

MANAGEMENT STATEMENT/FINANCIAL MEMORANDUM FOR ARCHITECTURE AND DESIGN SCOTLAND

PART 1: INTRODUCTION

1. This management statement and associated financial memorandum (MS/FM) has been drawn up by the Scottish Government Directorate for the Built Environment in consultation with Architecture and Design Scotland, Bakehouse Close, 146 Canongate, Edinburgh EH8 8DD.

2. Subject to the legislation noted, the management statement sets out the broad framework within which Architecture and Design Scotland will operate, in particular:

- Architecture and Design Scotland's overall aims, objectives and targets in support of the Scottish Ministers' wider strategic aims;
- the rules and guidelines relevant to the exercise of Architecture and Design Scotland's functions, duties and powers;
- the conditions under which public funds are paid to Architecture and Design Scotland;
- how Architecture and Design Scotland is to be held to account for its performance.

3. The associated financial memorandum sets out in greater detail certain aspects of the financial framework within which Architecture and Design Scotland is required to operate.

4. However, the management statement and associated financial memorandum do not convey any legal powers or responsibilities.

5. The MS/FM shall be reviewed and updated periodically by the Directorate normally at least every 2-3 years.

6. Architecture and Design Scotland, or the Directorate, may propose amendments to the MS/FM at any time. Any such proposals by Architecture and Design Scotland shall be considered in the light of the Scottish Ministers' policy aims, operational factors and the track record of Architecture and Design Scotland itself. The guiding principle shall be that the extent of flexibility and freedom given to Architecture and Design Scotland shall reflect both the quality of its internal controls and its operational needs. The Directorate shall determine what changes, if any, are to be incorporated in the MS/FM. Legislative provisions shall take precedence over any part of the MS/FM.

7. Architecture and Design Scotland shall satisfy the conditions and requirements set out in the MS/FM, together with all relevant requirements in the Scottish Public Finance Manual (SPFM) and such other conditions as the Scottish Ministers/sponsor Directorate may from time to time impose. Any question regarding the interpretation of the MS/FM shall be resolved by the Directorate after consultation with Architecture and Design Scotland.

8. Copies of the MS/FM shall be placed in the Scottish Parliament Reference Centre and provided to the Public Services Delivery Group in an electronic format for inclusion in the Scottish Government internet and intranet websites. Copies shall also be made available to members of the public on Architecture and Design Scotland's website.

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1. FUNCTIONS, DUTIES AND POWERS

1.1 Status

1.1.1 Architecture and Design Scotland is established as a company limited by guarantee under the Companies Act 1985 (as amended). The constitution of Architecture and Design Scotland is set out in the Articles of Association. Architecture and Design Scotland does not carry out its functions on behalf of the Crown.

1.2 The functions, duties and powers of Architecture and Design Scotland

1.2.1 The Memorandum of Association gives Architecture and Design Scotland the following functions and duties:

i) to advance, for the public benefit, by whatever means are thought fit, education including aesthetic education in architecture, design, planning, management and maintenance in the built environment by, in particular:-

promoting and encouraging the attainment of high standards in all areas of architecture, urban design, landscape architecture, planning, management and maintenance in the built environment; and

promoting an understanding and appreciation of architecture, urban design, landscape architecture, planning, management and maintenance in the built environment.

ii) to enquire into, obtain advice, appraise, provide advice, develop and report upon, for the benefit of the community, by whatever means are thought fit, planning and architectural cases and projects or other matters, whether referred to the Company or not; and

iii) generally to further, by whatever means are thought fit, any other purpose beneficial to the community relating to architecture, design, planning, management and maintenance in the built environment.

Powers:

i) to promote or carry out the collection, analysis or publication dissemination of information of all types and in all forms on such terms as shall be thought fit;

ii) to encourage and make representations in support of such changes to standards and practices of industry as may be considered desirable or necessary;

- iii) to carry on any other activities which can be advantageously or conveniently carried on by the Company by way of extension of or in connection with the objects of the Company or are calculated directly or indirectly to benefit the Company;
- iv) to advise, co-operate and collaborate with other bodies or persons and businesses on any matters concerned, whether directly or indirectly, with the Company's objects;
- v) to further collaboration between the various arts, crafts, design and other disciplines relating to the built environment;
- vi) to promote sustainable development principles in building design, urban design, landscape architecture, construction and maintenance and to encourage the promotion and building of sustainable communities;
- vii) to enter into contracts to provide services to or on behalf of other bodies or persons and, if requested, appoint or make nominations for appointment to other bodies;
- viii) to apply for, promote and obtain any Act of Parliament, order, or licence of a relevant authority for enabling the Company to carry any of its objects into effect, or for effecting any modification of the Company's constitution, or for any other purpose which may seem calculated directly or indirectly to promote the Company's interests, and to oppose any proceedings or applications which may seem calculated directly or indirectly to prejudice the Company's interests;
- ix) to enter into any funding or other arrangements with any government or authority that may seem conducive to the attainment of the Company's objects or any of them, and to obtain from any such government or authority any charters, decrees, rights, privileges or concessions which the Company may think desirable and to carry out, exercise, and comply with any such charters, decrees, rights, privileges and concessions;
- x) to promote, support or assist any other society, association or institution, having objects similar to any of the objects of the Company;
- xi) to amalgamate or affiliate, either wholly or partially with any society, association, or educational or other institution having objects similar to any of the objects of the Company, and not formed for the purpose of gain, in such manner and upon such conditions as may be determined upon; provided that such society, association or institution shall prohibit payment of dividend or profit to members to the extent to which such payment is prohibited by the Company;

xii) to purchase or by any other means acquire, lease, hire and/or take options over any property whatever, and any rights or privileges of any kind over or in respect of any property (see also section 6.6 of Financial Memorandum: 'Leasing');

xiii) to improve, alter, manage, maintain, enlarge, construct, erect, repair, develop, exchange, let on lease or otherwise, mortgage, charge, sell, dispose of, turn to account, from time to time renew, grant licences, options, rights and privileges in respect of, or otherwise deal with all or any part of the property and rights of the Company;

xiv) to apply for, register, purchase, or by other means acquire and protect, prolong and renew, whether in the United Kingdom or elsewhere any patents, patent rights, brevets d'invention, licences, secret processes, trade marks, logos, designs (whether registered or unregistered), names, protections and concessions and to disclaim, alter, modify, use and turn to account and to manufacture under or grant licences or privileges in respect of the same, and to expend money in experimenting upon, testing and improving any patents, inventions or rights which the Company may acquire or propose to acquire;

xv) to acquire, undertake or take over to such an extent as may be thought fit (and permitted by law) the whole or any part of the business, goodwill, and assets of any person, firm, company or body whatsoever, carrying on or proposing to carry on any of the activities which the Company is authorised to carry on and as part of the consideration for such acquisition to undertake all or any of the liabilities or undertakings of such person, firm, company or body whatsoever, or to acquire an interest in, amalgamate with, or enter into partnership or into any arrangement for co-operation, or for mutual assistance with any such person, firm, company or body whatsoever, or for subsidising or otherwise assisting any such person, firm, company or body whatsoever, and to give or accept consideration for any of the acts or things aforesaid or property acquired;

xvi) to deposit or invest the monies of the Company not immediately required for its operations in any manner as may be thought fit (including but not limited to the establishment of subsidiaries of any kind) subject to such conditions and such consents as may for the time being be imposed or required by law (see also section 6.10 of Financial Memorandum: 'Financial Investments');

xvii) to borrow and raise money in any manner and to secure the repayment of any money borrowed, raised or owing by mortgage, charge, standard security, lien or other security upon the whole or any part of the Company's property or assets and also by a similar mortgage, charge, standard security, lien or security to secure and guarantee the performance by the Company of any obligation or liability it may undertake or which may become binding on it (see also section 2.3 of Financial Memorandum: 'Borrowing');

xviii) to draw, make, accept, endorse, discount, negotiate, execute and issue cheques, bills of exchange, promissory notes, bills of lading, warrants, debentures, and other negotiable or transferable instruments;

xix) to insure the Company its property and assets against such risks as the directors of the Company shall consider it prudent and necessary to insure against (see also section 6.12 of Financial Memorandum: 'Commercial insurance');

xx) to insure the Company's directors, officers, servants, employees, voluntary workers, auditors and/or those of its members in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or in the exercise of purported exercise of their powers and/or otherwise in relation to the Company as the directors of the Company shall consider it prudent and necessary to insure against (see also section 6.12 of Financial Memorandum: 'Commercial insurance');

xxi) to establish and maintain or contribute to any pension or superannuation funds for the benefit of, and, give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any individuals who are or were at any time in the employment or service of the Company, or of any company which is or has been its holding company or is or has been a subsidiary of the Company or any such holding company or otherwise is allied to or associated with the Company or any of the predecessors of the Company ("Group Companies") to establish and subsidise or subscribe to any institutions, associations, clubs or funds which may be considered likely to benefit any such persons; and in particular, to make arrangements for the continuance or transfer to the Company of any previous arrangement to which any Group Company or Connected Company is or has been a party (see also sections 5.3-5.5 of Financial Memorandum: 'Pensions: redundancy/compensation').

xxii) to delegate to committees of the Company various functions, including distribution of funds, giving of advice (either to the Company or to third parties) and formulation (for approval by the directors of the Company) of the Company's policies and procedures;

xxiii) to engage any paid or unpaid person or persons (upon such terms as to pay and other conditions of employment as may be thought fit) or whether as directors, officers, servants, employees, voluntary workers, to supervise, organise, carry on the work of and advise the Company and to remunerate (where applicable) any such person, firm or company rendering services to the Company (see also sections 5.1 and 5.2 of Financial Memorandum: 'Staff costs' and 'Pay and conditions of service');

xxiv) to pay all or any costs, charges and expenses incurred in connection with or incidental to the promotion, formation, registration and incorporation

of the Company, or to contract with any person, firm or company to pay the same;

xxv) to control, manage, finance, subsidise, co-ordinate or otherwise assist any company or companies in which the Company has a direct or indirect financial interest, to provide secretarial, administrative, technical, commercial and other services and facilities of all kinds for any such company or companies and to make payments by way of subvention or otherwise and any other arrangements which may seem desirable with respect to any business or operations of or generally with respect to any such company or companies;

xxvi) to procure the Company to be registered or recognised in any part of the world;

xxvii) to do all or any of the things or matters aforesaid in any part of the world either as principals, agents, contractors, trustees or otherwise, and by or through agents, brokers, sub-contractors or otherwise and either alone or in conjunction with others; and

xxviii) to do all such other things as may be deemed incidental or conducive to the attainment of the Company's objects or any of them.

- 1.2.2 Scottish Planning Policy 20, *The Role of Architecture and Design Scotland* (February 2005), sets out the wider policy context, role and responsibilities of Architecture and Design Scotland and its relationship with the planning system.

1.3 Classification

- 1.3.1 For policy/administrative purposes Architecture and Design Scotland is classified as an advisory non-departmental public body.
- 1.3.2 For national accounts purposes Architecture and Design Scotland is classified to the central government sector.
- 1.3.3 References to Architecture and Design Scotland include, where appropriate, all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and Architecture and Design Scotland.

2. AIMS, OBJECTIVES AND TARGETS

2.1 Overall aims

2.1.1. Within the memorandum of association, the Scottish Ministers have defined the overall aims for Architecture and Design Scotland as follows:

i) to advance, for the public benefit, by whatever means are thought fit, education including aesthetic education in architecture, design, planning, management and maintenance in the built environment by, in particular:-

ii) promoting and encouraging the attainment of high standards in all areas of architecture, urban design, landscape architecture, planning, management and maintenance in the built environment; and

iii) promoting an understanding and appreciation of architecture, urban design, landscape architecture, planning, management and maintenance in the built environment.

iv) to enquire into, obtain advice, appraise, provide advice, develop and report upon, for the benefit of the community, by whatever means are thought fit, planning and architectural cases and projects or other matters, whether referred to the Company or not; and

v) generally to further, by whatever means are thought fit, any other purpose beneficial to the community relating to architecture, design, planning, management and maintenance in the built environment.

2.2 Objectives and key targets

2.2.1 The sponsor Directorate determines Architecture and Design Scotland's performance framework in the light of the Scottish Ministers' wider strategic aims. Architecture and Design Scotland's objectives and key targets shall be agreed within Architecture and Design Scotland's corporate planning process (Section 4 below).

2.2.2 Architecture and Design Scotland will align its objectives and targets with the National Performance Framework of the Scottish Government. In particular, it will arrange its activities to support and progress the following National Outcomes:

1. We live in a Scotland that is the most attractive place for doing business in Europe

4. Our young people are successful learners, confident individuals, effective contributors and responsible citizens.

5. Our children have the best start in life and are ready to succeed.

6. We live longer, healthier lives

9. We live our lives safe from crime, disorder and danger

10. We live in well-designed, sustainable places where we are able to access the amenities and services we need.

11. We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.

12 We value and enjoy our built and natural environment and protect it and enhance it for future generations

13. We take pride in a strong, fair and inclusive national identity.

14. We reduce the local and global environmental impact of our consumption and production.

15. Our public services are high quality, continually improving, efficient and responsive to local people's needs.

2.2.3 Architecture and Design Scotland's Annual Reports and Corporate Plans will demonstrate how the work of the organisation is linked to the National Outcomes adopted by the Scottish Government and provide detailed evidence of how it has supported the National Outcomes listed in 2.2.2.above.

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Scottish Ministers

3.1.1 The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities and performance of Architecture and Design Scotland. Their responsibilities include:

- approving Architecture and Design Scotland's strategic objectives and the policy and performance framework within which Architecture and Design Scotland will operate (as set out in this management statement and associated financial memorandum (MS/FM));
- keeping the Parliament informed about Architecture and Design Scotland's performance;
- approving the resource budget and the associated grant in aid requirement to be paid to Architecture and Design Scotland, and securing the necessary Parliamentary approval;
- carrying out responsibilities specified in the Memorandum and Articles of Association, including appointment of Board Members, approving the terms and conditions of Board appointments, appointment of the Chief Executive, approval of terms and conditions of staff, and laying of the annual report and accounts before the Parliament.

3.2 The sponsor Accountable Officer

3.2.1 The Director-General Economy is designated as the sponsor Accountable Officer for Architecture and Design Scotland by the Principal Accountable Officer for the Scottish Administration. He/she is responsible for the overall organisation, management and staffing of the sponsor Directorate and for ensuring that there is a high standard of financial management in the sponsor Directorate as a whole.

3.2.2 In particular the Director-General Economy, as sponsor Accountable Officer, shall ensure that:

- Architecture and Design Scotland's strategic aims and objectives support the Scottish Ministers' wider strategic aims;
- the financial and other management controls applied by the sponsor Directorate to Architecture and Design Scotland are appropriate and sufficient to safeguard public funds and for ensuring that Architecture and Design Scotland's compliance with those controls is effectively monitored ("public funds" include not only any funds provided to Architecture and Design Scotland by the Scottish Ministers but also any other funds falling within the stewardship of Architecture and Design Scotland, including gifts, bequests and donations);

- the internal controls applied by Architecture and Design Scotland conform to the requirements of regularity, propriety and good financial management;
- any funding provided to Architecture and Design Scotland is within the scope and the amount authorised by Budget Act.

3.2.3 The responsibilities of an Accountable Officer are set out in more detail in the Memorandum to Accountable Officers from the Principal Accountable Officer – see Annex 1 of the section on Accountability in the Scottish Public Finance Manual (SPFM).

3.3 The sponsoring team in the sponsoring Directorate

3.3.1 Within the Directorate for the Built Environment, the Architecture and Place Division is the sponsoring team for Architecture and Design Scotland. The Division, in consultation as necessary with the Director for the Built Environment and the Director-General for Economy as sponsor Accountable Officer, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of Architecture and Design Scotland, and the primary point of contact for Architecture and Design Scotland in dealing with the Director-General Economy and the sponsor Directorate. The sponsoring team shall carry out its duties under a senior officer who shall have primary responsibility for overseeing the activities of Architecture and Design Scotland.

3.3.2 The sponsoring team shall advise the Scottish Ministers on:

- an appropriate framework of objectives and targets for Architecture and Design Scotland in the light of the Scottish Ministers' wider strategic aims;
- an appropriate budget for Architecture and Design Scotland in the light of the Scottish Ministers' overall public expenditure priorities;
- how well Architecture and Design Scotland is achieving its strategic objectives and whether it is delivering value for money.

3.3.3 In support of the Director-General Economy as sponsor Accountable Officer the sponsoring team shall:

on performance and risk management -

- monitor Architecture and Design Scotland's activities on a continuing basis through an adequate and timely flow of information from Architecture and Design Scotland on performance, budgeting, control and risk management, including early sight of Architecture and Design Scotland's Statement on Internal Control;

- address in a timely manner any significant problems arising in Architecture and Design Scotland, whether financial or otherwise, making such interventions in the affairs of Architecture and Design Scotland as the Director-General for Economy judges necessary;
- ensure that the activities of Architecture and Design Scotland and the risks associated with them are properly and appropriately taken into account in the Scottish Government’s risk assessment and management systems;
- ensure that the appointment of Board Members is made timeously and in accordance with the Commissioner for Public Appointments in Scotland’s Code of Conduct.

on communication with Architecture and Design Scotland -

- inform Architecture and Design Scotland of relevant Scottish Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to Architecture and Design Scotland as necessary;
- bring concerns about the activities of Architecture and Design Scotland to the attention of the full Board, and require explanations and assurances from the Board that appropriate action has been taken.

3.4 The Chair of Architecture and Design Scotland

3.4.1 The Chair is appointed by the Scottish Ministers for a period of four years. The appointment is made in line with the Code of Practice issued by the Commissioner for Public Appointments in Scotland.

3.4.2 The Chair is responsible to the Scottish Ministers. The Chair shall aim to ensure that Architecture and Design Scotland’s policies and actions support the wider strategic policies of the Scottish Ministers; and that Architecture and Design Scotland’s affairs are conducted with probity.

3.4.3 The Chair of Architecture and Design Scotland is the Chair of the Executive Committee, the Company Board and the Advisory Board of Architecture and Design Scotland. (The Executive Committee is the Committee of Board Members appointed by Scottish Ministers and given the additional corporate responsibility for ensuring that Architecture and Design Scotland fulfils the aims and objectives set by the Scottish Ministers. The Company Board of Architecture and Design Scotland performs the functions of a company board required by its existence as a company limited by guarantee under the Companies Act. The Company Board is composed of all the members of the Executive Committee. The Advisory Board is composed of all the Board Members appointed by Scottish Ministers. Fuller details of the roles of each group are set out in paragraphs 3.5 and 3.6 below.)

3.4.4 The Chair has a particular leadership responsibility on the following matters:

- formulating the Executive Committee/Company Board’s strategy;

- ensuring that the Executive Committee/Company Board, in reaching decisions, takes proper account of guidance provided by the Scottish Ministers/the sponsor Directorate;
- promoting the efficient and effective use of staff and other resources;
- encouraging high standards of propriety;
- representing the views of the Executive Committee/Company Board to the general public.
- The Chair may delegate from time to time responsibility for particular activities to the Deputy Chair to assist the Chair in his role and responsibilities.

3.4.5 The Chair shall also:

- ensure that all members of the Executive Committee/Company Board and the Advisory Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
- advise the Scottish Ministers of the needs of Architecture and Design Scotland when Board vacancies arise, with a view to ensuring a proper balance of professional and financial expertise;
- assess the performance of all individual Executive Committee/Company Board Members and Advisory Board Members annually;
- ensure that all Executive Committee/Company Board Members and Advisory Board Members are fully aware of Architecture and Design Scotland's Code of Conduct approved by the Scottish Ministers and the principles set out in the Nolan Report as regards ethical standards.

ensure that Executive Committee/Company Board members uphold the requirements of the Companies Acts.

3.4.6 Communications between Board Members and the Scottish Ministers shall normally be through the Chair. The Chair shall ensure that the other Board Members are kept informed of such communications.

3.5 The Executive Committee and Company Board of Architecture and Design Scotland

3.5.1 The Executive Committee is made up of selected Board Members of Architecture and Design Scotland. Membership of the Executive Committee is subject to approval by the full Board. Board Members are appointed by Scottish Ministers, normally for a period of four years. Appointments are made in line with the Code of Practice issued by the Commissioner for Public Appointments in Scotland. The Company Board consists of all the members of the Executive Committee. The Executive Committee/Company Board gives advice to Ministers, based on Architecture and Design Scotland's activities; general feedback to Architecture and Design Scotland from stakeholders and others; and the contributions of Board Members themselves.

3.5.2 The Executive Committee/Company Board has corporate responsibility for ensuring that Architecture and Design Scotland fulfils the aims and objectives set by the Scottish Ministers and for promoting the efficient and effective use of staff and other resources by Architecture and Design Scotland in accordance with the principles of Best Value – see relevant section of the SPFM. To this end, and in pursuit of its wider corporate responsibilities, the Executive Committee/Company Board shall:

- agree the overall strategic direction of Architecture and Design Scotland within the policy, planning and resources framework determined by the Scottish Ministers;
- ensure that the Chair informs Scottish Ministers of any changes which are likely to impact on the strategic direction of Architecture and Design Scotland, or on the attainability of its targets, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds (ie all funds falling within the stewardship of Architecture and Design Scotland) are complied with; that the Executive Committee/Company Board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor Directorate, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Executive Committee/Company Board takes into account relevant guidance issued by the Scottish Ministers/sponsor Directorate;
- ensure that the Executive Committee/Company Board receives and reviews regular financial information concerning the management of Architecture and Design Scotland; is informed in a timely manner about any concerns about the activities of Architecture and Design Scotland; and provides positive assurance to the sponsor Directorate that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including by setting up and using an independent audit committee - in accordance with the guidance on Audit Committees in the SPFM - to help the Executive Committee/Company Board to address the key financial and other risks facing Architecture and Design Scotland;

- provide commitment and leadership in the development and promotion of Best Value principles throughout the organisation;
 - appoint, with the Scottish Ministers' approval, a Chief Executive to Architecture and Design Scotland and, in consultation with the sponsor Directorate, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight both to the proper management and use of public monies and to the delivery of outcomes in line with Scottish Ministers' priorities.
- 3.5.3 The Executive Committee/Company Board may agree to establish sub-committees and working groups to carry out delegated activities on its behalf. The Chair shall be responsible for the appointment of Executive Committee/Company Board members to act as the chair or to be members of each sub-committee so formed. The Executive Committee/Company Board shall agree protocols for the remit and conduct of these committees and working groups.
- 3.5.4 Directors of the company are appointed from the Board Members appointed by Scottish Ministers by the Company Board with the approval of the Members of the Company.

3.6 The Advisory Board

- 3.6.1 The Advisory Board consists of all Board Members of Architecture and Design Scotland. The Advisory Board acts in an advisory capacity to the Executive Committee/Company Board and fulfils a range of roles within A+DS. It does not carry corporate responsibility for the management of financial affairs of Architecture and Design Scotland, which is a matter for the Executive Committee/Company Board.
- 3.6.2 Advisory Board Members are appointed by Scottish Ministers, normally for a period of four years. Appointments are made in line with the Code of Practice issued by the Commissioner for Public Appointments in Scotland.
- 3.6.3 Individual Advisory Board Members shall act in accordance with their wider responsibility as Board Members appointed by Scottish Ministers – namely to:
- comply at all times with the Code of Conduct that is adopted by Architecture and Design Scotland and with the rules relating to the use of public funds, conflicts of interest and confidentiality;
 - not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;

- act in good faith and in the best interests of Architecture and Design Scotland.

3.7 The Accountable Officer of Architecture and Design Scotland

3.7.1 The Chief Executive of Architecture and Design Scotland is designated as the organisation's Accountable Officer by the Principal Accountable Officer of the Scottish Administration on a non-statutory basis.

3.7.2 The Accountable Officer of Architecture and Design Scotland is personally responsible for safeguarding the public funds (ie all funds falling within the stewardship of Architecture and Design Scotland) for which he/she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of Architecture and Design Scotland. He/she should act in accordance with the terms of the MS/FM and within the terms of relevant guidance in the SPFM and other instructions and guidance issued by the Scottish Ministers – in particular the Memorandum to Accountable Officers of Other Public Bodies (Annex 2 of the section on Accountability in the SPFM).

3.7.3 The Accountable Officer has a duty to secure Best Value, which includes the Efficient Government Initiative and the concepts of good corporate governance, performance management and continuous improvement. Guidance to Accountable Officers on what their organisation should be able to demonstrate in fulfilment of the duties which make up a Best Value regime is included in the Best Value section of the SPFM.

3.7.4 As Accountable Officer the Chief Executive shall exercise the following specific responsibilities:

on planning, performance management and monitoring -

- establish Architecture and Design Scotland's corporate and business plans in the light of the Scottish Ministers' wider strategic aims;
- establish a robust performance management framework which supports the achievement of Architecture and Design Scotland's aims and objectives as set out in the corporate and business plans; and which enables full performance reporting to the Executive Committee/Company Board, the sponsor Directorate and the wider public;
- inform the sponsor Directorate of Architecture and Design Scotland's progress in helping to achieve the Scottish Ministers' policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to the sponsor Directorate; that the sponsor Directorate is notified promptly if overspends/underspends are likely or if performance targets are at serious risk and that corrective action is taken; and that any significant problems, whether financial or otherwise, and

whether detected by internal audit or by other means, are notified to the sponsor Directorate in a timely fashion;

on advising the Executive Committee/Company Board -

- advise the Executive Committee/Company Board on the discharge of its responsibilities as set out in this document, the Memorandum and Articles of Association and in any other relevant instructions and guidance issued by the Scottish Ministers/sponsor Directorate;
- advise the Executive Committee/Company Board on Architecture and Design Scotland's performance compared with its aims and objectives;
- ensure that financial considerations are taken fully into account by the Executive Committee/Company Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques as set out in the Green Book are followed as far as this is appropriate and practical;
- take action as set out in section 5 of the Memorandum to Accountable Officers of Other Public Bodies if the Executive Committee/Company Board, or the Chair is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;

on managing risk and resources -

- ensure that a system of risk management is embedded in the organisation to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure that the funds made available to Architecture and Design Scotland including any approved income or other receipts are used for the purpose intended by the Parliament, and that such moneys, together with Architecture and Design Scotland's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by Architecture and Design Scotland, including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;

- ensure that effective human resource management policies are maintained and that strategic human resource planning is related to Architecture and Design Scotland's objectives;

on accounting for Architecture and Design Scotland's activities -

- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Scottish Ministers;
- sign a Statement of Accountable Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding Architecture and Design Scotland's system of internal control, for inclusion in the annual report and accounts;
- sign a Certificate of Assurance on the maintenance and review of Architecture and Design Scotland's internal control systems, for submission to the Director General Economy;
- ensure that an effective complaints procedure is in place including, where applicable, reference to the Scottish Public Services Ombudsman and made widely known;
- give evidence when summoned before Committees of the Scottish Parliament on the use and stewardship of public funds by Architecture and Design Scotland.

3.7.5 The Chief Executive may delegate the day-to-day administration of his/her Accountable Officer responsibilities to other employees in Architecture and Design Scotland. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

3.7.6 The Chief Executive is responsible for informing the Director General Economy, as sponsor Accountable Officer about any complaints about Architecture and Design Scotland accepted by the Scottish Public Services Ombudsman for investigation, and about Architecture and Design Scotland's proposed response to any subsequent recommendations from the Ombudsman.

4. PLANNING, BUDGETING AND CONTROL

4.1 The corporate plan

4.1.1 Consistent with the timetable for public spending reviews, Architecture and Design Scotland shall submit to the sponsor Directorate a draft of Architecture and Design Scotland's corporate plan covering the spending review period. Architecture and Design Scotland shall have agreed with the sponsor Directorate the issues to be addressed in the plan and the timetable for its preparation. The plan, or elements thereof, shall be updated between public spending reviews as and when considered necessary.

4.1.2 The plan shall reflect Architecture and Design Scotland's statutory duties and, within those duties, the priorities set from time to time by the Scottish Ministers.

4.1.3 The corporate plan shall set out:

- Architecture and Design Scotland's key objectives and associated key performance targets for the forward years, and its strategy for achieving those objectives;
- a review of Architecture and Design Scotland's performance in the preceding financial year together with comparable outturns for the previous 2 years, and an estimate of performance in the current year;
- alternative scenarios to take account of factors which may significantly affect the execution of the plan but which cannot be accurately forecast;
- other matters as agreed between the sponsor Directorate and Architecture and Design Scotland.

4.1.4 The main elements of the plan - including the key performance targets - shall be agreed between the sponsor Directorate and Architecture and Design Scotland in the light of the sponsor Directorate's decisions on policy and resources taken in the context of the Scottish Ministers' wider public expenditure plans and decisions.

4.2 The Business Plan

4.2.1 The business plan for the year immediately ahead shall be consistent with the agreed corporate plan. The business plan shall be updated annually by Architecture and Design Scotland to include key targets and milestones for the forthcoming year and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the sponsor Directorate. (See also paragraph 1.3 of the financial memorandum.) A copy of the business plan shall be submitted to the sponsor Directorate for information (and comment where considered appropriate) prior to the beginning of the financial year in question.

4.3 Publication of Plans

- 4.3.1 Subject to any commercial considerations the corporate and business plans shall be made available on the Internet.

4.4 Reporting Performance to the sponsor Directorate

- 4.4.1 Architecture and Design Scotland shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its corporate and business plans.

- 4.4.2 Architecture and Design Scotland shall take the initiative in informing the sponsor Directorate of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives set out in the corporate or business plans.

- 4.4.3 Architecture and Design Scotland's performance in helping to deliver Scottish Ministers' policies, including the achievement of agreed key objectives, shall be reported to the sponsor Directorate every two months during the first five years of its existence. Performance will be formally reviewed twice yearly by officials of the sponsor Directorate. The appropriate Scottish Minister shall meet the Chair formally regularly to discuss Architecture and Design Scotland's performance, its current and future activities and any policy developments relevant to those activities. The performance of the Chair will be assessed annually by the Director General Economy as Accountable Officer.

- 4.4.4 Architecture and Design Scotland's performance against key targets shall be reported in its annual report and accounts - see Section 5.1 below. Other forms of reporting performance to the public should also be considered.

4.5 Budgeting Procedures

- 4.5.1 Architecture and Design Scotland's budgeting procedures are set out in the associated financial memorandum.

4.6 Internal Audit

- 4.6.1 Architecture and Design Scotland shall establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS). Architecture and Design Scotland shall consult the Director-General Economy as sponsor Accountable Officer to ensure that the latter is satisfied with the competence and qualifications of the external Financial Consultant employed to provide internal audit services and the requirements for approval of the appointment.

- 4.6.2 Architecture and Design Scotland shall arrange for periodic quality reviews of its internal audit in accordance with the GIAS. The Director-General Economy shall consider whether he/she can rely on these reviews to provide assurance on the quality of internal audit. However, the Director-General Economy reserves a right of access to carry out/commission independent reviews of internal audit in Architecture and Design Scotland.
- 4.6.3 The Director-General Economy's internal audit service shall also have a right of access to all documents prepared by Architecture and Design Scotland's internal audit service. The audit strategy, periodic audit plans and annual audit report, including Architecture and Design Scotland's Internal Audit provider's opinion on risk management, control and governance shall be forwarded without delay to the sponsoring team who shall consult the Scottish Government's Head of Internal Audit as appropriate.
- 4.6.4 In addition, Architecture and Design Scotland shall forward to the sponsor Directorate an annual report on fraud and theft suffered by Architecture and Design Scotland, notify any unusual or major incidents as soon as possible; and notify any changes to its internal audit's terms of reference, its audit committee's terms of reference or its Fraud Policy and Fraud Response Plan.

5. EXTERNAL ACCOUNTABILITY

5.1 The Annual Report and Accounts

- 5.1.1 After the end of each financial year, Architecture and Design Scotland shall publish an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of any corporate bodies under the control of Architecture and Design Scotland.
- 5.1.2 The report and accounts shall comply, so far as appropriate, with the Treasury document *Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance*. The accounts shall be prepared in accordance with the specific accounts direction (attached at Appendix 2 to the Financial Memorandum); the requirements of the Companies Acts and other relevant guidance issued by the Scottish Ministers.
- 5.1.3 The report and accounts shall outline Architecture and Design Scotland's main activities and performance during the previous financial year and set out in summary form Architecture and Design Scotland's forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.
- 5.1.4 The report and accounts shall be submitted in draft to the Director-General Economy for comment and the final version shall be laid before the Parliament by the Scottish Ministers before 31 December. The accounts must not be published before they have been laid. Architecture and Design Scotland shall be responsible for the publication of the report and accounts.

5.2 External Audit

- 5.2.1 Architecture and Design Scotland's accounts are audited by auditors appointed by the Board. Architecture and Design Scotland shall submit the audited accounts to the Scottish Ministers, who shall lay them, together with the annual report, before the Parliament.
- 5.2.2 Architecture and Design Scotland shall instruct its auditors to send copies of all management letters (and correspondence relating to those letters) and responses to the Director-General Economy.

5.3 VFM/3E Examinations

- 5.3.1 The Public Finance and Accountability (Scotland) Act 2000 provides that the Auditor General for Scotland (AGS) may carry out examinations into the economy, efficiency and effectiveness with which Architecture and Design Scotland has used its resources in discharging its functions. For the purpose of these examinations the AGS has statutory access to documents and information held by relevant persons specified by an Order made under section 24 of that Act.

6. STAFF MANAGEMENT

- 6.1. Within the arrangements approved by the Scottish Ministers and set out in the Articles of Association and Memorandum of Association, Architecture and Design Scotland shall have responsibility for the recruitment, retention and motivation of its staff. To this end Architecture and Design Scotland shall ensure that:
- the recruitment of its staff is based on fair and open competition and equal opportunities;
 - the level and structure of its staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
 - the performance of its staff at all levels is managed effectively and efficiently; they are satisfactorily appraised; and Architecture and Design Scotland's performance appraisal and promotion systems are reviewed from time to time;
 - its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve Architecture and Design Scotland's objectives;
 - proper consultation with staff takes place on key issues affecting them;
 - adequate grievance and disciplinary procedures are in place;

- whistleblowing procedures consistent with the Public Interest Disclosure Act are in place;
- a code of conduct for staff is in place based on the document *Model Code for Staff of Executive Non-Departmental Public Bodies*.

7. REVIEWING THE ROLE OF ARCHITECTURE AND DESIGN SCOTLAND

- 7.1 The role of Architecture and Design Scotland shall be reviewed periodically in accordance with the business needs of the Scottish Government and of Architecture and Design Scotland, normally at least every 5 years.

PART 3: FINANCIAL MEMORANDUM

1. BUDGETING PROCEDURES

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 Setting the annual budget
 Transfers of budgetary provision
 End-year flexibility
 Authority to spend

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 Borrowing
 Maximising income from other sources
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5. **EXPENDITURE ON STAFF**
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7. **MANAGEMENT AND DISPOSAL OF FIXED ASSETS**
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8. **BANKING**

APPENDIX 1: SPECIFIC LIMITS ON DELEGATED AUTHORITY

APPENDIX 2: ACCOUNTS DIRECTION

APPENDIX 3: CERTIFICATE OF EXEMPTION FOR EMPLOYERS' LIABILITY INSURANCE

1. BUDGETING PROCEDURES

The Departmental Expenditure Limit (DEL)

1.1 Architecture and Design Scotland's current and capital expenditure form part of the sponsor Director-General's Resource DEL and Capital DEL respectively.

Setting the annual budget

1.2 Each year, in the light of decisions by the Scottish Ministers on Architecture and Design Scotland's corporate plan (paragraph 4.1 of the management statement), the sponsor Directorate will send to Architecture and Design Scotland:

- a formal statement of the annual budgetary provision (disaggregated by main budget headings) allocated by the Scottish Ministers in the light of competing priorities across the Scottish Government and of the associated grant in aid and any approved forecast income;
- a statement of any planned change in policies affecting Architecture and Design Scotland.

1.3 Architecture and Design Scotland's annual business plan will take account both of its approved budgetary provision and of any forecast income, and will include a budget of estimated payments and receipts together with a profile of expected expenditure/consumption of resources and of draw-down of grant in aid and other income over the year. These elements will form part of the business plan for the year in question (paragraph 4.2.1 of the management statement).

1.4 Grant in aid provided by the Scottish Ministers for the year in question will be included in the annual Budget Act and will be subject to approval by the Parliament.

Transfers of budgetary provision

1.5 All transfers of budgetary provision between current and capital budgets require the prior approval of the Director of Finance (if less than £50,000) or the Permanent Secretary of the Scottish Government.(if more than £50,000). Other transfers between main budget headings may be undertaken without the prior approval of the sponsor Directorate.

End-year flexibility

1.6 Under the Scottish Government's end-year flexibility (EYF) arrangements Architecture and Design Scotland may, subject to the approval of the sponsor Directorate, carry forward from one financial year to the next, in part or in full, unused Departmental Expenditure Limit (DEL) budgetary provision. It is Architecture and Design Scotland's underspending in terms of the use of DEL budgetary provision

rather than of grant in aid that will determine the level of EYF available to be carried forward. Any change in the cost of capital and depreciation requirement from the allowances made for those areas will therefore have an effect on any carry forward available. Architecture and Design Scotland must at the earliest opportunity submit to the sponsor Directorate any proposals for carrying forward budgetary provision. Any such proposals shall be considered by the sponsor Directorate in the light of competing priorities.

Authority to spend

1.7 Once Architecture and Design Scotland's budget has been approved by the sponsor Directorate and subject to any restrictions imposed by Scottish Ministers or the management statement and associated financial memorandum (MS/FM), Architecture and Design Scotland shall have authority to incur expenditure/consume resources without further reference to the sponsor Directorate, on the following conditions:

- Architecture and Design Scotland shall comply with the specific delegations set out in the attached Appendix. These delegations shall not be altered without the prior agreement of the sponsor Directorate;
- Architecture and Design Scotland shall comply with the conditions set out in this financial memorandum regarding novel, contentious or repercussive proposals and with any relevant guidance in the Scottish Public Finance Manual (SPFM);
- inclusion of any planned and approved expenditure in Architecture and Design Scotland's budget shall not remove the need to seek formal approval from the sponsor Directorate where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;
- Architecture and Design Scotland shall provide the sponsor Directorate with such information about its operations, performance, individual projects or other expenditure as the sponsor Directorate may reasonably require.

2. ARCHITECTURE AND DESIGN SCOTLAND'S INCOME

Grant in aid

2.1 Grant in aid will normally be paid to Architecture and Design Scotland in monthly instalments, on the basis of a written application from Architecture and Design Scotland showing evidence of need. The application shall provide the sponsor Directorate with, as a minimum, information, which will enable the satisfactory monitoring by the sponsor Directorate of:

- Architecture and Design Scotland's cash management;

- actual and forecast outturn of expenditure of grant in aid;
- actual and forecast outturn of expenditure/consumption of DEL budgetary provision by main budget headings.

2.2 Grant in aid should not be paid out in advance of need. Cash balances accumulated during the course of the year from grant in aid shall therefore be kept at the minimum level consistent with the efficient operation of Architecture and Design Scotland. They should not exceed £50,000. No grant in aid shall be paid into any reserve held by Architecture and Design Scotland.

Borrowing

2.3 Borrowing can not be used to increase Architecture and Design Scotland's spending power. All borrowing by Architecture and Design Scotland - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the Borrowing, Lending & Investment section of the SPFM.

Maximising income from other sources

2.4 Architecture and Design Scotland shall seek to maximise income from other sources provided that this is consistent with Architecture and Design Scotland's main functions and its corporate plan as agreed by the Scottish Ministers. Proposals for new sources of income or methods of fundraising should be cleared with the sponsor Directorate.

Receipts from the EC

2.5 Architecture and Design Scotland should ensure that the sponsor Directorate is informed of all potential EU funding so that there can be a full assessment of the implications of such funding for the Scottish Government. Structural Funds claimed by Architecture and Design Scotland via the Scottish Government score against the Scottish Government's Departmental Expenditure Limit (DEL) and any proposals must therefore be considered by the Scottish Ministers together with all other pressures on resources. See the guidance in the EU Funding section of the SPFM.

Fees and charges

2.6 Fees or charges for any services supplied by Architecture and Design Scotland shall be determined in accordance with the Fees & Charges section of the SPFM.

Receipts from sale of goods or services

2.7 Receipts from the sale of goods and services, rent of land, and dividends may be used to provide additional spending power subject to their being included in the approved budget.

Interest earned

2.8 Interest earned by Architecture and Design Scotland on cash balances may be used to provide additional spending power subject to it being included in the approved budget.

Proceeds from disposal of assets

2.9 Disposals of land and buildings are dealt with in Section 7 below.

Gifts, bequests and donations

2.10 Architecture and Design Scotland is free to retain any gifts, bequests or similar donations. These shall be treated as receipts that, where appropriate, can be used to increase spending power. [NOTE: Donated assets do not attract a cost of capital charge, and a release from the donated assets reserve should offset depreciation in the operating cost statement.]

2.11 Before proceeding in this way, Architecture and Design Scotland shall consider if there are any associated costs in doing so or any conflicts of interests arising. Architecture and Design Scotland shall keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

Unforecast changes in in-year income used to provide additional spending power

2.12 If income realised or expected to be realised in-year is **less** than estimated, Architecture and Design Scotland shall, unless otherwise agreed with the Department, ensure a corresponding reduction in its gross expenditure so that the authorised budget is not exceeded.

2.13 If income realised or expected to be realised in-year is **more** than estimated, Architecture and Design Scotland may apply to the sponsor Directorate to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant in aid. The sponsor Directorate shall consider such applications, taking account of competing demands for resources. If an application is refused grant in aid shall be correspondingly reduced.

3. ARCHITECTURE AND DESIGN SCOTLAND'S EXPENDITURE: GENERAL PRINCIPLES

Delegated authority

3.1 Architecture and Design Scotland shall not, without prior approval of the sponsor Directorate, enter into any undertaking to incur any expenditure, which falls outside

the specific limits on Architecture and Design Scotland's delegated authority as set out in the attached Appendix.

Appraisal and Evaluation

3.2 All expenditure proposals shall, so far as appropriate, be subject to the guidance in the Appraisal and Evaluation section of the SPFM.

Procurement

3.3 Architecture and Design Scotland's procurement policies shall reflect relevant guidance in the Procurement section of the SPFM. Procurement should be treated as a key component of achieving Architecture and Design Scotland's objectives, as well as a means of finding the most cost-effective method for securing the quality of assets and/or services. Architecture and Design Scotland shall also ensure that it complies with any relevant EU or other international procurement rules.

Competition

3.4 Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall. Proposals to let single-tender or restricted contracts above the relevant delegated limit in the attached Appendix must be submitted to the sponsor Directorate for approval.

Value for money

3.5 Procurement by Architecture and Design Scotland of works, equipment, goods and services shall be based on value for money, ie quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

Timeliness in paying bills

3.6 Architecture and Design Scotland shall pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days, as provided for the Payments section of the SPFM.

Novel, contentious or repercussive proposals

3.7 Architecture and Design Scotland shall obtain the approval of the sponsor Directorate before:

- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;

- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the sponsor Directorate;
- making any change of policy or practice which has wider financial implications (eg because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

Risk management

3.8 Architecture and Design Scotland shall ensure that the risks, which it faces, are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Risk Management section of the SPFM.

3.9 Architecture and Design Scotland shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Fraud section of the SPFM.

3.10 Architecture and Design Scotland shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant in aid.

4. EXPENDITURE ON BOARD MEMBERS

4.1 Reimbursements and expenses paid to Board Members must comply with specific guidance on such matters issued by the Scottish Ministers.

5. EXPENDITURE ON STAFF

Staff costs

5.1 Architecture and Design Scotland is responsible for determining the number of staff required and the most appropriate organisational structure to deliver its remit economically, efficiently and effectively within the resources available to it. However, any changes in staff numbers or organisational structure must be approved in advance by the Department.

Pay and conditions of service

5.2 Architecture and Design Scotland will employ staff on pay scales and conditions of service analogued to those of the Scottish Government Main bargaining unit. The terms and conditions of the Chief Executive are subject to a separate approval exercise by Scottish Ministers. Annual pay proposals for the Chief Executive require approval by the sponsor Directorate.

Pensions: redundancy/compensation

5.3 Superannuation arrangements for staff are subject to the approval of the sponsor Directorate. Architecture and Design Scotland's staff shall normally be eligible for a pension provided by membership of the Principal Civil Service Pension Scheme (PCSPS).

5.4 Staff may opt out of the occupational pension scheme provided by Architecture and Design Scotland. However, the employer's contribution to any personal pension arrangement shall normally be controlled by the PCSPS Partnership arrangement.

5.5 Any proposal by Architecture and Design Scotland to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the sponsor Directorate. Proposals on severance payments must comply with the guidance in the Severance etc section of the SPFM.

6. NON-STAFF EXPENDITURE

Capital expenditure

6.1 Subject to being above the Scottish Government's capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.

6.2 Proposals for large-scale individual capital projects or acquisitions will normally be considered within Architecture and Design Scotland's corporate planning process and within the context of its long-term estate strategy. Any such project shall be subject to the guidance in the Major Investment section of the SPFM and, where appropriate, the Client Pack published by the Scottish Government's Construction Advice and Policy Division. Individual capital projects or acquisitions are subject to specific delegated limits as indicated in the attached Appendix.

Lending, guarantees, indemnities; contingent liabilities; letters of comfort

6.3 Architecture and Design Scotland shall not, without the sponsor Directorate's prior consent, lend money, charge any asset or security, give any guarantee (excluding a guarantee of a standard type given in the normal course of business) or indemnity or letter of comfort, or incur any other contingent liability (as defined in the Contingent Liabilities section of the SPFM), whether or not in a legally binding form.

Grant or loan schemes

6.4 Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one-off or under a scheme, shall be subject to prior approval by the sponsor Directorate, together with the terms and conditions under which such grant or loan is made. Guidance on a framework for the control of third party grants is included in the Grant & Grant in Aid section of the SPFM. See also below under the heading *Recovery of grant-financed assets*.

Gifts made, write-offs, losses and special payments

6.5 Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in the attached Appendix must have the prior approval of the sponsor Directorate. Any such proposals should address the considerations listed in the Losses & Special Payments section of the SPFM. Gifts by management to staff are subject to the guidance in the Non-Salary Rewards section of the SPFM.

Leasing

6.6 Prior departmental approval must be secured for all property and finance leases. Architecture and Design Scotland must have capital DEL provision for finance leases and other transactions, which are in substance borrowing. Before entering into any lease (including an operating lease) Architecture and Design Scotland must demonstrate that the lease offers better value for money than purchase.

Public/Private Partnerships

6.7 Architecture and Design Scotland shall seek opportunities to enter into Public/Private Partnerships where this would be more affordable and offer better value for money than conventional procurement. Where cash flow projections may result in delegated authority being breached Architecture and Design Scotland shall consult the sponsor Directorate. Any partnership controlled by Architecture and Design Scotland shall be treated as part of Architecture and Design Scotland in accordance with UK GAAP and consolidated with it, subject to any particular treatment required by UK GAAP. See also the guidance in the Public/Private Partnerships section of the SPFM.

Subsidiary companies and joint ventures

6.8 Architecture and Design Scotland shall not establish subsidiary companies or joint ventures without the express approval of the Department. In judging such proposals the Department will have regard to the Scottish Ministers' wider strategic aims and objectives.

6.9 Any subsidiary company or joint venture controlled or owned by Architecture and Design Scotland shall be consolidated with it in accordance with UK GAAP for public expenditure accounts purposes, subject to any particular treatment required by UK GAAP. Unless specifically agreed with the sponsor Directorate, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in the MS/FM.

Financial investments

6.10 Architecture and Design Scotland shall not make any investments without the prior approval of the sponsor Directorate, nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures, which further the objectives of Architecture and Design Scotland shall equally be subject to the approval of the sponsor Directorate unless covered by a specific delegation. Architecture and Design Scotland shall not invest in any venture of a speculative nature.

Unconventional financing

6.11 Unless otherwise agreed with the sponsor Directorate, Architecture and Design Scotland shall not enter into any unconventional financing arrangement.

Commercial insurance

6.12 Architecture and Design Scotland may only take out commercial insurance, without the prior approval of the sponsor Directorate, in accordance with the guidance in the Insurance section of the SPFM eg third party insurance required by the Road Traffic Acts. In the event of losses arising under the Scottish Government's policy of self-insurance the sponsor Directorate shall consider, on a case by case basis, whether

or not it should make any additional resources available to Architecture and Design Scotland and/or agree adjustments to the targets in the corporate plan.

6.13 A Certificate of Exemption for Employer's Liability Insurance was issued to Architecture and Design Scotland on 18 April 2005. A copy is attached as Appendix 3.

7. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of assets

7.1 Architecture and Design Scotland shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

7.2 Architecture and Design Scotland shall dispose of assets which are surplus to its requirements and in accordance with its long-term estate strategy. Assets shall be sold for the best price, taking into account any costs of sale and in accordance with the guidance in the Disposal of Tangible Fixed Assets section of the SPFM. Proceeds from the disposal of assets may be retained by Architecture and Design Scotland subject to their being included in the approved budget.

Recovery of grant-financed assets

7.3 Where Architecture and Design Scotland has financed expenditure on capital assets by a third party, Architecture and Design Scotland shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without Architecture and Design Scotland's prior consent. Architecture and Design Scotland shall therefore ensure that such conditions are sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if the grant was for less than the whole cost of acquisition or improvement.

7.4 Architecture and Design Scotland shall also ensure that if the assets created by grants made by Architecture and Design Scotland cease to be used by the recipient of the grant for the intended purpose an appropriate proportion of the value of the asset shall be repaid to Architecture and Design Scotland.

8. BANKING

8.1 Architecture and Design Scotland's Accountable Officer is responsible for ensuring that Architecture and Design Scotland's banking arrangements are consistent

with the guidance in the Banking section of the SPFM. In particular he/she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively. These arrangements shall be suitably structured and represent value-for-money, and be reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, at least every three to five years.

APPENDIX 1: SPECIFIC LIMITS ON DELEGATED AUTHORITY

Single-tender contracts	The approval of the sponsor Directorate must be obtained for every proposal to let a single tender or restrictive contract for the procurement of works, equipment, goods or services valued at £10,000 or above.
Investment projects	Subject to paras 6.11 and 6.2 of the Financial Memorandum, Architecture and Design Scotland has delegated authority to spend up to £10,000 on individual investment projects beyond which the sponsor Directorate's prior authority must be obtained before expenditure is incurred.
Acquisition of assets	Subject to paras 6.11 and 6.2 of the Financial Memorandum, Architecture and Design Scotland has delegated authority to spend up to £10,000 on individual capital items beyond which the sponsor Directorate's prior authority must be obtained before expenditure is incurred.
Grant/loan scheme	The delegated authority which Architecture and Design Scotland shall have to make grants or loans under a scheme approved by the sponsor Directorate (see para 6.4 of Financial Memorandum) shall be £40,000.

<p>Claims waived or abandoned</p> <p>Write-off of losses</p> <p>Special Payments</p>	<p>Architecture and Design Scotland shall maintain details of the Losses and Special Payments listed in the Losses and Special payments section of the SPFM whether within delegated limits or not. Architecture and Design Scotland will have delegated authority to write off such losses and to make special payments but any case will be referred to the sponsor Directorate for approval which is:</p> <ul style="list-style-type: none"> • in the Group 1 category which involves a sum of £25,000 or more; or • in the group 2 category which involves 35,000 or more; <p>where the Group 1 and 2 categories are as defined in Annex 1 to this Appendix.</p> <p>Any case in which fraud is suspected should be referred to the sponsor Directorate, regardless of the sum.</p>
<p>Others as appropriate eg</p> <p>Gifts</p> <p>Disposals</p>	<p>Subject to para 6.5 of the Financial Memorandum, the Department's authority must be obtained to gifts above £200.</p> <p>Subject to para 7.2 of the Financial Memorandum, Architecture and Design Scotland shall seek the prior consent of the sponsor Directorate before disposing of any capital asset or property which has been acquired or improved with grant-in-aid and which has a net book or realisable value in excess of £10,000</p>

ANNEX 1: CLASSIFICATION OF LOSSES AND SPECIAL PAYMENTS

TYPE	DESCRIPTION	DELEGATION GROUP
A	Losses	
i	<u>Cash losses.</u> Physical losses of cash and equivalents (eg: bank notes, postal orders, stamps) by any cause	1
ii	<u>Bookkeeping losses:</u> <ul style="list-style-type: none"> • because of unvouched or incompletely vouched payments, including cases where vouchers are missing; • because of charges to Estimates or other accounts 	1

	to clear inexplicable or erroneous debit balances	1
iii	<u>Exchange rate fluctuations.</u> Losses due to fluctuations in exchange rates or revaluations of currencies	1
iv	<u>Losses of pay, allowances and superannuation benefits</u> paid to civil servants, members of the armed forces and members of staff of NDPBs: <ul style="list-style-type: none"> • overpayments due to miscalculation, misrepresentation of Acts, regulations or scheme rules or the full facts not being known; • unauthorised issues, eg: payments not admissible under the Acts, regulations or scheme rules; • losses arising from other causes, eg non-disclosure of full facts by the beneficiary, short of proven fraud 	1 1 2
v	<u>Losses arising from overpayments:</u> of social security benefits, grants, subsidies, etc arising from miscalculation, misrepresentation of Acts, regulations or scheme rules, or the full facts not being known	2
vi	<u>Losses arising from failure to make adequate charges:</u> For the use of public property or services	2
B	Losses of accountable stores:	
i	<u>Because of fraud,</u> whether or not it has been possible to charge anyone with an offence, or proven or suspected theft, arson or sabotage, or any other deliberate act (including repairable damage caused maliciously to buildings, stores, etc which is not the subject of an identifiable legal claim against some person); wherever possible recovery must be effected and prosecution mounted;	1
ii	<u>Losses arising from other causes</u>	1
C	Fruitless payments and constructive losses	1
D	Claims waived or abandoned	2
E	Special payments:	
i	extra-contractual and <i>ex gratia</i> payments to contractors	2
ii	other <i>ex-gratia</i> payments	2
iii	Compensation payments	2
iv	Extra-statutory and extra-regulatory payments	2

APPENDIX 2



ARCHITECTURE AND DESIGN SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, hereby give the following direction.
2. The statement of accounts which, it is the duty of Architecture and Design Scotland to prepare in respect of the financial year ended 31 March 2006, and in respect of any subsequent financial year, shall comprise:
 - 2.1 a director's report;
 - 2.2 an income and expenditure account;
 - 2.3 a balance sheet;
 - 2.4 a cash flow statement;
 - 2.5 a statement of total recognised gains and losses;
 - 2.6 a statement of accountable officer's responsibilities; and
 - 2.7 a statement on the system of internal control.

including such notes as may be necessary for the purposes referred to in the following paragraphs.

3. The statement of accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year. Subject to this requirement, the accounts shall be prepared in accordance with:
 - 3.1 the accounting and disclosure requirements of the Companies Act for the time being in force; and
 - 3.2 generally accepted accounting practice in the UK, including accounting standards issued or adopted by the Accounting Standards Board;
 - 3.3 guidance which the Scottish Ministers may issue from time to time in respect of accounts which are required to give a true and fair view;
 - 3.4 the accounting and disclosure requirements given in "Executive NDPBs: Annual Reports and Accounts Guidance", as amended or augmented from time to time;

insofar as these are appropriate to Architecture and Design Scotland and are in force for the financial year for which the statement of accounts is to be prepared.

4. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.

5. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:

5.1 fixed assets at their value to the business by reference to current costs; and

5.2 stocks valued at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

6. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated:

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING STANDARDS

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate, the Director's Report shall also contain any additional information required by Executive Non-Departmental Public Bodies Annual Reports and Account Guidance with regard to the 'Foreword to the Accounts.'
3. When preparing its income and expenditure account Architecture and Design Scotland shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies Act.
4. When preparing its balance sheet Architecture and Design Scotland shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act.
5. The director's report and balance sheet shall be signed and dated by Architecture and Design Scotland's Accountable Officer.

Accounting Standards

6. Architecture and Design Scotland shall not adopt the Financial Reporting Standard for Smaller Entities.

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

1. The director's report shall, inter alia:
 - 1.1 state that the statement of accounts have been prepared in a form directed by the Scottish Ministers in accordance with Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000.
 - 1.2 include a brief history of Architecture and Design Scotland and its statutory background.
2. The notes to the accounts shall include:
 - 2.1 details of any key corporate financial targets set by the Scottish Ministers together with an indication of the performance achieved,
 - 2.2 details of the pension arrangements operated by Architecture and Design Scotland and confirmation that the scheme accords with the guidance contained in "Non-Departmental Public Bodies: A Guide for Departments",
 - 2.3 details of the grants paid by Architecture and Design Scotland to individuals or organisations to promote the qualities and benefits of good design, and
 - 2.4 details of Architecture and Design Scotland's running costs and internal expenditure.

APPENDIX 3



SCOTTISH EXECUTIVE

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Tourism, Culture & Sport
Tourism and Architecture Policy Division

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18 April 2005

Raymond Young

CERTIFICATION OF EXEMPTION FOR EMPLOYER'S LIABILITY INSURANCE

In accordance with the provisions of paragraph 1 of Schedule 2 to the Employers' Liability (Compulsory Insurance) Regulations 1998 (as amended by the Scotland Act 1998 (Consequential Modifications) No 2) Order 1999)) the Scottish Ministers hereby certify that any claim established against Architecture and Design Scotland in respect of any liability to its employees of the kind mentioned in section 1(1) of the Employers' Liability (Compulsory Insurance) Act 1969 will, to any extent to which it is incapable of being satisfied by the aforementioned employer, be satisfied out of the Scottish Consolidated Fund.

Yours sincerely

John A. Brown

JOHN A BROWN
Head of Tourism and Architecture Policy Division

Signed on the authority of the Scottish Ministers

