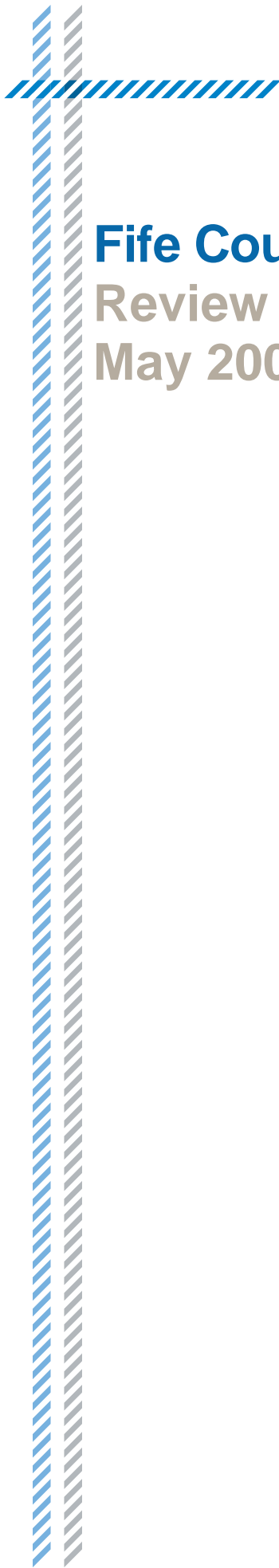




SCOTT-MONCRIEFF

EDINBURGH AND GLASGOW



Fife Council

Review of Common Good Arrangements May 2009



Fife Council

Review of Common Good Arrangements May 2009

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Key Messages

- Collectively, the Policy, Finance and Asset Management Committee, Area Committees and the West Fife Area Common Good Sub Committee appear to have overall responsibility for the management of the common good funds. This is however not explicit in either the Council's Scheme of Administration or the individual committee's terms of reference. It is therefore not clear where specific responsibilities rest.
- The Council has established a common good asset register which reconciles to the information presented in the financial statements. A review however is under way, by a common good and trust fund working group, to identify the full extent of the properties which should be classified as common good. This review is not expected to be completed until 2010.
- Both the existing register and the scope of the review noted above cover common good land and properties. The only record of potential, moveable common good assets, such as paintings, books and artefacts, are recorded on the Council's 'All Risk' insurance register which lists insured assets by service and location. Apart from the Law and Administration record however the register does not specifically identify which items are common good.
- The LASAAC guidance note proposed a review of asset arrangements during 2008/09 with the introduction of an asset register by 31 March 2009. Whilst we acknowledge that the Council does have an asset register in place for common good, this register does not provide a complete and comprehensive record of all common good assets, including moveable items.
- There is a risk that the common good funds do not receive rental income which is rightfully theirs. There appear to be significant variances in the level of rental income received from both council services and external organisations and inconsistencies as to whether the common good asset is on the common good asset register or the council asset register. We understand that many of the rental agreements have been inherited and not reviewed since local government reorganisation.
- A report was presented to the Policy Forum in June 2008 on the administration of common good land and buildings. This report suggests the application of baseline principles to guide the future administration of common good property. It includes guidelines for the rental of common good assets with either council services or external organisations. It is the intention for this report to be referred to area committees and the Policy, Finance and Asset Management Committee for approval. This is scheduled for the August cycle of meetings. A consultation process will commence at the same time.

Introduction

Common Good is a fund of money and assets, previously owned by a burgh, now owned by a unitary authority, administered subject to specific rules in relation to:

- a) *The interests of the inhabitants of the former burgh and*
- b) *Disposal of assets*

Source: *Common Good Law, Andrew C Ferguson*

1. The roots of the Common Good can be traced back to in the early mediaeval period. Some burghs derive their Crown Charter from David I. The Common Good Act 1491 determined that revenue from burgh properties and income from various levies was to be used for the common good of the town. Over the following centuries there have been fixed or moveable assets donated on 'behalf of the community' most commonly to former burgh councils. The common good funds comprise of land and buildings in addition to moveable items such as paintings, books and artefacts.
2. Title to common good land is held by local authorities as statutory successors to the Town Councils of the burghs which were abolished in 1975 under the Local Government (Scotland) Act 1973. This Act, and later The Local Government etc. (Scotland) Act 1994, states that local authorities have certain duties with regard to common good (exhibit 1).

Exhibit 1: Local authority duties with regard to common good

- The Local Government (Scotland) Act 1973 provides that common good should not be absorbed into the general fund of the Council. The Act also states that where a local authority wishes to dispose of common good assets, and a 'question arises' about their right to do so, they should apply to the Court of Session or the Sheriff for authority to proceed.
- The Local Government etc. (Scotland) Act 1994 (section 15) provides for the transfer of all common good property to the new unitary authorities stating that, in administering such property, any authority to which it is transferred shall have regard to the interests of the inhabitants of the area to which the common good related prior to 16 May 1975.

3. Common Good continues to be a topic of interest and debate, for example through Parliamentary committee interest and exchange of articles in the national press. The level of interest tends not only to be concerned with the financial value of the funds but the wider stewardship of the common good, including the accuracy of the records and the need for transparent and consistent reporting.
4. Recognising that there was a need to introduce consistency in accounting for common good funds, the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) produced a guidance note for practitioners on "Accounting for the Common Good Fund". The guidance note provides clarity for practitioners on reporting and the accounting relationship between the Common Good and local authority. It was LASAAC's expectation that, subject to the transitional arrangements, this guidance would be implemented by all local authorities in 2007/08. The

transitional arrangements (exhibit 2) however require all local authorities to introduce an asset register by 31 March 2009.

Exhibit 2 – Accounting for Common Good Transitional Arrangements	
Action	Timescale
Full application of accounting guidance	31 March 2008
Review of asset register arrangements	April 2008 – March 2009
Introduction of asset register	31 March 2009
<i>Source: LASAAC: Accounting for the Common Good: A Guidance Note for Practitioners</i>	

5. As part of our 2008/09 annual audit plan, we have sought to determine the arrangements in place at Fife Council regarding the management of common good funds. In particular we have considered the following:
 - **Governance arrangements** – which committee/s within the Council has overall responsibility for the management of common good funds
 - **Common Good Asset Register** – the arrangements in place for recording common good assets. In addition, whether the Council has complied with the LASAAC guidance note in terms of the introduction of an asset register by 31 March 2009
 - **Accounting for Common Good** – whether rental income rightfully due to the common good has been recorded correctly in the financial records.

6. Our review has not considered the processes in place for the disposal of common good property, including the record of income from the sale of these assets. In addition we have not considered the arrangements in place for the apportionment of overhead costs reflecting the management of the fund by the local authority.

7. We have referred to the following publications during the course of our review:
 - Accounting for the Common Good Fund: A guidance note for practitioners (LASAAC)
 - A Review of Common Good Funds in the Scottish Borders (Scottish Borders Council)
 - Common Good Law (Andrew C Ferguson)
 - Common Good Land in Scotland – A Review and Critique (Andy Wightman and James Perman)
 - The Management of Common Good Assets and Funds (Improvement Service)

8. We would like to thank all staff from the Council who have been involved in our work for their co-operation during our audit visit.

Fife Council Common Good

Background Information

9. Fife Council has 17 common good funds (see appendix 1). The Common Good Funds of the former burghs of Dunfermline, Culross and Inverkeithing were amalgamated, based on legal advice, into a single fund (West Fife Area Common Good Fund) following local government reorganisation in 1975. This is in contrast to the position of central and east Fife where each former burghs individual fund is administered separately.
10. The possibility of disestablishing the West Fife Area Common Good Fund into its constituent parts has been considered in the past. Considerable work however would be required. Whilst it would be possible to establish the closing balances of the funds in 1975, the financial transactions between 1975 and 1998 are unknown as the financial records have been destroyed (financial records are kept for 10 years in line with the Council's retention policy).
11. In 2007/08, the Council reported the following financial information in relation to the total common good funds administered by the Council:

Exhibit 3 – Common Good Financial Information (2007/08)	
	£million
Expenditure	0.700
Income	0.349
(Surplus)/Deficit	0.262
Assets – Heritable and Moveable Property	3.333
Net Assets	6.843

Source: Fife Council Annual Accounts 2007/08

Governance Arrangements

12. Under the previous administration, three area common good sub-committees (central, east and west) were established responsible for the disbursement of the monies from the common good funds.
13. Following the 2007 elections, a paper was presented to the Council on the potential governance structures. This paper included draft terms of reference for area or local service committees and remitted to such committees '*common good matters for funds within the areas of the local services committee (including disbursement of grants within council guidelines)*'. This however does not appear to have been specifically incorporated into the finalised terms of reference for each area committee.
14. The responsibility for the disbursement of the common good funds does appear however to rest with the Council's area committees (with the exception of the West Fife Area Common Good Fund. (See paragraph 16 below). The Policy, Finance and Asset Committee on the other hand is responsible for, for example, approving the disposal of common good assets and approving the procedures in relation to the management of common good funds. The responsibility of each committee, in relation to common good, however is not explicit within the Council's Scheme of Administration. The Scheme only refers to common good in relation to the West Fife Area Common Good Sub Committee and the Superannuation Fund and Pensions Sub Committee.
15. A separate West Fife Area Common Good Sub Committee has been established which comprise three members of the South West Fife area committee and three members of the City of Dunfermline area committee. This sub committee was formed as the West Fife Area Common Good Fund falls within the boundaries of two separate area committees. This sub committee is responsible for considering the disbursement of monies from the common good funds.
16. The Superannuation Fund and Pensions Sub Committee is responsible for the supervision of the management and administration of the investments of the common good funds and for making decisions in respect of the appointment of fund managers in that regard.
17. During our review, we considered the content and frequency of information presented to the area committees. We noted that, in general, reports are presented to an area committee where there is an application for funding from the common good. These tend to be supplemented with summary financial information for the common good fund (including estimated income and expenditure for the year). On occasion, lease arrangements were also discussed. Where there was consideration of the disposal of common good assets this was referred to the Policy, Finance and Asset Management Committee for decision. In those areas however where there have been no applications for funding during the year, no information has been presented to the area

committees with regard to common good. During 2008/09, the following area committees received no reports in relation to common good¹:

- Glenrothes Area Committee
- Levenmouth Area Committee

18. In October 2007, the West Fife Area Common Good Sub Committee raised concerns relating to the standards of stewardship of common good properties and the work required to develop a detailed list of common good assets in the West Fife area. At that time the committee agreed to instruct the common good and trust fund officers working group² to address the issues raised relating to the stewardship and audit of common good properties/assets. This committee was also influential in establishing the review of the common good grants procedures (see paragraph 20 below).
19. The common good and trust funds officers working group carried out a review of the procedures in relation to the administration of common good grants across Fife. A review had previously been undertaken in 2003/04 which resulted in standardised application forms and consultation arrangements being implemented. The 2008 review recommended that:
- The Executive Director, Performance & Organisational Support determine applications for Common Good Grants up to a maximum of £2,000 where the applications meet the agreed criteria and all local members within the area covered by the relevant fund and appropriate community council agree to an award and amount of grant. In circumstances where agreement could not be reached, the appropriate area or sub-committee (West Fife) would be requested to consider or determine the application.
20. We also noted during our review that the administration of common good land and buildings has also been discussed by the Policy Forum. In June 2008 a paper (prepared by the Executive Director of Performance & Organisational Support, Executive Director of Finance and Resources and the Head of Asset and Facilities Management) sought to address the issues associated with the management of common good properties across Fife (exhibit 4).

Exhibit 4: Issues associated with the management of common good assets

The paper details a number of issues which appear to be blocking the most efficient use of the common good assets. These include:

- A sense that common good property was detached from the mainstream Asset Management processes being rolled out through the Council;
- In some cases there is a complete lack of management of common good assets, with no

¹ Cowdenbeath Area Committee did not receive any report on common good during 2008/09. As illustrated in appendix 1 however there is no common good fund under this area.

² The common good and trust fund officers working group comprises of officers from finance & resources, estates, legal and democratic services. This group has taken the lead in reviewing and updating the common good asset registers.

Exhibit 4: Issues associated with the management of common good assets

services taking responsibility for the management of them

- An inconsistency in the application of policies and practices between former district council area on how common good property was maintained and managed
- In particular, inconsistencies between repairs and maintenance responsibilities regarding properties which were held on the common good accounts but were occupied and used by mainstream council services
- A perception, both within and outwith the council, that common good properties were not ours
- A perception that it was never possible to dispose of common good property

Source: *Paper on the Administration of Common Good Land and Buildings presented to the Policy Forum 16 June 2008*

21. The report also sought support for the application of a set of baseline principles to guide the future administration of common good property. These include:

Exhibit 5: Baseline principles for the future administration of common good property

1. Fife Council is obliged to administer land forming common good in accordance with the normal principles of best value and due economy associated with local authority land holdings; it is also obliged to administer assets having regard to the best interests of the inhabitants of the former Burgh
2. Common Good property should be treated consistently across Fife
3. Common Good Property should be managed and disposed of as efficiently and effectively as the Council's remaining landholdings
4. The Council should only consider disposing of common good property permanently for a community purpose to another organisation whether there is a clear benefit in doing so over retention and sufficient guarantee that the other body can secure the long term nature of the community benefit
5. Common Good properties should be maintained to the same or similar standard as non Common Good properties also owned by the Council
6. Subject to the obligation to use the asset to its best and most economical purpose, the property may be used by Fife Council Services in the normal way. Occupation of the property should be on a notional FRI (full repair and insurance) basis to ensure the property is maintained at no net loss to the Common Good Fund
7. Any "rentals" charged notionally from a Council Service Budget to the Common Good Fund should truly reflect the value of the property and the cost of its maintenance. It should also reflect any income derived from the property by the Council
8. Where Common Good property is leased to an outside body or otherwise disposed of, the terms of the lease, wherever possible, should be FRI to minimise loss to the Common Good Fund

Source: *Paper on the Administration of Common Good Land and Buildings presented to the Policy Forum 16 June 2008*

22. It was proposed that the report be referred to area committees in the first instance, followed by a report to the Policy Finance and Asset Management Committee for final decision. This reporting

process is scheduled for autumn 2009. A consultation process involving community councils and other stakeholders such as heritage groups and Historic Scotland will be commenced at the same time.

Recommendations

23. Collectively, the Policy, Finance and Asset Management Committee, Area Committees and the West Fife Area Common Good Sub Committee appear to have overall responsibility for the management of the common good funds. This however is not explicit in either the Council's Scheme of Administration or committee terms of reference. It is therefore not clear where specific responsibilities rest.
24. The management of the common good funds extends to more than the disbursement of the funds. The terms of reference for the appropriate committee should include arrangements to ensure the overall management of the fund is considered. This should include, for example, the approval of plans and performance requirements to optimise community benefits from the common good and to ensure the common good is sustainable over time.
25. Area committees tend to only receive reports where there is an application for funding. There was no evidence to suggest, for example, annual reports are presented to these committees. We would encourage committees to review the level of information received on common good throughout the year.
26. The members of the relevant committees responsible for the management of the common good should be provided with relevant training on the nature of the common good and their stewardship duties with respect to it.

Action Plan Points 1-4

Common Good Asset Register

27. Asset registers are records of all fixed assets whose value is material or significant to the organisation. In 1993, CIPFA developed a new system of capital accounting designed to improve the quality of financial reporting and help authorities manage their assets efficiently and effectively. As part of the new system, authorities were required to compile an asset register and value all land and property with a material value. It is CIPFA's view that:

"the development and maintenance of a comprehensive asset register is best professional practice across the public service. It is a mechanism to support stewardship and control as well as a means of achieving the efficient and effective management of resources"

28. The guidance note produced by LASAAC suggests that it would *"appear reasonable that the minimum, but proportionate, level of stewardship of the Common Good should be consistent with the local authority itself."* The guidance also refers to a letter sent by the Head of Best Value and Performance at the Scottish Government (2007) which stated:

"For councils to fully maximise the potential of their assets, they must hold accurate records of the assets they are responsible for. This would include those assets held for the Common Good".

29. The guidance note proposes transitional arrangements to enable local authorities to apply the guidance on the maintenance of a common good asset register. The timetable proposes a review of asset arrangements during 2008/09 with the introduction of an asset register by 31 March 2009.

30. At Fife Council, a record of common good assets is held both on the property register AMIS (Asset Management Information System) and AIRS. AMIS is maintained by Corporate Asset Management and aims to provide a comprehensive record of all the council properties, including common good properties. This system however does not have the functionality to generate depreciation charges and as such the Accounting Control Team within Finance and Resources maintain an asset register (AIRS). The property asset identification number (UPRN) is consistent between both registers. On an annual basis, the accounting control team reconcile the information held on the register to AMIS.

31. The existing common good register (held on AIRS) includes 40 assets, all of which are either land or buildings (appendix 2). This register reconciles to the annual financial statements. As highlighted below, however, it is recognised that common good assets are also recorded on the Council's balance sheet.

32. The Council's common good and trust fund working group is currently leading on a review to identify the full extent of what properties are common good assets. An exercise is under way to identify potential common good assets from a review of all title deeds within the boundaries of the former burghs (approx 4,000 title deeds). Any potential common good assets arising from this

exercise will be presented to community councils for consultation to ensure a comprehensive record is documented and that land boundaries are represented appropriately in the title. In reviewing the title deeds, the working group has considered the following:

- Acquired date
- Acquiring authority
- Trust – whether the property has been acquired as part of a separate trust
- Common Good Account – confirmation of whether the asset has been classified as a common good asset in AIRS
- Statutory purpose

33. At the time of our review, we noted that the initial sift of the title deeds had been carried out. We were however unable to obtain details of how many potential deeds were considered to be common good. Consultation with the Community Council has commenced in relation to four of the former burgh areas. The target completion date for these four consultation exercises is 30 June 2009. One consultation exercise has been completed (exhibit 6).

Exhibit 6 – Review of titles (Elie and Earlsferry)

Elie and Earlsferry is a former burgh. The working group checked approximately 12 titles in relation to this burgh and has consulted with the Community Council. The outcome of this exercise identified two common good assets:

- 19-21 Town Hall, High Street
- Golf Course, Earlsferry Road (exact extent of area to be defined)

We confirmed during our review that the Town Hall is recorded on the council's balance sheet (not the common good balance sheet). We have however been unable to identify the golf course on either the common good or council balance sheet. This is because its addition to the provisional list of common good assets for the former burgh has arisen after a detailed examination of the title deeds, and officer knowledge of an 1831 case on the matter. Community consultation will require to establish the extent of this 'new' common good asset.

As highlighted in appendix 1, no common good fund has been established in relation to Elie and Earlsferry.

34. The working group intend to develop a single working document which will provide a comprehensive record of all common good assets. It has yet to be determined how this document will reconcile with the asset register used in the preparation of the financial statements. At present, common good assets are recorded on both the common good asset register and council asset register. Early indications suggest that this exercise will not be fully completed until 2010. In addition, a review of moveable assets has been considered and a process for its implementation discussed at a meeting at the end of June. (see section below).

Moveable Assets

35. In addition to land and buildings, common good asset ownership extends to moveable items such as paintings, books and artefacts. The existing common good asset register, used for the purposes of the financial statements only includes land and buildings.
36. The main listing that is held centrally of moveable assets is the 'All Risk' insurance register, maintained by the Risk Management section of the Council. This lists by location a number of paintings and items of civic regalia that are insured for fire and theft. This listing is for insurance purposes only and only records the valuation and location of the asset. Only in one location schedule, Law and Administration, is there a reference to the fact that some of the assets form part of the Common Good fund.
37. As part of our review we selected a sample of works of art and artefacts that are included on the 'All Risk' insurance register to ensure that their location was correctly stated, they were in good condition and that there was adequate security in place.
38. We noted during our review a painting by William Miller depicting 'Dunfermline from the West Park of Pittencrieff' was insured at two locations (Dunfermline Museum and Dunfermline City Chambers) and at two different values (£10,000 and £14,000 respectively).
39. Through discussion with the Council's Risk Management we understand that due to a new insurance policy that has been taken out specifically for fine art, such discrepancies as noted in the paragraph above should not occur in the future.
40. Within Community Services, the Libraries and Museums Service Development Team maintain a database of works of art and other artefacts that include all items across the Council's nine museums, two heritage sites and mobile museum. The database is currently in the process of being updated and is not expected to be completed until at least late 2010. Although this database will then form a comprehensive list of all moveable assets held by the Council, it currently does not always make reference as to whether the item is common good.

Security of Assets

41. In order to reduce the potential for misappropriation of assets, we would expect reasonably high levels of security to be employed at sites where assets of value are being held. On the whole, we witnessed this during our review. However, when visiting the Murison Burns collection in Dunfermline Library we found that it was unlocked and unattended (exhibit 7)

Exhibit 7 – The Murison Burns Collection, Carnegie Library

In 1912 Sir Alexander Gibb, the owner of the firm who were the principal contractors in constructing Rosyth Naval Dockyard, purchased a collection of Robert Burns memorabilia and books from John Murison and gifted it to the town of Dunfermline. The Murison Burns collection as

it became known was housed in the Carnegie Library and remains there today. The collection is held as a living collection and has over the years been extended through purchases and gifts.

During our review we noted that the Murison Burns Collection has not been itemised on the insurance register. The Collection has been described as "Books and Manuscripts" located in the Dunfermline Library at a value of £120,000.

There is an itemised listing of all items that make up the collection which is held on cards and stored at the back of the collection. In the current location, the record cards are extremely susceptible to misappropriation or damage by the elements. Should this happen there would be no record of all of the items that are included in the collection as this detail is not included in the database of works of art and other artefacts.

During our visit to the Murison Burns collection in Dunfermline Library we also found that it was unlocked and unattended.

Recommendations

42. The Council has established a common good asset register which reconciles to the information presented in the financial statements. A review however is under way, by the common good and trust fund working group to identify the full extent of what properties are common good. This review is not expected to be completed until 2010.
43. Both the existing register and the scope of the review noted above cover common good land and properties. The only record of potential moveable common good assets, such as paintings, books and artefacts, are recorded on the Council's 'All Risk' insurance register. Apart from the records covering the Law and Administration the register does not specifically identify items as common good.
44. The LASAAC guidance note proposed a review of asset arrangements during 2008/09 with the introduction of an asset register by 31 March 2009. Whilst we acknowledge that the Council does have an asset register in place for common good, this register does not provide a complete and comprehensive record of all common good assets, including moveable items.
45. During our audit we visited the Murison Burns collection in Dunfermline Library and noted that it was unlocked and unattended. It is essential that appropriate security arrangements are put in place for common good assets.

Action Plan Points 5-6

Accounting for Common Good

Rental Income

46. In the absence of a comprehensive asset register for common good there is a risk that the funds do not receive rental income which is rightfully theirs. It may be argued for an individual property that the cost of repairs and maintenance exceeds the income which could be received. We are not aware however whether such an exercise has been undertaken.
47. The recent paper to the Policy Forum (paragraph 21) highlighted inconsistencies that exist between repairs and maintenance responsibilities over properties held on common good accounts but occupied and used by mainstream council services. Some of the examples have been replicated in exhibit 8:

Exhibit 8 – Anomalies relating to the maintenance of common good

Leslie Common

Community Services use the football pitches and own the pavilion and therefore receive an income. However no rental is paid to the common good fund. Community Services also pay for the maintenance of the common.

Dysart Harbour

The Sailing Club pays a relatively nominal rental of £1,000 and are, in theory responsible for repairs. However repairs are carried out by the Council but not charged to the Common Good Fund. Other properties such as 96 High Street, Burntisland, are repaired out of the Common Good fund.

Burgh Chambers, Burnt Island

This property is partly occupied by the Local Services Network, who pick up repairs and running costs as well as an annual rental of £5,500.

Source: Paper on the Administration of Common Good Land and Buildings presented to the Policy Forum 16 June 2008

48. As part of our audit we also reviewed the rental income received by the West Common Good Fund in 2007/08. As can be seen from exhibit 9, there are significant variances in rental income received both from council services and external parties. The assets also appear to be recorded on various asset registers.

Exhibit 9 – Review of rental income (West Common Good Fund)

In 2007/08, the West Fife Area Common Good reported rental income of £75,979. Rental income was received for seven assets which are located on the common good balance sheet and three on the council balance sheet. Rental income was also received in relation to a further three assets. Due to the asset description provided however it was not possible to identify where the asset was

recorded (i.e. common good, council or neither). These are highlighted below:

- Ground behind City Chambers – rental income received from external party. Annual rent £5
- Public Park Dunfermline – rental income received from Council. Annual rent £200
- Allotments Townhill – rental income received from Council. Annual rent £2.16

Our review of the rental income for this common good fund also highlighted significant variances in the level of rental income received. For example:

	External Rental £	Council Rental £
Museum Friary/Community Hall	200	10,000
Stephen Memorial Hall		350
Town House, Inverkeithing		580
City Chambers, Dunfermline		44,130
Lilliehill Farmland	700	
Community Hall, Corn Exchange	13,420	

We understand that many of the rental agreements in place were inherited at reorganisation (1996) and have not been reviewed since this time.

We also considered those assets on the West Fife Area common good balance for which no rental income was received and noted the custodian quarters (St Margaret Street, Dunfermline) are being rented out externally to Historic Scotland (£1,000 per annum). The records on the AMIS system however suggest that this income is credited to Community Services.

49. LASAAC's guidance note on accounting for the common good proposes that common good should be "*the subject of a separate disclosure to the existing local authority financial statements*". The application of full accounting guidance was to be implemented in 2007/08.
50. The LASAAC guidance requires that FRS 15 (Tangible Fixed Assets) should be applied to the common good. In particular it refers to the valuation of common good assets (exhibit 10) and emphasises the requirement to depreciate and impair common good assets (where applicable).

Exhibit 10 – Measurement of common good assets

Common Good assets should be measured initially at cost and, where included at current value, should be revalued regularly and in any event at intervals of no greater than 5 years. The valuation bases by category are:

- Community assets – historical cost net of depreciation
- Operational land and properties – lower of net current replacement cost or net realisable value
- Operational assets – lower of net current replacement cost or net realisable value

- Investment properties – lower of or net current replacement cost or net realisable value. For investment properties net current replacement cost is market value.
- Investments – market value

Source: *LASAAC: Accounting for the Common Good: A Guidance Note for Practitioners*

51. The baseline principles suggested in the paper to the Policy Forum (exhibit 5) set out common guidelines for the rental of common good assets with either council services or external organisations. It is essential in reviewing these agreements that the Council also consider the valuation bases of each asset. The valuation bases may vary depending on the agreement in place.

Recommendations

52. There is a risk that the common good funds do not receive rental income which is rightfully theirs. A report prepared by council officers has highlighted inconsistencies in the treatment of repairs and renewals and rental income where common good asset are being used by council services. Our review supported the findings made in that report. There appear to be significant variances in the level of rental income received from both council services and external organisations and whether the common good asset was on the common good asset register or council register. We understand that many of the rental agreements have been inherited and have not been reviewed since local government reorganisation. The baseline principles suggested in the paper to the Policy Forum set out common guidelines for the rental of common good assets with either council services or external organisations. We would encourage the Council to implement these guidelines as soon as practicable.
53. The review of rental agreements could result in the need to review the categorisation and valuation base of the asset recorded in the common good register. We would encourage such a review to be carried out in tandem with the review of rental agreements.

Action Plan Points 7-8

Action Plan

Our action plan details the key weaknesses and opportunities for improvement that we have identified during this review. To assist the Council in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated.

The rating structure is summarised as follows:

Significant	Weaknesses in existing controls leaving the Council or Service open to error, fraud, financial loss or reputational damage, where the risk is sufficiently high for the matter to be reported specifically in the Annual Assurance and Corporate Governance Statements
Substantial	Weaknesses in existing controls leaving the Council or Service open to high risk of error, fraud, financial loss or reputational damage
Routine	Weaknesses in existing controls leaving the Council or Service open to medium risk of error, fraud, financial loss or reputational damage
Minor	Administrative weaknesses in existing controls posing little risk of error, fraud, financial loss or reputational damage

The following table indicates the number of issues raised in this report under each of the priority headings

Total	Significant	Substantial	Routine	Minor
8	2	4	2	0

It should be noted that the weaknesses identified in this report are only those which have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements which may exist. This report has been prepared for the sole use of Fife Council, the Controller of Audit and the Accounts Commission. We do not undertake responsibilities to officers, members or directors in their individual capabilities or to third parties.

Action Plan Point	Paragraph Reference	Weakness and Risk	Recommendation and Rating	Management Comments	Responsible Officer	Agreed Completion Date
1	13	Collectively, the Policy, Finance and Asset Management Committee, Area Committees and the West Fife Area Common Good Sub Committee appear to have overall responsibility for the management of the common good funds. This however is not explicit in either the Council's Scheme of Administration or committee terms of reference. It is therefore not clear where specific responsibilities rest.	We would encourage the Council to review the roles and responsibilities of each committee in relation to the management of common good and ensure these are documented within each committees terms of reference and the overall Scheme of Administration. Substantial	The current review of the Scheme of Administration will address this.	Iain Grant	December 2009

Action Plan Point	Paragraph Reference	Weakness and Risk	Recommendation and Rating	Management Comments	Responsible Officer	Agreed Completion Date
2	14	The management of the common good funds extends to more than the disbursement of the funds. The terms of reference for the appropriate committee should include arrangements to ensure the overall management of the fund is considered. This should include, for example, the approval of plans and performance requirements to optimise community benefits from the common good and to ensure the common good is sustainable over time.	We recommend that the Council ensure that the terms of reference for each committee responsible for the management of common good extend to more than the disbursement of funds. Substantial	The current review of the Scheme of Administration will address this.	Iain Grant	December 2009
3	17	Area committees tend to only receive reports where there is an application for funding. There was no evidence to suggest, for example, annual reports are presented to these committees. We would encourage committees to review the level of information received on common good throughout the year.	We would encourage committees to review the level of information received on common good throughout the year. Routine	This reflects views raised by some Members and will be addressed by the provision of annual reports on each Common Good Fund to the appropriate Committee.	Iain Grant/ Linda Bissett/ Eileen Rowand	April 2010

Action Plan Point	Paragraph Reference	Weakness and Risk	Recommendation and Rating	Management Comments	Responsible Officer	Agreed Completion Date
4	26	The members of the relevant committees responsible for the management of the common good should be provided with relevant training on the nature of the common good and their stewardship duties with respect to it.	Arrangements should be in place to ensure members receive relevant training on the nature of common good and their stewardship duties with respect to it. Routine	The forum for this is the Members' Development Days	Iain Grant/ Linda Bissett	April 2010
5	36	Both the existing register and the scope of the review being carried out by the common good trust fund working group cover common good land and properties. The only record of potential moveable common good assets, such as paintings, books and artefacts, are recorded on the Council's 'All Risk' insurance register. Apart from the Law and Administration record however the register does not specifically identify items as common good.	The Council should ensure arrangements are in place to ensure the common good asset register includes moveable common good assets in addition to land and properties. Significant	The need for this is recognised. A sub-group is in the process of being set up to work through the relevant issues including identification and policy on management of such assets.	Ken Gourlay/ Brian Livingston/ Iain Grant/ Linda Bissett/ Steve Grimmond	April 2010

Action Plan Point	Paragraph Reference	Weakness and Risk	Recommendation and Rating	Management Comments	Responsible Officer	Agreed Completion Date
6	41	During our audit we visited the Murison Burns collection in Dunfermline Library and noted that it was unlocked. It is essential that appropriate security arrangements are in place for common good assets.	The Council should ensure appropriate security arrangements are in place for common good assets. Substantial	Security will be covered in policy being developed on management of moveable assets. On the day of the auditors' visit, the room had been unlocked to give access to contractors who were attempting to find the source of water penetration into the building connected to the adjacent fire escape. The Room was therefore unlocked but was not unattended, as it was still under the supervision of the Reference Room staff. The cabinets and cases storing the special collections remained locked.	Ken Gourlay/ Brian Livingston/ Iain Grant/ Linda Bissett/ Steve Grimmond	April 2010

Action Plan Point	Paragraph Reference	Weakness and Risk	Recommendation and Rating	Management Comments	Responsible Officer	Agreed Completion Date
7	48	There is a risk that the common good funds do not receive rental income which is rightfully theirs. There appear to be significant variances in the level of rental income received from both council services and external organisations and the common good asset was either on the common good asset register or council register. We understand that many of the rental agreements have been inherited and not reviewed since local government reorganisation. The baseline principles suggested in the paper to the Policy Forum set out common guidelines for the rental of common good assets with either council services or external organisations.	<p>We would encourage the Council to implement these guidelines as soon as practicable.</p> <p>Significant</p>	The guidelines will be implemented over the next couple of months. However, the key to getting the income to, and expenditure out of, the common good funds right is to complete the review of the common good register currently ongoing.	Ken Gourlay/ Brian Livingston/ Iain Grant/ Linda Bissett	April 2010

Action Plan Point	Paragraph Reference	Weakness and Risk	Recommendation and Rating	Management Comments	Responsible Officer	Agreed Completion Date
8	51	The review of rental agreements could result in the need to review the categorisation and valuation basis of the asset recorded in the common good register.	We would encourage such a review to be carried out in tandem with the review of rental agreements. Substantial	This will be picked up as part of the overall review.	Ken Gourlay/ Brian Livingston / Iain Grant/ Linda Bissett/ Steve Grimmond	April 2010

Appendix 1 – Fife Council Common Good Funds

Former Burgh	Common Good Fund	Area Committee
Auchtermuchty royal burgh	Auchtermuchty	North East Fife
Leslie burgh	Leslie	Glenrothes
Markinch burgh	Markinch	
Burntisland royal burgh	Burntisland	Kirkcaldy
Kinghorn royal burgh	Kinghorn	
Kirkcaldy royal burgh	Kirkcaldy	
Buckhaven and Methil burgh	Buckhaven and Methil	Levenmouth
Leven burgh	Leven	North East Fife
Kilrenny, Anstruther Easter and Anstruther Wester royal burgh	Anstruther	
Crail royal burgh	Crail	
Cupar royal burgh	Cupar	
Falkland royal burgh	Falkland	
Newburgh royal burgh	Newburgh	
Pittenweem royal burgh	Pittenweem	
St Andrews royal burgh	St Andrews	
St Monance burgh	St Monans	
Culross royal burgh	Consolidated fund of Dunfermline, Culross and Inverkeithing	
Dunfermline royal burgh	Consolidated fund of Dunfermline, Culross and Inverkeithing	
Inverkeithing royal burgh	Consolidated fund of Dunfermline, Culross and Inverkeithing	
Cowdenbeath burgh		Cowdenbeath Area
Elie and Earlsferry royal burgh		North East Fife Area
Ladybank burgh		North East Fife Area
Lochgelly burgh		Cowdenbeath Area
Newport on tay burgh		North East Fife Area
Tayport burgh		North East Fife Area

The Local Government (Scotland) Act 1973 identifies 25 burghs which were reorganised into Fife regional and district councils in 1975. At the time of reorganisation, some town councils took the opportunity to pass the common property into new trusts to avoid them being taken over by the new authorities. Auchtermuchty is one such town council. In addition St Andrews managed to arrange for all the golf links in St Andrews which were part of the common lands to be transferred into the St Andrews Links Trust by an Act of Parliament.

In the Magistrates of Banff case (1944), Lord Wark stated that all property held by burghs prior to 1975 is common good property unless it has:

- Been acquired using statutory powers or
- Acquired and held under a special trust

Based on the above analysis, it can therefore be assumed that six of the former burghs did not possess any property at the time of reorganisation. This however is in contrast with the findings from the working groups review (exhibit 6)

Appendix 2 – Breakdown of Common Good Asset Register

Common Good Fund	Number of Assets
Auchtermuchty	0
Burntisland	3
Consolidated fund of Dunfermline, Culross and Inverkeithing	12
Crail	5
Cupar	2
Falkland	1
Anstruther	2
Kinghorn	1
Kirkcaldy	1
Newburgh	0
Pittenweem	5
St Andrews	1
Buckhaven and Methil	0
Leslie	1
Leven	1
Markinch	2
St Monans	3



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