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On behalf of LASAAC

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Dear Don

## **Accounting for the Common Good – A Guidance Note for Practitioners Response to the consultation from Forward Scotland**

Forward Scotland welcomes the opportunity to contribute to LASAAC's consultation on its draft Guidance Note for Practitioners on Accounting for the Common Good.

In agreement with the specific questions posed in the consultation document, Forward Scotland believes that a separate disclosure of common good statements that is not subsumed into the local authority single entity accounts and which treats Common Good assets as distinct assets would restore confidence in the management of publicly owned assets, and in particular Common Good Assets, given the inconsistencies that local authorities have demonstrated in their asset records. Evidence of these inconsistencies is detailed in our response to question 4.

Forward Scotland supports action for sustainable development through practical projects and research. Our mission is to champion innovative approaches to sustainable development. We work to inspire a culture where the benefits of sustainable development are understood, valued and achieved. To do this we aim to promote sustainability in the widest sense in ways that change people's perceptions, attitudes and behaviour, while also achieving economic vitality, social wellbeing and a good quality environment for all.

Our response is based on ten years of experience promoting sustainable development in Scotland, and of managing and delivering grant schemes which have supported a significant number of communities, social enterprises and other organisations to become more involved in the management of physical assets.

Through our experience of helping community groups manage and secure assets we have learned that community empowerment and involvement in the management of assets is fundamental to the sustainability of communities.

## Responses to the consultation questions

### **1. Do you agree that the legislative distinction of the Common Good should be reflected with a separate disclosure of common good statements?**

Yes. Forward Scotland believes that a separate disclosure of common good statements is entirely in line with the recommendations of Audit Scotland, who in their 'Overview of the Local Authority Audits 2006' pointed out that:

“Councils are responsible for common good funds within their area and for ensuring that common good assets are properly recorded and insured. These are audited as part of the councils' accounts, taking account of the nature and value of assets held. Councils' 2005/06 accounts show net assets in common good funds of £189 million, with annual expenditure in the order of £10 million. To discharge their stewardship responsibilities, councils need to maintain accurate asset registers which identify common good assets as such, **distinct** from the general body of assets under council control.”

It is important that Common Good assets are distinguishable from other local authority accounts in order to ensure clarity, transparency and accountability. LASAAC will be aware that there has been increased activity in recent years by communities anxious that local authorities account for Common Good assets, and the management of those assets in a more transparent fashion.

### **2. Do you agree that the Common Good should not be subsumed into the local authority single entity accounts?**

Yes. Forward Scotland has conducted its own research on a particular area of Common Good – land and property assets. We give further details in the response to Question 4 below on inconsistencies and potential inaccuracies in local authority records with regard to this subset of the Common Good. Forward Scotland believes that the only way for local authorities to be able to report (accurately and timeously) on the Common Good is for a clear separation of Common Good and local authority accounts to be made.

### **3. Do you agree that the Common Good is not a single entity?**

Yes. Forward Scotland would argue that each individual Common Good asset should be treated as a single asset and reported as such, allowing the reader to see each Common Good asset and the value of that asset.

### **4. Are there any other comments you would like to contribute to the development of the guidance?**

The consultation document rightly notes the history and importance of the Common Good to the people of Scotland. Forward Scotland's research indicates that the courts<sup>1</sup> seem to be sympathetic to the premise that the starting point for a definition of Common Good property is all property of a Royal Burgh or a Burgh of Barony not acquired under statutory powers or held under special trusts and not otherwise alienated, for example through long-term lack of use or other use. Those assets were subsequently transferred to the new local government bodies set up under local government reform in 1975 and 1994 when the Burghs became part of District and Regional Councils and then councils.

However, there appears to be some confusion among local authorities as to the status of Common Good Assets.

Forward Scotland notes in the consultation document that despite recommendations made in 2001 by LASAAC on the application of FRS 15 to the Common Good (to ensure that tangible fixed assets are accounted for on a consistent basis), there continues to be

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<sup>1</sup> Magistrates of Banff v Ruthin Castle Limited 1944 SLT 373 and Cockenzie and Port Seton Community Council v East Lothian District Council 1997 SLT 81

considerable and continuing difference in approach by local authorities in their accounting practices.

In 2005 research undertaken by Andy Wightman<sup>2</sup> led to the publication of a report on the results of a Freedom of Information (FOI) request into land and properties held by local authorities in the form of Burgh Commons or Common Good Land. Areas of concern included six local authorities claiming that they had no common good land, two refusing to supply any information and three providing no response.

During 2006 and 2007 the Scottish Parliament's Local Government and Transport Committee took evidence on the issues of Common Good, and as a result, in March 2007, the Deputy Minister for Finance wrote<sup>3</sup> to local authorities reminding them to 'hold a record of all common goods assets and request to make the information available to the public if asked.'

In July 2007, research by Forward Scotland into the sale and transfer of assets held on the Common Good accounts during the period 1 April 2002 to 31 March 2007 revealed inconsistencies and potential inaccuracies in local authority records. Eight of the local authorities contacted replied outwith the timescales set out in the Freedom of Information (Scotland) Act 2002 and one local authority failed to respond to the request for information. An examination of the 2005 research and Forward Scotland's request reveals a number of inconsistencies: one local authority listed seven Common Good properties in 2005, however in the 2007 response it said that it did not own any Common Good properties and provided no details of disposals; and a number of local authorities listed disposals of Common Good assets between 2002 and 2007 that were not listed in the 2005 report.

The 2007 FOI request also asked local authorities who had disposed of Common Good Assets during the stated period to provide a) the value of the asset at the point of transfer and b) the consideration received (financial or otherwise) for that Common Good Asset. For those who reported the disposal of Common Good Assets and the associated values, a number of local authorities provided no information on the value of the asset prior to disposal; one local authority stated that it did not hold information on the value of the assets prior to their transfer; and others claimed that the consideration received for the asset at disposal was in fact the value of the asset prior to disposal, because the asset had been sold on the open market.

**Forward Scotland believes that a separate disclosure of common good statements, that is not subsumed into the local authority single entity accounts and which treats Common Good assets as distinct assets would restore confidence in the management of publicly owned assets, and in particular Common Good Assets, given the evident inconsistencies that local authorities have demonstrated in their asset registers.**

Forward Scotland would be pleased to discuss with you any points of clarification or further detail if required.

Yours sincerely



**Theo Leijser**  
Chief Executive

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<sup>2</sup> Common Good Land in Scotland – A Review and Critique: Andy Wightman and James Perman

<sup>3</sup> [www.scottish.parliament.uk/business/committees/lg/documents/LetterfromDavidMilnetoDirectorsofFinance160307.pdf](http://www.scottish.parliament.uk/business/committees/lg/documents/LetterfromDavidMilnetoDirectorsofFinance160307.pdf).