



# Orkney and Shetland Valuation Joint Board



## Minute

Thursday, 29 June 2023, 10:00.

Council Chamber, Council Offices, School Place, Kirkwall.

### Present:

#### Orkney Islands Council:

Dr Stephen Clackson, Lindsay Hall, James Moar, John Ross Scott and Gillian Skuse.

#### Shetland Islands Council:

Allison Duncan, Stephen Leask, Moraig Lyall, Andrea Manson and Liz Peterson.

### Clerk to the Board:

- Karen Greaves.

### In Attendance:

- Erik Knight, Treasurer to the Board.
- Robert Eunson, Assessor and Electoral Registration Officer.

#### Orkney Islands Council:

- Andrew Groundwater, Head of Human Resources and Organisational Development.
- Gavin Mitchell, Head of Legal and Governance.
- Hazel Flett, Service Manager (Governance).
- Andrew Paterson, Chief Internal Auditor.

### In Attendance via Remote Link (Microsoft Teams):

- Matthew Moore, Senior Manager, KPMG.

### Chair:

- Stephen Leask, Shetland Islands Council, Convener of the Board.

## 1. Introduction and Apologies

The Convener welcomed everyone and reminded members that the meeting was being recorded and broadcast live over the Internet on Orkney Islands Council's website. The recording would also be publicly available following the meeting and available for listening to for 12 months thereafter.

Apologies had been intimated on behalf of Kristopher Leask and Dr Jean Stevenson (representing Orkney), with James Moar and Gillian Skuse attending as substitutes.

Apologies had also been intimated on behalf of Gary Robinson and Arwed Wenger (representing Shetland), with Moraig Lyall and Andrea Manson attending as substitutes.

## 2. Declarations of Interest

No declarations of interest were intimated in respect of the business to be considered at this meeting.

## 3. Minute of Special Meeting

There had been previously circulated the draft Minute of the Special Meeting of the Board held on 24 February 2023.

On the motion of Dr Stephen Clackson, seconded by Allison Duncan, the Board **approved** the Minute of the Special Meeting of the Board held on 24 February 2023, as a true record.

## 4. Minute of Previous Meeting

There had been previously circulated the draft Minute of the Meeting of the Board held on 2 March 2023.

On the motion of John Ross Scott, seconded by Liz Peterson, the Board **approved** the Minute of the Meeting of the Board held on 2 March 2023, as a true record.

## 5. Minute of Special Meeting

There had been previously circulated the draft Minute of the Special Meeting of the Board held on 23 May 2023.

On the motion of Dr Stephen Clackson, seconded by Lindsay Hall, the Board **approved** the Minute of the Special Meeting of the Board held on 23 May 2023, as a true record.

## 6. Matters Arising Log

There had been previously circulated a log detailing matters arising from previous meetings, together with a list of regular reports.

The Clerk advised that the one outstanding action related to training, particularly for substitute members, and this would be arranged for after the Summer recess, most likely via Microsoft Teams.

## **7. Annual Audit Report 2021/22 – Action Plan**

There had been previously circulated a report by the Clerk to the Board providing an update on progress with the Action Plan arising from the Annual Audit Report on the 2021/22 Audit of the Orkney and Shetland Valuation Joint Board.

The Clerk advised that, of the two outstanding actions, one was complete, with the second action, relating to tailored Financial Regulations and Contract Standing Orders, in progress, with a target completion date of 31 December 2023. The Clerk gave assurance that, in the interim, the Board had adopted Orkney Islands Council's Financial Regulations and Contract Standing Orders until such time as the Board adopted its own governance documents.

The Board noted:

**7.1.** The updated Action Plan, attached as Appendix 1 to the report by the Clerk to the Board, which contained actions arising from the Annual Audit Report on the 2021/22 Audit.

**7.2.** That a further update on progress would be presented to the Board, at its meeting to be held in September 2023.

## **8. Governance Review – Action Plan**

There had been previously circulated a report by the Clerk to the Board providing an update on progress with the Action Plan arising from the review of governance arrangements for the Orkney and Shetland Valuation Joint Board.

The Clerk referred to the updated Action Plan which indicated that two remaining actions were now complete and, accordingly, this would be the final update to the Board on the Governance Review Action Plan.

The Board noted the updated, completed Action Plan arising from the review of governance arrangements, attached as Appendix 1 to the report by the Clerk to the Board.

## **9. Internal Audit – Annual Report and Opinion**

There had been previously circulated a report by the Chief Internal Auditor presenting the Internal Audit Annual Report and Opinion for 2022/23.

The Chief Internal Auditor advised that, in order to comply with the Public Sector Internal Audit Standards, an annual internal audit opinion was required in respect of the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Annual Audit Report and Opinion, attached as Appendix 1 to the report by the Chief Internal Auditor, provided assurance on the systems examined by Internal Audit during the financial year. In respect of the areas subject to audit review during 2022/23, as well as a review of audit recommendations, the Chief Internal Auditor's opinion was that the framework of controls in place provided adequate assurance regarding governance, internal control and risk management. Furthermore, the Chief Internal Auditor confirmed there were no instances of fraud identified from the audit work conducted during the year.

Section 7 of the Annual Audit Report and Opinion set out the auditable areas considered as part of the annual planning process, with two audits undertaken. A summary of the findings and the current status of audit recommendations were detailed in the table at section 7.2.

In response to a query from Dr Stephen Clackson on the status of recommendations, some of which had now passed the target date, the Chief Internal Auditor confirmed the status position was as at 13 May 2023, when his audit report and opinion was published. The Assessor confirmed that the five outstanding recommendations were being progressed.

The Board scrutinised the Internal Audit Annual Report and Opinion 2022/23, attached as Appendix 1 to the report by the Chief Internal Auditor, and obtained assurance that the Chief Internal Auditor's opinion was substantiated.

## **10. External Audit Annual Plan**

There had been previously circulated a report by the Treasurer to the Board presenting the external auditor's Audit Plan for financial year 2022/23.

The Treasurer to the Board advised that the annual Audit Plan provided information on the work that the external auditors would undertake to review and assess the governance and performance of the Board. This was the first year of a five year appointment of KPMG as the Board's external auditors, which was expected to run from 2022/23 to 2026/27.

Matthew Moore, Senior Manager, KPMG, advised that the Annual Audit Plan, attached as Appendix 1 to the report by the Treasurer to the Board, presented the planned audit work by KPMG for financial year 2022/23, and included designing the audit to reduce the audit risks identified by the auditor, namely:

- Fraud risk from income recognition and expenditure.
- Fraud risk from management override of controls.
- Retirement benefit obligations (assumptions and methodology).
- Financial Sustainability.

The wider scope of the audit, including financial sustainability; financial management; vision, leadership and governance; and use of resources to improve outcomes, was detailed on page 12 of the Annual Audit Plan.

Appendix One set out the mandatory communications to the Board, while Appendix Two confirmed KPMG's independence. The audit team was detailed in Appendix Three – Matthew Moore would be supported by Monazzah Samad during the audit, with Michael Wilkie, Director, signing off the audit opinion. The fees, detailed in Appendix Four, were the fees which the Board would pay to Audit Scotland, and amounted to £8,800 for the 2022/23 audit. On a comparable basis, excluding the fee for the additional audit work, this represented an increase of £980 or 12.5% on the previous year's original proposed fee and would be met from within existing budgets.

In response to members' queries regarding audit fees, Matthew Moore confirmed that a tendering process was undertaken, with auditors appointed thereafter. The fee was payable to Audit Scotland, who had their own costs to be covered. The increasing fee was reflective of the increasing inspection regimes by the regulators. Audit Scotland would, however, balance movements in audit fees so that smaller authorities were not disadvantaged, noting that some audit work was required regardless, with the impact on smaller organisations greater. However, the methodology was set for five years.

The Board noted the Audit Plan, prepared by KPMG, as the appointed auditors to the Orkney and Shetland Valuation Joint Board, for financial year 2022/23, attached as Appendix 1 to the report by the Treasurer to the Board.

## **11. Draft Accounts for 2022/23**

There had been previously circulated a report by the Treasurer to the Board presenting the draft annual accounts for financial year 2022/23.

The Treasurer to the Board advised of the requirement to prepare an annual set of accounts which were to be lodged with Audit Scotland by 30 June each year. The accounts were then subject to an external audit verification process which concluded with an independent opinion being expressed on the accuracy and/or quality of the financial statements themselves. The statement of accounts, together with an appropriate audit certificate, should then be available for publication by 30 September each year.

The accounts comprised two parts – the Annual Governance Statement and the Annual Accounts.

The Annual Governance Statement, comprising pages 9 to 16 of the draft Accounts, included a review of the effectiveness of the Board's systems of internal controls, with no significant governance issues being reported during 2022/23.

The Draft Annual Accounts showed a vast improvement from the previous year, with the comprehensive income and expenditure statement indicating a surplus of £1,760,215 for the year. The main source of the surplus was attributed to an actuarial gain on pension assets of £1,864,000.

The Balance Sheet however, demonstrated that the Board was not in a strong position financially, with a net liability position of £74,500 as at 31 March 2023, representing a decrease by £1,760,215 or 96% to the year, largely as a result of the actuarial gains on the net assets of the Pension Fund.

The Expenditure and Funding Analysis (Note 1) reconciled the accounting deficit on provision of services back to the funded or budget position. Net expenditure chargeable to the Board of £986,928 represented an overspend of £30,828 or 3.2% relative to the budget of £956,100.

In response to a query from Lindsay Hall, the Treasurer to the Board confirmed that the Board was an admitted body to the Shetland Islands Council Pension Fund, with the liability associated with staff and retired employees at that date. There were huge swings in local government pension fund schemes this year due to inflation and interest rates. Figures used by actuaries were swinging widely, creating artificial surpluses. The accounting entry was set on assumptions at a specific point in time.

Matthew Moore added that the issue around discount factors was impacting on all Pension Funds. In accordance with CIPFA accounting practices, any surplus would sit in an unusable Pension Fund reserve. At the next triennial review, there may be a benefit in that contribution rates may reduce.

In response to a query from John Ross Scott regarding the Valuation Roll targets, the Assessor confirmed that these were historically higher than other Boards and were covered in more detail in the performance report to be discussed later in the meeting.

On the motion of Lindsay Hall, seconded by John Ross Scott, the Board **resolved** that the Draft Annual Accounts for financial year 2022/23, incorporating the Annual Governance Statement, attached as Appendix 1 to the report by the Treasurer to the Board, be approved.

## **12. Best Value – Progress Report**

There had been previously circulated a report by the Assessor and Electoral Registration Officer presenting a progress update, as required by the Board's Best Value Regime, for the reporting period October 2022 to May 2023.

The Assessor highlighted the following matters in relation to Electoral Registration:

- The annual canvass was successfully completed by the end of November 2022, including door to door canvassing, the first to the same extent since the pandemic, with the tablet-based canvassing fully implemented.
- The revised annual register was thereafter published and distributed on 1 December 2022.
- A major software update of the Electoral Management System was successfully completed and implemented into the Live system in December 2022.
- No scheduled elections were held during the reporting period.
- Implementation of the Elections Act 2022 continued to progress, including Voter ID, within a very small number of applications for Voter Authentication Certificates having been received.

The Assessor highlighted the following matters in relation to Council Tax:

- Modest increases in the number of chargeable dwellings in both Orkney and Shetland.
- The number of proposals/appeals remained very low, noting that it was unusual to proceed before the Appeal Committee, which was disbanded from 1 April 2023. Proposals that could not be resolved were now referred to the First Tier Tribunal of the Scottish Courts and Tribunals Service.
- Service priorities for the next six-month period included transferring a potentially large number of self-catering subjects from the Valuation Roll to the Council Tax List, as well as staff recruitment and training on the new valuation system.

The Assessor highlighted the following matters in relation to Non-Domestic Rating:

- The Revaluation was complete, with the service now moving into the three-yearly revaluation arising from the Barclay Review. Historically, revaluations were carried out every five years.

- The new appeals system also applied to Non-Domestic Rating, however for the 2023 Revaluation, legislation allowed for a shortened four-month period following Revaluation for interested parties or their agents to lodge a Proposal to alter the value – this period was due to expire on 31 July. The number of Proposals received remained low, but was expected to increase during July.
- Data migration to the new valuation system was completed and went live on 4 October 2021, with the Valuation Roll maintained entirely on the new system from 1 April 2023.
- Service priorities for the next six-month period included concluding the audit of self-catering evidence required to allow subjects to remain on the Valuation Roll.

Regarding the Shetland office accommodation, the Assessor confirmed that considerable progress had been made with disposing of paper records in accordance with the Records Management Plan and retention arrangements, as well as rearranging furniture to make a more useable space. Discussions would continue with the Asset team at Shetland Islands Council regarding formalising use of the first-floor office at 20 Commercial Road.

With reference to Voter ID, Lindsay Hall queried what constituted suitable photographic ID, what publicity would be undertaken ahead of the UK Parliamentary election which was due to be held in 2024 and whether there was any restriction to actively promote either ID or the Voter Authentication Certificate. The Assessor advised that information would be available on the government website (gov.uk), although Electoral Registration staff could also provide advice and take people through the process. A leaflet would be issued with the annual canvass. In her role as a Depute Returning Officer, the Clerk to the Board confirmed that she had recently observed elections in England, where Voter ID was used for the first time. Feedback from those organising the elections was positive, in that electors found the process fairly easy. The Clerk to the Board also confirmed that material would be provided which could be tailored to meet local requirements, and there would be wide publicity, as well as the usual national campaigns.

Dr Stephen Clackson referred to the paper records which had been disposed of, in terms of the Records Management Plan and queried whether this included archiving certain material. The Assessor advised that the majority of the work had been carried out by his predecessor, but he undertook to check what had been destroyed and whether any material had been archived.

Allison Duncan referred to the Shetland office accommodation and queried what the delay was. The Assessor advised that the measures undertaken by his predecessor had improved the situation and the staff had expressed a desire to remain at the office at 20 Commercial Road. He undertook to engage with officers at Shetland Islands Council to discuss options, as there were no opportunities for office space within the private sector. Allison Duncan asked for a report in due course on the way forward.

Moraig Lyall referred to the number of appeals against the 2017 Revaluations, all of which had been settled, and queried the level of accuracy. The Assessor advised that further information was available in the next report on performance but advised that the total reduction on appeal amounted to 6.4%, against a target of 1%. The Assessor undertook to provide further detail on the 6.4% reduction figure.

The Board scrutinised the contents of the report and took assurance.

### **13. Best Value – Performance Report**

There had been previously circulated a report by the Assessor and Electoral Registration Officer presenting the annual performance related targets and outcomes, in relation to the statutory Valuation functions, for the reporting period 1 April 2022 to 31 March 2023.

The Assessor advised that the performance related targets and outcomes for 2022/23 were detailed in the Appendix. Although performance in respect of the Council Tax List should be welcomed in that most targets were met or exceeded, it was anticipated that these would be significantly impacted next year by the changes to the qualifying criteria for the Self-Catering Unit assessment, which took effect from 1 April 2023. Regarding the Valuation Roll targets and outcomes, performance against targets was not entirely unexpected given the shortened timescale of the Revaluation, which had been a huge learning process for everyone. Saying that, Orkney and Shetland's performance was better when assessed against other Assessors' performance targets.

Both Lindsay Hall and Allison Duncan remarked that the performance should be welcomed, given the circumstances, and the staff congratulated on the hard work put in to achieve and, in most cases, exceed the performance targets. The Assessor also wished to extend his thanks to the staff for dealing with customers during a difficult time, as he had required to spend time away from the valuation side. The Convener also extended his thanks, including all the work which the Clerk had undertaken to improve the governance of the Board.

The Board scrutinised the contents of the report and obtained assurance.

### **14. Date of Next Meeting**

The Clerk advised that, as previously agreed, the next meeting would be held in person in Shetland on 28 September 2023. This would include a development session on Voter ID and the Annual Canvass. It was proposed that the following meeting, on 14 December 2023, would be a virtual meeting.

The Clerk also advised that the Service Manager (Governance) would liaise with colleagues in Shetland Islands Council on dates for 2024, which would be available for the next meeting in September, when locations would be agreed.

### **15. Conclusion of Meeting**

At 15:15 the Convener declared the meeting concluded.

Signed: