the Auditor General and the Accounts Commission.

Paragraph 40

The procurement exercise should support a mixed market in the provision of public audit services in Scotland.

Paragraph 47

In house teams should not be required to bid in the tender exercise, but should be able to demonstrate quality and value for money.

Paragraph 54

There are no audit quality related reasons to indicate that a significant shift in the balance of work between in house teams and firms in either direction is needed as the analysis suggests that the current position remains appropriate.

Paragraph 57

There are no price related reasons (taking a UK level view of VAT) to suggest that a significant shift in the overall balance of work between in house teams and firms in either direction is needed as the analysis suggests that the current position remains appropriate.

Paragraph 66

Rotation of auditors should continue to be one of the factors used in determining audit portfolios and, apart from any audits where the Auditor General for Scotland or the Accounts Commission reserve them to Audit Scotland staff, allocations should meet the requirements regarding rotations for listed companies in the EU.

Paragraph 68

Auditors should be asked to submit tenders for each sector where they are seeking appointment.

Paragraph 74

The length of appointments should be five years with the option to extend for up to a further two years.

Paragraph 79

The costs of the subcontract model outweigh its advantages and the Auditor General and the Accounts Commission should appoint audit firms to sign opinions in their own names.

Paragraph 80

The procurement exercise should be undertaken using the open tender route.

Paragraph 85

There should be a link between overall scores and the size of portfolios awarded to successful firms.

Paragraph 87

Audited body involvement should continue to comprise communication of the procurement strategy and confirmation of there being no reason why the provisional appointment should not be confirmed.

The Board thanked Russell for the discussion paper and welcomed the report.

c) **Securing the audit**

Russell introduced his report on Securing the Audit which provided an overview of the objectives, timeline and governance of the project to procure the next round of audit appointments using a new Code of Audit Practice.

The Auditor General reminded the Board of the significance and scale of this project and provided an update on discussions with Russell about additional resourcing to support the work.

Following discussion, the Board noted the report and agreed to consider revisions to the Code of Audit Practice by correspondence before the August 2015 board meeting.

18. Publications Schedule

The Board noted the Publications Schedule to the end of 2015, which had been previously circulated.

19. AOB

The Chair requested an update on the Bribery Act and the extent to which Audit Scotland complied with same.

Action(s):

- **The Chief Operating Officer agreed to provide an update on Audit Scotland's compliance with the Bribery Act. (September 2015)**

20. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting would be held on **Wednesday 19 August 2015** in the offices of Audit Scotland, 8 Mandela Place, Glasgow following the conclusion of the meeting of the Audit Committee and Remuneration and HR Committee.

MEETING: 10 SEPTEMBER 2015**REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION****UPDATE REPORT**

Introduction

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity relating to local government, as well as issues of relevance or interest across the wider public sector.
2. The regular Controller of Audit report to the Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee also receives a more detailed update on issues relating to local government. This report complements the weekly briefing provided by Audit Scotland's Communication Team made available on the extranet site. This provides more detailed news coverage in certain areas.
3. The information featured is also available on the Accounts Commission member portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

Commission business***Publications:***

4. On 27 August the report on [The Audit of Best Value and Community Planning: Falkirk Council](#) was published. The report recognises that Falkirk generally delivers a good standard of council services, particularly in education, but the council must make savings of £46 million over the next three years. The report was covered by the BBC and has been downloaded 310 times with 118 podcast downloads.
5. The Commission met representatives of Falkirk Council on the day of publication of the report. The Commission was represented by Ronnie Hinds, Tim McKay and Pauline Weetman. The Council was represented by Councillors Craig Martin (Labour, Council leader), Malcolm Nicol (Conservative, Council deputy leader) and Cecil Meiklejohn (SNP, opposition leader); Mary Pitcaithly (Chief Executive) and Stuart Ritchie (Director, Corporate and Housing Services).
6. The Commission met representatives of Aberdeen City Council on 28 August to discuss the report of the audit of Best Value in the Council, which was published on 2 July. The Commission was represented by Douglas Sinclair, Christine May and Stephen Moore. The Council was represented by Councillors Jenny Laing (Labour, Council leader), Marie Boulton (Independent, Council deputy leader), Ross Thomson (Conservative group leader and member of administration) and David Cameron (SNP, Chair of Audit, Risk and Scrutiny Committee); Angela Scott (Chief Executive) and Ciaran Monaghan (Head of Service, Office of Chief Executive).
7. The Strategic Scrutiny Group held its latest meeting on 27 August 2015. The meeting, chaired by the Commission Chair, was a workshop-style event, at which the Group reviewed its progress and considered its next steps. In conclusion, the Group felt that it

would be valuable to restate its vision around ensuring and demonstrating how scrutiny supports improved public services. The Group expressed its desire to improve shared learning, strengthen operational collaboration, improve the effectiveness of scrutiny co-ordination, and generate stronger shared leadership and improve resourcing of the Group. Its next meeting will consider a discrete project to take these objectives forward.

Auditor General for Scotland:

8. The Auditor General has submitted a response to the Public Audit Committee's issues paper on audit, accountability and the further devolution of powers. The response emphasises the importance of the role Audit Scotland will play in the changing landscape of public finance in Scotland. The response is available on the Commission member extranet site. The Commission will consider a briefing from Audit Scotland on new financial powers at its next meeting.

Issues affecting local government

Scottish Government:

9. The [Programme for Government](#) was published by the Scottish Government on 1 September setting out the programme for the final session of the current Scottish Parliament ahead of next year's election. Of the eight new Bills announced, one has direct interest for the Commission, the Burial and Cremation Bill, which will implement the recommendations made by Lord Bonomy's Infant Cremation Commission, as well as modernise the law in this area more generally. A Scottish Fiscal Commission Bill was also announced which will establish a robust and fully independent Scottish Fiscal Commission on a statutory basis to scrutinise tax forecasts and other fiscal projections prepared by the Scottish Government.
10. "Improving school attainment is arguably the single most important objective in this Programme for Government" was Ms Sturgeon's top line in the [Scottish Government's news release](#). The attainment gap has been the subject of extensive public and political debate. Interest was first triggered by the Commission's performance audit on School Education in 2014. The report was cited several times by Jim Naughtie in a recent Radio 4 'Today' interview with the Education Secretary and remains widely referenced: website statistics for last month show 526 downloads of the report, second only to that on the Auditor General report on Scotland's Colleges (530).
11. Other announcements made during the First Minister's statement on the Programme for Government included a rural housing fund to be established over the next year with an additional £195m for the Help to Buy Scheme. The public sector gender pay gap reporting duty is due to be extended to all authorities with twenty or more employees.
12. The Scottish Government's draft budget is to be delayed by several months. The plans, which are normally published in September, will not be produced until after the UK Government's spending review in late November. The delays will give councils less time to prepare their budgets for next year, which are normally agreed in February.
13. The Scottish Government [outlined](#) on 12 August how it plans to use new welfare powers contained within the Scotland Bill. Among the proposals, the Scottish Government wants Universal Credit claimants to be given the choice of having their payments made twice a month rather than once a month, as is the current DWP plan. In addition there are plans to see the payment of the housing element to be made

direct to landlords, for all new Universal Credit claims, where the claimant is renting from a social landlord.

14. The Scottish Government has published the [quarterly national accounts for Scotland](#) and includes data up to the first quarter of 2015 (January to March).
15. Dr Keith Nicholson has been appointed as permanent Chair of Revenue Scotland. The appointment runs from 1st August 2015 to 31st July 2019. Dr Nicholson had served as Revenue Scotland chair from its establishment on 1st January 2015 until the announcement of his formal appointment.

Scottish Parliament

16. Scottish Parliament was in recess 27 June to 30 August.

Parliamentary Committee News

Public Audit Committee:

17. Dr Richard Simpson is to replace Labour's Drew Smith as a member of the Public Audit Committee. In addition, Mark Griffin is to be appointed to replace John Pentland as the Labour substitute.
18. At the Committee's meeting on 2 September, Caroline Gardner, Fraser McKinlay and Claire Sweeney, Assistant Director, briefed the Committee on Audit Scotland's work programme.

Bills – Progress Updates:

19. I have produced a separate briefing on [Community Empowerment \(Scotland\) Act 2015](#).
20. The following Bills have not progressed further since my last report:
 - Consideration of the [Criminal Justice \(Scotland\) Bill](#) at Stage 2 is continuing. SPICe have produced a [briefing](#) on the Bill.
 - The [Community Justice \(Scotland\) Bill](#) is being considered at Stage 1 by the Justice and Finance Committees.
 - The [Education \(Scotland\) Bill](#) is being considered at Stage 1.
 - Stage 1 of the [Harbours Bill](#) has been completed and Stage 2 amendments can now be logged.

Smith Commission - Updates:

21. At present, the Smith Commission's proposals are currently being considered within the Scottish and UK Parliaments, principally through the [Devolution \(Further Powers\) Committee](#) and [Scottish Affairs Committee](#) respectively. An update in this regard will form part of Audit Scotland's briefing to the Commission on new financial powers at its next meeting

COSLA, Improvement Service etc:

22. The Chair and Deputy Chair met with the Board of the Local Government Benchmarking Framework on 14 August 2015 to discuss the Commission's approach

to statutory performance information, as agreed at its meeting in June, including issues around the further development of the Framework.

Current activity and news in Scottish local government:

General:

23. On 7 October the councils of Aberdeen, Aberdeenshire, Moray, Highland, Orkney and Shetland are to hold a summit on addressing the issue of teacher shortages in their schools. Representatives from the Scottish government and the General Teaching Council for Scotland (GTCS) will also be involved. The objective of the new drive is to find a resolution to teacher recruitment and retention on a local and national level.
24. The Reform Scotland think tank has produced a [research briefing](#) calling for new powers to be given to local authorities in order to allow them to abolish council tax and business rates and replace them with other forms of local taxation. It has said that local authorities should have much greater control over local tax, and that they could implement land value, sales and other forms of taxation in addition to changing council tax and business rates. The organisation has stated that local authorities could use the new powers to tackle mounting budgetary pressures.

Individual councils:

25. The leader of Glasgow City Council, Gordon Matheson, has announced he will be stepping down on 10 September with a new leader appointed on the same day.
26. On 18 August the Edinburgh and South East Scotland City Region Deal bid was launched, bringing together Edinburgh, Midlothian, East Lothian, West Lothian, Fife and Scottish Borders councils. The bid is looking to secure £1bn of UK and Scottish Government funding to accelerate growth in the region, with a further £3.2bn estimated to be leveraged from private sector organisations.
27. Orkney Council has become the 21st council to sign up to the [CPD Framework for Elected Members in Scottish Local Government](#). The council will be launching the continuous professional development framework for councillors in September as part of its commitment to provide them with development opportunities.
28. The UK Government has agreed to give Inverness £3million as an initial allocation for a City-Region deal. The first project relates to the upgrading of grounds and access to Inverness Castle, whilst the second project will create a free public access Wi-Fi scheme for the city.

Scrutiny, inspection, regulatory and related bodies

Scottish Public Sector Ombudsman (SPSO):

29. The August newsletter [SPSO News – August](#) summarises July 2015 case numbers, outlines investigations reports, recent SPSO news and highlights emerging issues. The SPSO are laying three reports before the Scottish Parliament, in relation to the health sector. More information on the SPSO's work, including detailed Investigations and decision reports, is available on the Our findings webpage. More detailed intelligence from the SPSO is considered on a six-monthly basis by the Financial Audit and Assurance Committee.

Commissioner for Ethical Standards in Public Life in Scotland:

30. Since the previous meeting of the Commission, one decision on complaints relating to councillors was published by the [Commissioner](#). The Commissioner decided [Councillor Marie Boulton](#) at Aberdeen City Council did not contravene the Councillors' Code of Conduct. More detailed intelligence from the Commissioner is considered routinely by the Financial Audit and Assurance Committee.

Standards Commission for Scotland:

Care Inspectorate:

31. On 10 August the Care Inspectorate published a [review of its services](#), looking at the first three years of its work from 2011 to 2014. The report finds that services are generally performing well but warns against complacency as there are important improvements which remain to be made, so that everyone in Scotland can access high-quality, safe and compassionate care.

Other UK Audit Bodies

National Audit Office:

32. Amongst forthcoming reports from the National Audit Office:

- Local welfare provision in local government.

The Government transferred unringfenced funding to councils for 2013-14 (£175m) and 2014-15 (£172m) to meet the cost of local welfare provision. From 2015-16 councils can choose to fund local welfare provision from their general revenue grant. The study will evaluate how councils are delivering local welfare provision and consider how the support they provide reduces the need for more expensive public services. It will also look at the risks and challenges councils face in maintaining local welfare provision, identify good practice in councils and help them improve value for money.

- Use of consultants and temporary staff

This value for money study will examine UK Government's departments' use of consultants and temporary staff (C&TS) and review the strategic centre's efforts to coordinate departments' use of C&TS more effectively improve focus on outcomes, and to drive savings through increased competition and the use of the government's combined purchasing power.

- Efficiency in the criminal justice system: Criminal proceedings from charge to disposal

This audit will examine efficiency in the criminal justice system between the point at which the police or Crown Prosecution Service (CPS) charge a defendant, and the end of the court case. It will take a quantitative approach to assessing the extent and impact of inefficiency in this process. The focus of the audit will be the Ministry of Justice, including HM Courts and Tribunals Service, and the CPS.

Other general

33. In my previous report, I advised that CIPFA is inviting comments on a revised CIPFA/SOLACE Framework [Delivering Good Governance in Local Government](#). I

advised that a draft response will be prepared for the Commission meeting in September. I now intend submitting this draft response to the Commission in October.

34. SOLACE is undertaking a consultation amongst its members on a code of ethics for professional leaders in local public services. The professional bodies of senior managers (including SOLACE, CIPFA, Lawyers in Local Government, Association of Directors of Adult Social Services, Association of Directors of Children's Services, Public Sector People Managers' Association, Association of Directors of Environment, Planning and Transport and Association of Directors of Public Health) across local public services have come together to develop a code of ethics for their members. The proposed code is an overarching statement of ethics, based upon behaviours and therefore focus on the individual, as opposed to group or organisational culture. It is intended to be applicable to all those who hold senior management roles in local public services led by locally elected politicians.
35. Stephen House, the chief constable of Police Scotland, is to stand down at the beginning of December 2015. As part of her announcement on the programme for Government, the First Minister announced a review of Police Scotland, which will include steps to be taken to improve police accountability, including a requirement that the chief constable attend local public scrutiny sessions. Justice Secretary Michael Matheson is due make a statement on policing to the Scottish Parliament on 3 September.
36. The Local Government Association (LGA) has sent a [submission](#) to the chancellor George Osborne to inform him that councils in England and Wales cannot afford to have their budgets cut further in the upcoming spending review in November. The LGA is warning the Chancellor that failing to fully consider unfunded cost burdens, such as changes to planning rules and the introduction of the 'national living wage', could result in local services being scaled back or lost altogether. The LGA has calculated that government policies to be implemented over the next five years will cost councils £6.3 billion by 2020. It projects that this is on top of the extra £3.6 billion of "business as usual" pressures to maintain services at their current level based on demand-led and inflation pressures on local government services.

Conclusion

37. The Commission is invited to consider and note this report.

Paul Reilly
Secretary to the Accounts Commission
2 September 2015

MEETING: 10 SEPTEMBER 2015

REPORT BY: SECRETARY TO THE COMMISSION

BRIEFING: COMMUNITY EMPOWERMENT ACT

Purpose

1. This report briefs the Commission on the Community Empowerment Act.

Background

2. The Community Empowerment Bill received Royal Assent and became an Act on 24 July 2015. The different parts of the Act are likely to come into force at different times, although it is expected that most parts of the Act to come into effect by summer 2016. Some secondary legislation (orders and regulations) and guidance need to be developed and this should be consulted on by January 2016.
3. The main purpose of the Act is to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.
4. The Act has 11 parts as follows:
 1. National Outcomes
 2. Community Planning
 3. Participation Requests
 4. Community Rights to Buy Land
 5. Asset Transfer Requests
 6. Delegation of Forestry Commissioners' Functions
 7. Football Clubs
 8. Common Good Property
 9. Allotments
 10. Participation in Public Decision-Making
 11. Non-Domestic Rates
5. Of these parts, all except parts 6 and 7 have a potentially significant effect on local government.
6. This paper considers the content of each part of the Act and any implications for the work of the Commission.

Part 1: National Outcomes

7. Part 1 requires Scottish Ministers to continue the approach of setting national outcomes for Scotland. They must consult on, develop and publish a set of national outcomes. They must also regularly and publicly report progress towards these outcomes. Scottish Ministers also must review the outcomes at least every five years and must carry out consultation as part of this review. Public authorities and other persons or organisations

that carry out public functions must have regard to the national outcomes in carrying out their devolved functions.

8. The Act includes a requirement that in determining the National Outcomes, the Government must consider socio-economic inequalities.
9. A point of debate in the final stage of scrutiny of the Bill was an amendment to place a duty on ministers to “observe and promote” the European Charter of Local Self-Government while carrying out their functions. The amendment – supported by COSLA - was not accepted by the Government and was thus defeated.
10. There is no direct effect upon the work of the Commission, although as a non-departmental public body, we will be subject to the requirement of “having regard” to national outcomes.

Part 2: Community Planning

11. Part 2 places Community Planning Partnerships (CPPs) on a statutory footing and imposes duties on them around the planning and delivery of local outcomes. This includes the preparation of local outcomes improvement plan (LOIP) and reviewing and reporting on its progress. (LOIP is the term that the 2015 Act gives to what are currently SOAs – there is no difference between these in practice). Tackling inequalities will be a specific focus, and CPPs will have to produce “locality plans” at a more local level for areas experiencing particular disadvantage.
12. The 2015 Act increases the number public sector bodies that are subject to these duties. The 2003 Act listed as statutory partners: the local authority, the Health Board; Scottish Enterprise / Highlands and Islands Enterprise (SE / HIE); Police Scotland, the Scottish Fire and Rescue Service (SFRS), and the Regional Transport Partnership. Schedule 1 to the 2015 Act expands this list to include:
 - Skills Development Scotland
 - the integration joint board (health and social care)
 - Scottish Natural Heritage
 - Scottish Environment Protection Agency
 - Historic Environment Scotland
 - a National Park authority
 - Scottish Sports Council (i.e. Sportscotland)
 - VisitScotland
 - the board of management of a regional college
 - a regional strategic body in Further and Higher Education (Scotland) Act 2005
13. The new Act introduces duties to support shared leadership and collective governance on named governance partners, beyond the local authority as laid out in the 2003 Act, to include the NHS board, SE / HIE, Police Scotland and SFRS. These duties include:
 - facilitating community planning
 - taking all reasonable steps to ensure the CPP conducts its functions effectively and efficiently.
14. The Act also requires more community participation beyond consultation from time to time with the involvement of community bodies at all stages of community planning.

Statutory partner bodies must contribute funds, staff or other resources to ensure this participation happens.

15. In its submission to the consultation on the Bill, the Commission set out its view that accountability arrangements around this part of the Bill should be clearer, for example around underperformance. In its scrutiny of the Bill, the Local Government and Regeneration Committee expressed a similar view, concluding that the Bill should be clearer as to expectations in relation to leadership, governance and audit arrangements that apply to CPPs. The Scottish Government in response asserted that amendments in this area were unnecessary, as the Bill provided clarity about governance duties and provides a basis for shared leadership among governing partners. In addition, the Government noted that CPPs were already subject to audit, and that lines of accountability for CPP partners would be unaffected by the Bill.
16. The general duties of auditors will include compliance by local authorities against this part of the Act.¹ The Commission is currently reviewing the auditing of councils' duties of Best Value and community planning. Further, the Commission will consider a draft report at the turn of the year on progress made since the publication of its report *Community planning: Turning ambition into action* in November 2014. So there is the opportunity for the Commission to consider how it wishes to reflect the changing governance of community planning in this work.

Part 3: Participation Requests

17. Part 3 provides a mechanism for community bodies to put forward their ideas for how services could be changed to improve outcomes for their community. These can be issues that may not have been on the local authorities' agenda and could be outwith their consultation structures. Public services must agree to the request for dialogue, unless there are reasonable grounds for refusal.
18. Participation requests could include community bodies taking on delivery of services. In making the decision on whether to approve the request, the public body must consider whether the suggestion will reduce socioeconomic inequalities and likely to promote or improve economic development, regeneration, public health, social wellbeing, or environmental wellbeing. The public authority has a duty to report on participation requests including the actual request and whether the specified outcome has improved.
19. This set of duties has potentially substantial implications for how local authorities currently engage with their communities. Currently, Best Value guidance sets out the duties of local authorities in terms of "responsiveness and consultation". This is an area that the Commission has already recognised as one worthy of updating to better reflect a more sophisticated interaction between councils and their communities.

Part 4: Community Rights to Buy Land

20. Part 4 amends the Land Reform (Scotland) Act 2003, extending the community right to buy to all of Scotland, urban and rural, and improving procedures. Part 4 also introduces a range of measures to amend, and in some areas, simplify, the crofting community right to buy. The Act also introduces a new provision for community bodies to purchase land which is abandoned, neglected or causing harm to the environmental wellbeing of the community, where the owner is not willing to sell that land. This is if the purchase is in the public interest and compatible with the achievement of sustainable development of the land.

¹ Local Government (Scotland) Act 1973, s.99.

Part 5: Asset Transfer Requests

21. Part 5 provides community bodies with a right to request to purchase, lease, manage or use land and buildings belonging to local authorities, Scottish public bodies or Scottish Ministers. There will be a presumption of agreement to requests, unless there are reasonable grounds for refusal. Reducing inequalities will be a factor for public authorities to consider when making a decision. Relevant authorities will be required to create and maintain a register of land which they will make available to the public. (It is worth noting that many local authorities, and some public bodies, already have asset transfer schemes on a voluntary basis.)
22. Community bodies will be able to appeal or request a review if their asset transfer request is refused, is not decided within the prescribed deadline, or if the terms and conditions (including price) set out by the relevant authority differ significantly from those included in the request.
23. Local authorities can sell property at less than market value if there are other public benefits. So can public bodies, with Ministerial approval, and the Scottish Public Finance Manual has been revised to encourage them to consider the wider benefits of community ownership. It is also legitimate that bodies may need to achieve a certain level of capital receipt to fund other activity or developments, and such developments can be taken into account in comparing benefits.

Part 6: Delegation of Forestry Commissioners' Functions

24. Part 6 allows for different types of community body to be involved in forestry leasing. This opportunity will be available under a revised National Forest Land Scheme which will be published after the Asset Transfer Requests provisions come into force.

Part 7: Football Clubs

25. The Act provides powers for Ministers to make regulations to facilitate supporter involvement and give fans have a role in decision-making, or even ownership when the opportunity arises, of their football clubs. The Scottish Government will shortly issue a consultation paper to explore the best way of taking this forward.

Part 8: Common Good Property

26. Part 8 places a statutory duty on local authorities to establish and maintain a register of all property held by them for the common good. It also requires local authorities to publish their proposals and consult community bodies before disposing of or changing the use of common good assets. Guidance may be issued?

Part 9: Allotments

27. Part 9 updates and simplifies legislation on allotments. It requires local authorities to take reasonable steps to provide allotments if waiting lists exceed certain trigger points and strengthens the protection for allotments. Provisions allow allotments to be 250 square metres in size or a different size that is to be agreed between the person requesting an allotment and the local authority. The Act also requires fair rents to be set and allows tenants to sell surplus produce grown on an allotment (other than with a view to making a profit).

Part 10: Participation in Public Decision-Making

28. Part 10 sets out a new regulation-making power enabling Ministers to require Scottish public authorities to promote and facilitate the participation of members of the public in the decisions and activities of the authority, including in the allocation of its resources.

Involving people and communities in making decisions helps build community capacity and also helps the public sector identify local needs and priorities and target budgets more effectively. The regulations can specify which authorities are included, which of their decisions are affected and who should be able to participate in them.

Part 11: Non-Domestic Rates

29. Part 11 provides for a new power for councils to create and fund their own localised business rates relief schemes, in addition to existing national rates relief, to better reflect local needs and support communities. This can apply from the rates levied in financial year 2015/16.

Which public bodies are covered?

30. The Act specifies the bodies to which its different clauses apply, namely:
- Community planning partners (Schedule 1)
 - Additional duties to facilitate community planning (Section 13(2))
 - “Public service authorities” to which participation requests can be made (Schedule 2)
 - “Relevant authorities” to which asset transfer requests can be made (Schedule 3)
31. In each of these cases, Scottish Ministers have powers to add new public sector organisations to the list, if needed.
32. In the case of local authorities, none of these definitions mention arm’s-length external organisations (ALEOs). In proposing the Bill in parliament, however, the Local Government Minister stated that the Government would “seek to ensure that ALEOs fall within the spirit of the bill, in so far as they are bodies that deliver on behalf of the public sector.”

The definition of “community” in the Act

33. In most parts of the Act, “community” is not defined. It is left to each group of people to describe what they have in common.
34. For national outcomes the Scottish Ministers are required to consult with people who represent the interests of communities in Scotland, when determining or carrying out a review of the national outcomes. Under section 1(11), “ “community” includes any community based on common interest, identity or geography”.
35. Parts 2 (community planning) and 8 (common good) refer to “communities (however described) resident or otherwise present in the area of the local authority”. Parts 3 (participation requests) and 5 (asset transfer requests) are open to bodies which relate to a particular community, but it is up to the body to define that community itself.
36. The exception is in Part 4 of the Act, which amends the Land Reform (Scotland) Act 2003. In Part 2 (community right to buy) and the new Part 3A (abandoned, neglected or detrimental land) of the 2003 Act, a community must be defined by reference to postcode units or other types of area which may be prescribed by the Scottish Ministers. (Crofting communities are defined by township, or by other criteria with Ministers’ approval.)

Audit implications and next steps for Commission

37. This report has already noted that whilst the Act has potentially substantial implications for how councils carry out some of their functions, there is no immediate impact on our

approach to audit. Nevertheless, the Act can be seen as an indicator of the Scottish Government's policy thrust of its public service reform agenda, around outcomes, people and partnership. The Commission is already committed to ensuring that it is responsive to such an agenda through its strategy and with the Auditor General and Audit Scotland through *Public Audit in Scotland*.

38. The Commission can consider further implications as it revises its approach to auditing Best Value and considers progress against its previous audit work in relation to community planning. The potential implications of the Act will also be worth considering as the Commission develops its performance audit programme. Accordingly, I will continue to update the Commission as these issues progress.

Conclusion

39. The Commission is invited to:

- a) Note this report.
- b) Note that further reports will be submitted to the Commission as appropriate..

Paul Reilly
Secretary to the Commission
1 September 2015