



Orkney and Shetland Valuation Joint Board



Minute

Thursday, 20 June 2024, 14:00.

Council Chamber, Lower Hillhead, Lerwick.

Present:

Orkney Islands Council:

Dr Stephen G Clackson, Kristopher D Leask, P Lindsay Hall, John A R Scott and Dr Jean E Stevenson.

Shetland Islands Council:

Allison Duncan, Stephen Leask, Andrea Manson and Arwed Wenger.

Clerk to the Board:

- Karen A Greaves.

In Attendance:

Orkney Islands Council:

- Gavin Mitchell, Head of Legal and Governance.
- Hazel Flett, Service Manager (Governance).

In Attendance via Remote Link (Microsoft Teams):

- 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.
- Andrew Paterson, Chief Internal Auditor.

KPMG:

Michael Wilkie, Director.

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 Shetland Islands Council's website. The recording would also be publicly available following the meeting and available for listening to on Orkney Islands Council's website for at least 12 months thereafter.

Apologies had been intimated on behalf of Liz Peterson and Gary Robinson (representing Shetland), with Andrea Manson attending as a substitute.

2. Declarations of Interest

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

3. Minute of Previous Meeting

There had been previously circulated the draft Minute of the Meeting of the Board held on 7 March 2024.

On the motion of John Ross Scott, seconded by Dr Jean Stevenson, the Board **approved** the Minute of the Meeting of the Board held on 7 March 2024, as a true record.

4. 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 referred to the one outstanding action, namely reporting the work of the Board to the constituent authorities, and advised that this would be brought back to the Board once practice within other areas had been reviewed.

In response to a query from John Ross Scott regarding recruitment to the post of Depute Assessor, the Clerk advised that the Matters Arising Log dealt with actions arising from the previous minutes, which did not require a report, to ensure they were completed, but confirmed that the post was now in active recruitment, with a closing date of mid-July.

The Board scrutinised the log and took assurance that action had been taken where required.

5. Annual Audit Report 2022/23 – 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 2022/23 Audit of the Orkney and Shetland Valuation Joint Board.

The Clerk advised that the three outstanding actions were all included on the agenda for this meeting – Action 1, relating to tailored Financial Regulations was a separate report, whereas Actions 2 and 3 were addressed in the revised Medium Term Financial Plan. Actions 2 and 3 were marked as Red, given the target date was 1 April 2024.

The Board scrutinised the report and took assurance.

6. External Audit Annual Plan

There had been previously circulated a report by the Treasurer to the Board presenting External Audit's Audit Plan for the 2023/24 audit.

The Treasurer advised that the indicative Audit Plan was very similar to last year's plan, with the key audit risks outlined in section 4.1 of the covering report. The wider scope of the audit was set out on page 12 onwards of the Audit Plan. The audit fee had increased by 6% over the comparable fee for the 2022/23 audit.

Michael Wilkie added that the Audit Plan remained a draft up to the point when the team commenced the audit. The Audit Plan included details on materiality which drove the extent of audit testing. He also referred to the significant audit and other risks, which required a certain amount of testing, including looking at controls. The Audit Plan also set out KPMG's confirmation of independence as well as the fees, which were set by Audit Scotland.

In response to queries from Board members, Michael Wilkie confirmed that additional audit work was required for 2022/23, being the first year of KPMG's appointment, but he did not anticipate any additional work being required for this audit. As indicated earlier, the basis on how the fee was calculated was set out in the Plan.

In response to a query from John Ross Scott regarding risk from income recognition and expenditure, as well as fraud risk, Michael Wilkie confirmed that the statement related to a presumption in every audit and that it was proposed to rebut that risk, although that position would be reviewed as KPMG completed their planning and risk assessment.

The Board noted the indicative Audit Plan, prepared by KPMG, as the appointed auditors to the Orkney and Shetland Valuation Joint Board, for financial year 2023/24, attached as Appendix 1 to the report by the Treasurer to the Board.

7. 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 2023/24.

The Chief Internal Auditor advised that, in order to comply with the Public Sector Internal Audit Standards, the Chief Internal Auditor must deliver an annual internal audit report and opinion that could be used by the organisation to inform its governance statement. Further, the annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Annual Audit Report and Opinion detailed the level of completion of work achieved in respect of the 2023/24 Internal Audit Plan and provided the Chief Internal Auditor's opinion, namely, in respect of the areas subject to audit review during 2023/24, as well as a review of audit recommendations, it was found that the framework of controls in place provided substantial assurance regarding governance, internal control and risk management. There were no instances of fraud identified from the audit work conducted during the year. The Audit Report also set out a summary of Internal Audit recommendations and their current status.

Allison Duncan queried whether the Board had adopted a Whistleblowing Policy. The Clerk and the Chief Internal Auditor both confirmed that the draft Financial Regulations, which the Board would be considering later in the meeting, contained a section on fraud, including a duty on each Board employee, as well as Board Members, to comply with Orkney Islands Council's Corporate Anti-Fraud Policy. Further, when Orkney Islands Council assumed responsibility for the administration of the Board, a decision was taken to adopt that Council's policies, where relevant. The Clerk undertook to investigate whether anything further required to be adopted. Allison Duncan asked for assurance to be given at a future meeting, if required.

In response to a query from Dr Jean Stevenson regarding terminology in the status column of the Audit Recommendations, the Chief Internal Auditor confirmed that "in progress" related to an audit brought forward from the previous year, whereas "ongoing" related to an audit within the current plan which had not yet reached its target date.

The Board scrutinised the Internal Audit Annual Report and Opinion for 2023/24, attached as Appendix 1 to the report by the Chief Internal Auditor, and obtained assurance.

8. Draft Accounts for 2023/24

There had been previously circulated a report by the Treasurer to the Board presenting the draft annual accounts for financial year 2023/24 for scrutiny and approval.

The Treasurer advised that a requirement existed for the Board to prepare an annual set of accounts which required to be lodged with Audit Scotland by 30 June each year. The Board was being asked to approve the draft accounts, including the Annual Governance Statement, prior to submission to Audit Scotland. In summary, there was an operational underspend of £73k, mainly in relation to vacant posts, while the comprehensive income statement cited a deficit, mainly as a result of the movement in the Pension Fund.

In response to queries from Lindsay Hall regarding the Pension Fund, the Treasurer confirmed that all employees of the Board were members of Shetland Islands Council's Pension Fund, which had significantly improved its performance last year, evidenced through the triennial valuation to the end of March 2023, resulting in the proposed revision to the Medium Term Financial Plan.

John Ross Scott queried the impact of the Barclay Review and the self-catering audit, particularly in light of ongoing recruitment difficulties. The Assessor advised that the Barclay Review was halfway through the first cycle and all Assessors were still learning, therefore it was too early to determine whether resources were adequate. Regarding the additional resources provided by the Scottish Government in respect of the Barclay Review, the Assessor advised that, with incremental drift and costs associated with the IT supplier, the worth of the additional resource had probably been eroded.

The Board **resolved** that the draft Annual Accounts for financial year 2023/24, incorporating the Annual Governance Statement, attached as Appendix 1 to the report by the Treasurer to the Board, be approved.

9. Financial Regulations and Contract Standing Orders

There had been previously circulated a joint report by the Treasurer and the Clerk to the Board presenting Board specific Financial Regulations and Contract Standing Orders, for consideration and approval.

The Treasurer referred to discussion earlier in the meeting regarding tailored Financial Regulations and Contract Standing Orders for the Board, as an outstanding action from the audit plan. Given Orkney Islands Council was the administering authority for the Board, and that it was not considered reasonable for the Assessor to hold a separate bank account or payroll function, the draft documents had been developed with reference to the current operating procedures and frameworks within Orkney Islands Council. The Financial Regulations made specific reference to the roles of Board staff, namely the Clerk, the Treasurer and the Assessor. Colleagues from Legal, Procurement and Governance within Orkney Islands Council, together with colleagues in Shetland Islands Council and the Assessor, were involved in the drafting of the documents.

When drafting the documents, Dr Stephen Clackson queried whether any reference was taken from other Boards. The Treasurer advised that he had looked online, however it was difficult to find a Board of similar size in order to make comparisons. The sections on responsibility were, in the main, replicated from the Highland and Western Isles Valuation Joint Board, which Dr Clackson found reassuring.

The Board noted:

9.1. That the Board had previously adopted the Financial Regulations and Contract Standing Orders of the Orkney Islands Council.

9.2. That Financial Regulations and Contract Standing Orders tailored to the Orkney and Shetland Valuation Joint Board had been developed.

The Board **resolved**:

9.3. That the Financial Regulations and Contract Standing Orders, attached as Appendices 1 and 2 respectively to the joint report by the Treasurer and the Clerk to the Board, be approved.

10. Medium Term Financial Plan

There had been previously circulated a report by the Treasurer to the Board setting out the Medium Term Financial Plan for the period 2024/25 to 2026/27.

The Treasurer advised that the Medium Term Financial Plan (MTFP) had been rolled forward to include the outturn figures set out in the draft Annual Accounts, which provided a better starting point to apply inflationary increases. With staff costs making up 81% of the Board's annual budget, scope to achieve efficiency savings was very limited and attempting to significantly reduce staffing costs would be difficult without impacting on the services provided. However, there were opportunities to look at making systems and processes more efficient. Annex 3 of the MTFP provided a 10-year forecast of the funding gap that would require to be bridged in the event that the constituent Councils' requisitions were not increased beyond the proposed level for financial year 2024/25. The graph on the final page used different percentage rates to indicate the variation over the 10 year period; if inflation was higher and/or wage increases were higher, costs increased, and was an illustration to address the audit queries referred to earlier.

John Ross Scott referred to the ongoing financial uncertainties within the medium term and queried when the Board might require external legal advice, as indicated in the covering report. Gavin Mitchell confirmed that he would not expect the Board to require external legal advice unless there was a risk to the Board of breaching its duties or an illegal act. In his assessment, external legal advice was not required in this instance.

Kristopher Leask highlighted section 7.9 of the MTFP, particularly reference to the pay and grading model which supported development of a staffing complement that was fit for purpose, including succession planning arrangements, and that planning for any reduction in staff costs over the short to medium term would therefore be counter productive.

The Convener referenced KPMG's wider scope audit which included financial sustainability and was content to see inflation set at 2%, noting that there could be shocks in the future. The Treasurer confirmed that the inflation target was based on the Bank of England's goal of 2%, being the most likely scenario, noting that sensitivity was included on the graph previously mentioned.

The Board noted:

10.1. That the Medium Term Financial Plan (MTFP) served as a key planning document for the use of resources over the medium-term.

10.2. That the MTFP linked to the Service Plan 2023-26 and the Workforce Plan 2021-2024.

10.3. The key principles of the MTFP, as outlined in section 5 of the report by the Treasurer to the Board.

The Board **resolved**:

10.4. That the MTFP, for the period 2024/25 to 2026/27, attached as Appendix 1 to the report by the Treasurer to the Board, be approved.

11. Best Value – Progress Report

There had been previously circulated a report by the Assessor and Electoral Registration Officer presenting the progress update, as required by the Board's Best Value Regime, for the reporting period October 2023 to April 2024, for scrutiny.

The Assessor highlighted the following:

- Announcement of the UK Parliamentary Election on 4 July 2024, being the largest single electoral event since 2019, and the first election in Orkney and Shetland at which the new requirements of the Elections Act 2022 would be in force.
- The significant implications of the Elections Act 2022, including Voter ID, changes to absent voting (both postal and proxy) and registration of overseas electors.
- Transfer of self-catering subjects, which failed the audit to provide satisfactory evidence of self-catering use, from the Valuation Roll to the Council Tax List, although significant in number last year, had now reduced.
- Successful recruitment to vacant posts in both offices within electoral administration.

- 187 Proposals received against the 2023 Revaluation which, although much lower in number than previously, necessitated a significantly greater amount of work than the previous appeal process.
- Ongoing training with IT systems, particularly around the transfer of self-catering subjects.
- Active recruitment for the post of Depute Assessor and a Valuer for the Kirkwall office.

In response to a query from Kristopher Leask regarding Voter ID, the Assessor confirmed that this had led to significant additional expense, including overtime and hardware costs. Although some funding had been received from the Department for Levelling Up and Communities in regard to implementing the Elections Act 2022, he would reflect with the Depute Electoral Registration Officer on whether to submit a bid for additional funding over and above the initial payments.

With regard to Voter ID, Kristopher Leask queried whether further communications were required with the public. The Assessor advised that numbers were quite low, being single figures in both areas for the past week.

Both John Ross Scott and Dr Stephen Clackson highlighted the excellent service received from the Electoral Registration Service in Kirkwall recently in respect of postal and proxy voting applications, which the Assessor assured would be passed on to the relevant staff.

Allison Duncan referred to section 8 of the report, relating to Shetland office accommodation, and the potential requirement to move to alternative accommodation, although the Assessor confirmed that additional accommodation was not required meantime.

The Board scrutinised the contents of the report by the Assessor and Electoral Registration Officer and took assurance.

12. 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 2023 to 31 March 2024, for scrutiny.

The Assessor advised that the full list of targets and statistics was outlined in the Appendix to the report. The summary of performance against Council Tax targets and outcomes, detailed in section 5.1 of the report, whilst disappointing and well below target in some areas, was not unexpected, given it was reported as highly likely the previous year. In reality, the service had operated with a vacancy for five months and, although new staff were in post and working well, there was also a year-on-year increase in the workload, particularly in relation to self-catering subjects. If that element was stripped out, the targets would have been met, and the Assessor was confident that targets would be met for the next reporting period. In comparison with other Assessors, Orkney and Shetland were performing well, as outlined in section 5.2.1 of the report.

Performance against Valuation Roll targets and outcomes was also disappointing, although the fall out from two key issues, namely the self-catering audit and the significant workload associated with the Revaluation, was not anticipated, and was exacerbated by the vacant post of Valuer in the Kirkwall office. However, while a fall in performance was anticipated, like with Council Tax, because there was no real benchmark to indicate what the final KPI might look like, the targets were kept at the same historic level. It was therefore proposed to marginally reduce the targets for 2024/25 onwards, as highlighted in the table at section 5.3.2 of the report. Again, like Council Tax, performance against other Assessors was satisfactory.

Both Dr Jean Stevenson and the Convener referred to the potential for staff absences as a result of increased workload, exacerbated by vacancies and the inability to recruit, affecting performance. The Assessor agreed that the structure was fragile, with small teams split for geographical reasons, and some areas having only one or two members of staff. There was limited opportunity for some of the Shetland self-catering work to be undertaken by staff in Orkney and, as this was specialised, temporary staff was not an option.

The Board scrutinised the contents of the report by the Assessor and Electoral Registration Officer and obtained assurance.

13. Internal Audit Charter

There had been previously circulated a report by the Chief Internal Auditor presenting the Internal Audit Charter for 2024 to 2025, for consideration.

The Chief Internal Auditor advised that an internal audit charter described how Internal Audit provided value to the organisation, the nature of the services it provided, and the specific focus or emphasis required of Internal Audit to help the organisation achieve its objectives. The internal audit charter should be reviewed regularly and was normally reviewed every two years. However, as the Public Sector Internal Audit Standards were currently being reviewed, it was proposed that the Internal Audit Charter be approved for one year, following which it would be reviewed again to ensure it remained compliant with the Standards.

The Board noted:

13.1. That, in order to comply with the Public Sector Internal Audit Standards, an Internal Audit Charter, which defined the purpose, authority and responsibility of the Board's internal audit activity, required to be prepared.

The Board **resolved**:

13.2. That the Internal Audit Charter for 2024 to 2025, attached as Appendix 1 to the report by the Chief Internal Auditor, be approved.

14. Internal Audit – Non-Domestic Rates

There had been previously circulated a report by the Chief Internal Auditor presenting the Non-Domestic Rates Internal Audit Report, for scrutiny.

The Chief Internal Auditor advised that the Non-Domestic Rates Valuation Roll set out the rateable values of all non-domestic properties. The valuations were used by the local authorities as the base for collecting non-domestic rates. A new valuation roll was made up every three years, following a review of rateable values, a “General Revaluation”. The last such Revaluation took place on 1 April 2023.

The objective of the audit was to review the controls and procedures in place to ensure that the Valuation Roll for Orkney Islands Council and Shetland Islands Council was up to date and accurate. The audit provided substantial assurance that the processes and procedures were well controlled and managed. The internal audit report included one medium priority recommendation regarding a separation of duties and two low priority recommendations regarding control spreadsheets and a review of KPIs. There were no high-level recommendations made as a result of the audit.

The Board scrutinised the findings of the internal audit reviewing the adequacy of the controls and procedures in place to ensure that the Non-Domestic Rates Valuation Roll for Orkney Islands Council and Shetland Islands Council was up to date and accurate, attached as Appendix 1 to the report by the Chief Internal Auditor, and obtained assurance that action had been taken or agreed where necessary.

15. Internal Audit – Council Tax

There had been previously circulated a report by the Chief Internal Auditor presenting the Council Tax Internal Audit Report, for scrutiny.

The Chief Internal Auditor advised that the Council Tax Valuation List showed the Council Tax valuation band of every dwelling and was used by the local authorities as a base for determining and collecting Council Tax. The objective of the audit was to review the controls and procedures in place to ensure that the Council Tax Valuation List for Orkney Islands Council and Shetland Islands Council was up to date and accurate. The audit provided substantial assurance that the processes and procedures were well controlled and managed. The internal audit report included four low priority recommendations regarding information received from Councils, acknowledging proposals, invalid proposal letters and reporting on KPIs. There were no medium or high-level recommendations made as a result of the audit.

John Ross Scott was heartened by the substantial assurance provided by both audits (Non-Domestic Rates and Council Tax) and queried why the audit reports were not reported to the Monitoring and Audit Committee (of Orkney Islands Council) and the equivalent at Shetland Islands Council. The Clerk confirmed that the Board had been required to have specific audits of its various functions as a result of an external audit recommendation. They were only presented to the Board as they related to the business of the Board and not the respective Councils. That said, she had previously undertaken to look at how performance was reported to the constituent authorities, and it may be that internal audit reports were included in that. She undertook to report to the next meeting of the Board.

The Board scrutinised the findings of the internal audit reviewing the adequacy of the controls and procedures in place to ensure that the Council Tax Valuation List for Orkney Islands Council and Shetland Islands Council was up to date and accurate, attached as Appendix 1 to the report by the Chief Internal Auditor, and obtained assurance that action had been taken or agreed where necessary.

16. Date of Next Meeting

It was noted that the next meeting was scheduled for 26 September 2024 to be held in Orkney.

Provisional dates for future meetings were as follows:

- 28 November 2024 (virtual).

The Clerk advised that a development session and/or training would be arranged to coincide with the next meeting, on 26 September 2024, in Orkney. Discussion regarding dates for 2025 would take place over the summer and reported to the Board in due course.

17. Conclusion of Meeting

At 15:30 the Convener declared the meeting concluded.

Signed: