



# Orkney and Shetland Valuation Joint Board



## Minute

Thursday, 18 February 2021, 09:30.

Microsoft Teams.

### Present:

#### Orkney Islands Council:

Councillors Andrew Drever, Robin W Crichton, David Dawson, Barbara Foulkes and Harvey Johnston.

#### Shetland Islands Council:

Councillors Theo Smith, Alastair Cooper, Allison Duncan, John Fraser and George Smith.

### Clerk to the Board:

- Karen A Greaves, Head of Executive Support, Orkney Islands Council.

### In Attendance:

- Dennis Stevenson, Assessor and Electoral Registration Officer (for Items 1 to 8).
- Colin Kemp, Treasurer to the Board.

#### Orkney Islands Council:

- John W Mundell, Interim Chief Executive.
- Gareth Waterson, Head of Finance.
- Hazel Flett, Senior Committees Officer.

#### Shetland Islands Council:

- Jamie Manson, Executive Manager – Finance.
- Jan Riise, Executive Manager – Governance and Law.
- Marie Gordon, Team Leader – HR Policy and Employment Support.
- Kara Collins, Financial Accountant (for Items 1 to 8).

#### Deloitte LLP:

- Conor Healy, Manager, Audit and Assurance (for Items 1 to 8).

### **Apologies:**

- Maggie Sandison, Chief Executive, Shetland Islands Council.
- Gavin Mitchell, Head of Legal Services, Orkney Islands Council.

### **Declarations of Interest:**

- No declarations of interest were intimated.

### **Chair:**

- Councillor Andrew Drever, Orkney Islands Council, Convener of the Board.

## **1. Disclosure of Exempt Information**

The Board noted the proposal that the public should be excluded from the meeting for Item 9, as consideration of the business may involve the likely disclosure of exempt information of the class described in the relevant paragraph of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

## **2. Minute of Meeting held on 5 November 2020**

After consideration of the draft Minute of the Meeting of the Board held on 2 November 2020, copies of which had been circulated, the Board:

Resolved, on the motion of Councillor Theo Smith, seconded by Councillor David Dawson, to approve the Minute of the Meeting of the Board held on 5 November 2020, as a true record.

## **3. Minute of Meeting held on 25 November 2020**

After consideration of the draft Minute of the Meeting of the Board held on 25 November 2020, copies of which had been circulated, the Board:

Resolved, on the motion of Councillor David Dawson, seconded by Councillor Theo Smith, to approve the Minute of the Meeting of the Board held on 25 November 2020, as a true record.

## **4. Annual Audit Report 2019/20 – Action Plan**

The Clerk to the Board presented an update on progress with the Action Plan arising from the Annual Audit Report on the 2019/20 Audit, copies of which had been circulated.

A traffic light system had been incorporated, as requested, with all actions currently on track and latest updates highlighted in bold text. A workshop had been facilitated by the Improvement Service, with the findings of the governance review due to be considered shortly.

The Convener noted that Action 5 had been subsumed into Action 1, rather than Action 4, as indicated on the updated Action Plan. Subject to this amendment, the Board:

Noted:

**4.1.** The updated Action Plan arising from the annual Audit Report on the 2019/20 Audit, attached as Appendix 1 to the report by the Clerk to the Board.

**4.2.** That a further update on progress would be presented to the Board at its meeting to be held in June 2021.

## **5. Budget Monitoring**

The Treasurer to the Board presented a report advising of the projected revenue budget outturn position for financial year 2020/21, as at 31 December 2020, copies of which had been circulated.

The Treasurer advised that the report covered the period to the end of December, being period 9 of the financial year, and indicated a surplus position of £96,438. Whilst a sizable surplus, it was preferable to a deficit. Some additional funds had been received after the budget had been set, including £25,000 in relation to preparations for the Scottish Parliamentary election. Section 4 of the covering report provided a breakdown of the main elements contributing to the projected underspend position, including staff vacancies partially offset by consultancy costs to cover vacancies, systems development (which was grant funded) and a predicted overspend in support services, partly due to changes in hosting arrangements moving to Orkney Islands Council and the ongoing pay and grading exercise.

The Board noted:

**5.1.** The revenue budget monitoring statement as at 31 December 2020, attached as Appendix 1 to the Treasurer's report, projecting a budget surplus position of £96,438.

The Board scrutinised:

**5.2.** The explanations given in the Treasurer's report in respect of the significant budget variances, and obtained assurance that action was being taken with regard to those variances where appropriate.

## **6. Draft Budget**

The Treasurer to the Board presented a report setting out the draft budget for financial year 2021/22, copies of which had been circulated.

The Treasurer advised that the draft budget was based on a standstill position, given that a budget strategy had not been set and his appointment as Treasurer had been made midway through the process. There was no material change to the staffing complement of the Board, with the pay and grading exercise currently ongoing. The draft budget indicated quite a sizeable increase in the constituent authority requisitions but included a provision of 10% in respect of the pay and grading review exercise. Growth of £95,000 was proposed, together with an increase of £18,700 arising from the Barclay review, which was fully funded through the constituent authorities. No savings were proposed. As staffing costs were the main element of the budget, the usual inflationary assumptions had been applied. Appendix 1 outlined the budget statement, with movements indicated in the right hand column.

Councillor Robin W Crichton referred to the Barclay review and the separate column in the budget statement and queried whether, going forward, that funding would be subsumed into the general budget. The Treasurer advised that, should that funding continue and be mainstreamed, then it could be subsumed into the core budget. The Assessor confirmed that, when original costs were presented to the Scottish Government, these were projected up to 2025/26.

The Board noted:

**6.1.** The requirement to set a balanced budget and to determine the level of requisition to be sought from the Board's constituent authorities.

**6.2.** That the draft budget for financial year 2021/22, attached as Appendix 1 to the Treasurer's report, was based on a standstill position, subject to pay and inflationary cost pressures, and broadly followed the strategies adopted by the constituent authorities.

**6.3.** That, should the draft budget be approved, this would result in a requisition to each of the constituent authorities as follows:

- Orkney Islands Council – £464,700, representing an increase of £57,773 or 14.2% on the previous year's requisition.
- Shetland Islands Council – £457,900, representing an increase of £56,240 or 14% on the previous year's requisition.

On the motion of Councillor Theo Smith, seconded by Councillor Barbara Foulkes, the Board resolved:

**6.4.** That the budget for 2021/22, attached as Appendix 1 to this Minute, be approved.

## **7. Annual Audit Plan**

The Treasurer to the Board presented a report setting out the Audit Plan for 2020/21, copies of which had been circulated.

The Treasurer advised that the scope of the audit was proposed to revert to a small body exemption, noting that the arrangements for the 2019/20 audit were exceptional, due to the change in governance. The proposed fee, at £8,603, on a like-for-like basis, was an increase of 21%, noting that the fee for the 2019/20 audit was in excess of £20,000, due to the wider scope of the audit.

Conor Healy then gave a detailed breakdown of the proposed audit plan, highlighting the following matters:

- This was the fifth year of Deloitte's appointment, although the audit term had subsequently been extended for a further year, with potential for a seventh year, which was the maximum term allowed.
- Target dates had been accepted, with the audit report due for reporting in September 2021.
- Regulatory changes and the responsibilities of the Board, noting the increased work in the audit due to the change in administration to Orkney Islands Council.
- Materiality, which had changed significantly since the previous year.

- Significant risks identified, together with Deloitte's response and challenge.
- Impact of COVID-19 on audit and annual accounts, as well as climate change and Brexit.
- The wider scope requirements, prior year adjustments and the proposed fee.

The Convener queried whether the constituent authorities having different auditors had any implications for the Board. Conor Healy advised this was common place where Integration Boards had different auditors and, as this had been raised previously, he would have discussions with Audit Scotland (Orkney Islands Council's external auditor) to gain their understanding of management. The main difference would be next year, when using Orkney's systems, whereas the audit for 2020/21 would still be using Shetland's systems.

In response to a query from Councillor Robin W Crichton regarding the responsibilities of the Board, Conor Healy confirmed that these were areas where the Board needed to focus and understand and should be captured in a workplan, as well as covered in the annual governance statement. The Clerk advised that consideration would be given to the areas of responsibility highlighted in the audit plan and, following the review of governance, to determine whether there were any areas which would not come to the Board during the normal course of its business.

Councillor David Dawson referred to the link in the audit plan to the State of the State report and urged all members to read that publication. Conor Healy concurred and advised that the ninth report on the State of the State had recently been published and contained some useful and interesting information.

The Board noted the content of the Audit Plan, prepared by Deloitte LLP, as the appointed auditors to the Orkney and Shetland Valuation Joint Board, for financial year 2020/21, attached as Appendix 1 to the Treasurer's report.

## **8. Risk Register**

The Assessor and Electoral Registration Officer presented a report setting out the updated Risk Register, copies of which had been circulated.

The Assessor advised that a risk register was required in order to ensure operations in relation to the Board's functions could operate effectively under all assessable and identifiable risks. The Risk Register highlighted risks and procedures to follow under various headings, with a traffic light system reflected throughout. The Issues Register on page 27 was used to record any issues arising, the date it arose and any action taken. Minor amendments had been received from the Treasurer and the Team Leader – HR Policy and Employment Support, Shetland Islands Council, which would be incorporated in the next iteration of the Risk Register.

Councillor Robin W Crichton referred to use of the traffic light system and, specifically, risk 6.1, Integrity Issues, and suggested that this risk might always be red, given that false information could be provided on forms. Whilst the Assessor agreed, the key element was the residual rating after mitigation and current controls instigated, therefore the traffic light at the right hand side of the Risk Register was more important. Accordingly, any amber or red residual ratings should be worthy of further consideration. The Convener noted that there were currently no amber or red residual rated risks.

The Board noted the revised Risk Register dated 1 February 2021.

The Assessor and Electoral Registration Officer, the Financial Accountant, Shetland Islands Council, and Conor Healy, Manager, Audit and Assurance, Deloitte LLP, left the meeting at this point.

## **9. Review of Pay and Grading Model – Progress**

On the motion of Councillor Andrew Drever, seconded by Councillor Theo Smith, the Board resolved that the public be excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

The Team Leader – HR Policy and Employment Support, presented a progress report on the review of the pay and grading model, copies of which had been circulated.

The Board noted progress made towards development of a standalone pay and grading model and the work plan.

**The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.**

## **10. Conclusion of Meeting**

At 10:44 the Convener declared the meeting concluded.

Signed: A Drever.