

[REDACTED]

From: [REDACTED]
Sent: 23 May 2018 15:27
To: [REDACTED]
Subject: FW: 2016/17 NDR account

[REDACTED]
[REDACTED] Private Secretary | DG Organisational Development and Operations: Scottish Government | 1N.11 St Andrews House | [REDACTED]

From: [REDACTED] On Behalf Of DG Organisational Development & Operations
Sent: 14 August 2017 11:44
To: [REDACTED]
Cc: DG Scottish Exchequer Mailbox; Chief Financial Officer; [REDACTED]
Oliphant; DG Organisational Development & Operations
Subject: 2016/17 NDR account

Dear [REDACTED]

Many thanks for your email.

Sarah would appreciate a meeting to discuss reporting proposals as you have suggested.

[REDACTED] – grateful if you could provide some potential dates and we will try and work around those at this end

Thanks

[REDACTED]
[REDACTED] Private Secretary | DG Organisational Development and Operations: Scottish Government | 1N.03 St Andrews House | [REDACTED]

From: [REDACTED] On Behalf Of [REDACTED]
Sent: 08 August 2017 15:17
To: DG Organisational Development & Operations
Cc: DG Scottish Exchequer Mailbox; Chief Financial Officer; [REDACTED]
Oliphant
Subject: 2016/17 NDR account
Importance: High

Dear Sarah,

Hope you are well.

I wanted to take the opportunity to update you on our annual audit of the 2016/17 Non-Domestic Rating Account. The audit is progressing well and we are appreciative of the engagement we've had with your colleagues in local government finance in responding to our audit queries.

At this stage, I wanted to make you aware that our audit work has highlighted concerns about the overall financial position of the account. As you will be aware the draft 2016/17 account now has an accumulated deficit balance of £296.6 million having increased to this level over the past three financial years. Our concern therefore centres on the future sustainability of the operation of the account and how the Scottish Government plans to address the deficit. Similarly, we are concerned about the wider implications of this for the development and agreement of future Scottish budgets.

We are approaching the conclusion of our audit work. Given the nature of our concerns, I wanted to let you know that we are considering preparing a statutory report (section 22) in addition to our annual audit report. As you will be aware, a section 22 report is the mechanism which enables the Auditor General to bring to the attention of the Scottish Parliament and the public, matters of public interest arising from the audit.

My colleague, [REDACTED], met with [REDACTED] last week on this matter and we'll continue to liaise with [REDACTED] as our audit work concludes. In addition we would welcome the opportunity to meet with you to discuss our reporting proposals in more detail at a time convenient to you. [REDACTED] will be happy to liaise with your office about arranging a suitable time.

In the meantime, please let me know if you would like to discuss further.

Best wishes,

[REDACTED]
[REDACTED]
Assistant Director of Audit Services
Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Audit Scotland, 4th Floor, South Suite, The Athenaeum Building
8 Nelson Mandela Place, Glasgow G2 1BT
Switchboard: [REDACTED]



This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit <http://www.symanteccloud.com>

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit <http://www.symanteccloud.com>

This email has been received from an external party and

has been swept for the presence of computer viruses.

From: [REDACTED]
Sent: 04 June 2018 11:33
To: [REDACTED]
Subject: FW: NDR Account

From: [REDACTED]
Sent: 31 August 2017 16:50
To: [REDACTED]
Subject: RE: NDR Account

Hi [REDACTED]

Thanks for the revised draft of the NDR Account. I am winding up the audit now and have a few points that I thought I would highlight.

- Firstly, I have checked the links incorporated into the text and one does not work Para 9; the one in para 11 takes one to the SCF 2014/15; and the one in the Governance Statement takes one to SCF 2013/14 – you may wish to check them.
- Next, the headings Scottish Government: Non Domestic Rating Account 2016-17 may be unnecessary since they repeat the same thing as the page headers on every page. If you decide to retain these please note the one on page 10 says 'On-Domestic' not 'Non'.
- Page 8 and page 10 – The notes are on page 11 not 9.
- Page 9 – the statements were issued to us on the 24th May 2017

We are unsure of your approach regarding point 3 in your email but I believe this will form the majority of the conversation at the meeting on 3rd October 2017 so that can be decided then. The remaining changes may be fine but [REDACTED] I has still to review so I will let you know after that.

Hope you are having a lovely holiday.

Thanks

From: [REDACTED]
Sent: 25 August 2017 12:31
To: [REDACTED]
Cc: [REDACTED]
Oliphant
Subject: FW: NDR Account

Thank you for your suggested amendments to the draft 2016-17 Non Domestic Rating Account. I have incorporated a few of the changes and now provide an explanation where I have not included other suggested changes. I have also made a couple of other amendments to tidy up what will become the final report.

1. Page 2 paragraph 3 – the suggestion was that an alternative should be found for the word "proportion" but having considered the process that we go through we feel that "proportion" is a

reasonable word but I have added "share of the" to make the description of the process a bit clearer.

2. Paragraph 7 on page 4 – "1 April 2014-15" has been corrected to read 1 April 2014.

3. Page 5 paragraph 8 – you did not think the previous wording about "taking one year with another" reflected reality in that it suggested that any surplus or deficit would be dealt with in the following year. I have clarified this with the revised phrase about looking at the account over a number of years.

You also suggested that this paragraph needed a further explanation on why the deficit has built up and what steps are being taken to reduce and remove the deficit. We have considered this with Finance colleagues and we are firmly of the view that it is not the purpose of the White Paper Account to comment on why situations have arisen or what may happen in the future but rather its purpose is to provide a statement of fact in relation to the amount of NDRi is received by the Scottish Government and then distributed back to local government. Scottish Ministers' Spending Plans set out their plans for Local Government financing and these are scrutinised by the Scottish Parliament - Local Government and Finance Committees. Reflecting on your comments, we have added some explanatory material in paragraphs 8, 9 and 10 to help the reader understand the pool balance and the interaction of NDR with Revenue Support Grant.

4. Page 5 paragraph 9 – I have expanded the estimating explanation but kept the description to a very high level given the number of potential policy decisions that could possibly influence the estimating process.

5. Pages 8 and 10 – I have change the format so that deficits appear in brackets rather than as minus numbers.

6. Pages 7, 9, 10 and 12 – It was previously agreed that the White Paper would be signed off in September rather than October so I have amended the dates.

7. At the end of the Report - I have now attach a copy of the Direction by The Scottish Ministers at the end of the revised Report.

Other Changes

1. Throughout the report it was described as being part of Social Justice, Communities and Pensioner Right's Portfolio but we do not think this is necessary.

2. The references to the Scottish Government Consolidated Accounts will need to be updated by Finance colleagues when appropriate.

[REDACTED]
Team Leader – Revenue and Capital
Local Government Finance
The Scottish Government
[REDACTED]

From: [REDACTED]
Sent: 23 August 2017 10:05
To: [REDACTED]
Cc: [REDACTED]
Subject: NDR Account

Hi [REDACTED]

Just a follow up regarding the narrative within the NDR Account...

The last time we spoke, you had made some changes and had sent them to finance for their review. Has this progressed at all?

It will soon be time to start drafting our audit report so if you could forward any agreed changes to us, we would appreciate it.

Many thanks

[REDACTED]

[REDACTED]

Auditor

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

[REDACTED]

www.audit-scotland.gov.uk



This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit <http://www.symanteccloud.com>

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit <http://www.symanteccloud.com>

This email has been received from an external party and

has been swept for the presence of computer viruses.

This e-mail (and any files or other attachments transmitted with it) is intended solely for the attention of the addressee(s). Unauthorised use, disclosure, storage, copying or distribution of any part of this e-mail is not permitted. If you are not the intended recipient please destroy the email, remove any copies from your system and inform the sender immediately by return.

Communications with the Scottish Government may be monitored or recorded in order to secure the effective operation of the system and for other lawful purposes. The views or opinions contained within this e-mail may not necessarily reflect those of the Scottish Government.

[REDACTED]

From: [REDACTED]
Sent: 04 June 2018, 11:33
To: [REDACTED]
Subject: FW: Non-domestic rating - s22 audit report
Attachments: 16-17_NDR_s22_report_clearance_draft.docx; 2016-17_NDR
AAR_Draft_issued_to_SG.docx

From: [REDACTED]
Sent: 13 November 2017 14:09
To: [REDACTED]
Subject: FW: Non-domestic rating - s22 audit report

F [REDACTED]
Sent: 13 November 2017 09:53
To: DG Organisational Development & Operations
Cc: Director of Financial Strategy; [REDACTED]
Subject: Non-domestic rating - s22 audit report

Dear Sarah,

Please find attached the draft section 22 report on the 2016/17 Non-Domestic Rating Account. We look forward to our meeting on Thursday afternoon (16th) to discuss and we would be grateful to receive details of any comments by Tuesday 21 November if possible.

Separately, I also attach our draft Annual Audit Report which includes a section for management responses in the action plan at Appendix 1.

If there is anything you wish to discuss in the meantime please let me know.

Best wishes,

[REDACTED]
Senior Audit Manager

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

www.audit-scotland.gov.uk

 AUDIT SCOTLAND



This email has been scanned by the Symantec Email Security.cloud service.

From: [REDACTED]
Sent: 23 May 2018 15:29
To: [REDACTED]
Subject: FW: 2016/17 NDR Account

[REDACTED] | Private Secretary | DG Organisational Development and Operations: Scottish Government | 1N.11 St Andrews House | [REDACTED]

From: [REDACTED] **On Behalf Of** DG Organisational Development & Operations
Sent: 28 September 2017 12:07
To: [REDACTED]
Cc: S [REDACTED] DG Organisational Development & Operations
Subject: RE: 2016/17 NDR Account

Thanks [REDACTED], much appreciated

[REDACTED] | Private Secretary | DG Organisational Development and Operations: Scottish Government | 1N.03 St Andrews House | [REDACTED]

From: [REDACTED]
Sent: 28 September 2017 10:22
To: DG Organisational Development & Operations
Cc: S [REDACTED]
Subject: RE: 2016/17 NDR Account

Hi [REDACTED]

As promised, please find attached a short note on NDR in advance of our meeting with Sarah on Tuesday next week.

Many thanks,
[REDACTED]

[REDACTED]
Senior Audit Manager
Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
[REDACTED]
www.audit-scotland.gov.uk

 AUDIT SCOTLAND



From: [REDACTED] **On Behalf Of** DGODO@gov.scot
Sent: 21 September 2017 09:52
To: [REDACTED]
Cc: [REDACTED]
Subject: 2016/17 NDR Account

Thanks [REDACTED], much appreciated.

[REDACTED]
[REDACTED] | Private Secretary | DG Organisational Development and Operations: Scottish
Government | 1N.03 St Andrews House | [REDACTED]

From: [REDACTED]
Sent: 21 September 2017 09:48
To: DG Organisational Development & Operations [REDACTED]
Subject: RE: 2016/17 NDR Account

Hi [REDACTED]

We will be happy to provide a short note to Sarah on the NDR account prior to the meeting. We will look to send something to you later next week.

Thanks,
[REDACTED]

From: [REDACTED] **On Behalf Of** DGODO@gov.scot
Sent: 21 September 2017 09:25
To: [REDACTED]
Cc: [REDACTED]
Subject: 2016/17 NDR Account

[REDACTED]
You have a meeting with Sarah Davidson on 3 October to discuss the 2016/17 NDR account. Sarah would be grateful for a note, in advance of this meeting, of your emerging findings for the section 22 report to help inform discussion on the day.

Would you be content to provide this?

Thanks

[REDACTED]
[REDACTED] | Private Secretary | DG Organisational Development and Operations: Scottish
Government | 1N.03 St Andrews House | [REDACTED]

[REDACTED]

From: [REDACTED]
Sent: 23 May 2018 15:30
To: [REDACTED]
Subject: FW: NDR draft report

[REDACTED]
[REDACTED] Private Secretary | DG Organisational Development and Operations: Scottish Government | 1N.11 St Andrews House [REDACTED]

From: [REDACTED] On Behalf Of Davidson S (Sarah)
Sent: 28 November 2017 08:56
To: [REDACTED]
Cc: DG Organisational Development & Operations; Director of Financial Strategy ([REDACTED])
Subject: NDR draft report

Thank you for your e-mail of 27 November and I can confirm that we are content with the proposed changes as set out in your e-mail.

We will not, however, be providing any "evidence of Scottish Government plans in place and of the plans that were in place at the time of the 2017/18 budget" at this stage. As you know the Distributable Amount for 2017-18 was reduced by £103 million compared with 2016-17 which ties in with Mr Mackay's statement that we plan to bring the account into balance over a number of years. You will understand that the discussions on the 2018-19 Draft Budget are at a very sensitive stage so it would not be appropriate to release further information about the 2018-19 Distributable Amount at this stage before Cabinet has taken final decisions on the Budget and the Scottish Fiscal Commission (SFC) have confirmed final estimates.

Thanks

Sarah

Sarah Davidson
DG Organisational Development and Operations
[REDACTED]

I work Monday to Thursday. My mail is processed daily and your e-mail will be read within four working hours. If your message is more urgent than that, please ring my office or text me.



I AM AN ALLY

From: [REDACTED]
Sent: 27 November 2017 11:37

To: DG Organisational Development & Operations; Director of Financial Strategy

Cc: [REDACTED]

Subject: NDR draft report

Hi Sarah,

Thanks very much for your letter of 22 November in response to the draft section 22 report on the 2016/17 Non-domestic rating account. We are currently reviewing the points raised as we finalise the report.

I wanted to take the opportunity to outline our changes to the report relating to the main points raised in your letter.

Plans for non-domestic rates

We are happy to reflect the Scottish Government's intentions to bring the account into balance as highlighted by the Cabinet Secretary in February 2017. We have updated our key message (3rd bullet) to now read: *"In February 2017, the Scottish Government signalled its intention to bring the account into balance over a number of years but there is no formal plan in place."* As mentioned at our meeting on 16 November, we would need to see evidence of Scottish Government plans in place and of the plans that were in place at the time of the 2017/18 budget for us to reflect this in the report. If you are able to provide us with this evidence then I'd be grateful if you can do so before the end of tomorrow to allow us to consider in the final version.

Scottish Fiscal Commission

We have expanded the fourth key message (bullet 4) to better reflect the narrative later on in the report about the Scottish Fiscal Commission. The key message now reads:

"Information about non-domestic rates, including budget and financial information, is fragmented across a number of different accounts and budget documents. The Scottish Government needs to increase the transparency of its financial reporting on non-domestic rates. In addition, the establishment of the Scottish Fiscal Commission to provide independent forecasts of non-domestic rates provides an opportunity to increase transparency. Together, these will help the Parliament to build a comprehensive picture of non-domestic rates and better understand how it contributes to the Scottish budget and its impact on longer-term financial sustainability."

Impact on local government funding

We understand that in addressing the deficit balance the impact can be managed more widely as part of the Scottish budget. To better reflect this point we have reworded the final sentence of the third key message to read *"The Scottish Government needs to develop and maintain a strategic plan of future non-domestic rates distribution levels as part of its commitment to longer-term financial planning. This should include the impact of addressing the deficit balance on its overall financial position."*

As mentioned at our meeting, I will liaise with Bill Stitt if there are any points that need further clarification on the specific points of accuracy.

Thanks again,

[REDACTED]
Senior Audit Manager

Audit Scotland 4th Floor 102 West Port Edinburgh EH3 9DN

[REDACTED]
www.audit-scotland.gov.uk

 AUDIT SCOTLAND