



Orkney and Shetland Valuation Joint Board



Minute

Thursday, 28 September 2023, 14:00.

Council Chamber, Lower Hillhead, Lerwick.

Present:

Orkney Islands Council:

Dr Stephen G Clackson, Kristopher D Leask (via Microsoft Teams), James R Moar, John A R Scott and Dr Jean E Stevenson (via Microsoft Teams).

Shetland Islands Council:

Allison Duncan, Stephen Leask, Moraig Lyall, Liz Peterson and Arwed Wenger.

Clerk to the Board:

- Karen A Greaves (via Microsoft Teams).

In Attendance:

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

Orkney Islands Council:

- Gavin Mitchell, Head of Legal and Governance (via Microsoft Teams).
- Hazel Flett, Service Manager (Governance).
- Andrew Paterson, Chief Internal Auditor (via Microsoft Teams).

KPMG:

- Michael Wilkie, Public Sector Audit Director (via Microsoft Teams).
- Matthew Moore, Senior Manager (via Microsoft Teams)

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 for 12 months thereafter.

Apologies had been intimated on behalf of Mr P Lindsay Hall (representing Orkney), with Mr James R Moar attending as a substitute, and Mr Gary Robinson (representing Shetland), with Ms Moraig Lyall 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 29 June 2023.

On the motion of Mr Allison Duncan, seconded by Mr John R Scott, the Board **approved** the Minute of the Meeting of the Board held on 29 June 2023, 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.

Regarding Action 1 from the previous meeting, the Assessor confirmed that there was nothing removed that was archived or required to be archived. The team had moved back into Commercial Road around 10 years ago, so everything that accumulated was of that kind of era or newer. The best way to categorise the material disposed of was general everyday paper accumulation, such as journals, practice notes and draft printouts. Anything that might have been considered confidential was suitably destroyed before being removed from site and taken to its final disposal.

Regarding Action 2, Shetland Office accommodation, the Assessor advised that he had met with the person responsible for assets at Shetland Islands Council the previous day. The Assessor extended his thanks to the Convener, in that regard, as he was having some difficulty reaching the correct person, so Mr Leask's assistance in expediting that process was appreciated. Given the commercially sensitive nature of occupational leases, the Assessor confirmed that a positive discussion was had, having not really had a formal discussion with the landlord since he came into post. The Assessor was encouraged by the positive outlook of Shetland Islands Council regarding the occupational space and over the coming weeks, the team would work with the landlord to address short term issues by securing additional space within the existing building, and looking to the future, assess opportunities within Shetland Islands Council's estate that could offer a better home for the staff.

Regarding Action 3, 2017 Revaluation Appeals, the Assessor advised that the Reduction on Appeal target of 1% was a historic statistical target for the information purposes only and formed no part of reporting to any other body either locally or nationally.

As could be seen in the 2022/23 statistics, the target figure was not met and the loss on appeal figure was 6.4%, which represented a valuation accuracy of 93.6% for the 2017 Rating Revaluation.

Many of the subjects of appeal are valued on Scottish Assessors Association (SAA) Valuation Practice Guidance Notes which offered detailed analysis of rental and cost information, ingathered centrally throughout Scotland, and presented in a summary or matrix application to assist all Assessors to offer consistency of valuation approach. This Guidance is based on the best information available at the time of publication.

In many instances new or additional information was obtained or provided post-valuation by interested parties which shone new light on the SAA Guidance Notes, this was then agreed, and alternative rates proposed which resulted in appeals being amended and settled. Those alterations were outwith the control of local Assessors in many instances but was reflected within the appeal loss statistics of 6.4% and many of those scenarios would have applied in Orkney and Shetland.

At the 2017 Rating Revaluation, 427 appeals were lodged in relation to subjects in the Valuation Roll. Of those 427 appeals, 201 were settled with no adjustment to value and 226 were settled with an amendment to the Rateable Value. Approximately 176 of the amended values related to amendments in the SAA Valuation Guidance Notes, which represented 78% of the 226 amended appeal Rateable Values.

It also had to be recognised that Orkney and Shetland held some, if not the largest, Petrochemical subjects in Scotland. Any reduction in value for those subjects had an unproportionate overall effect on the appeal loss due to their significant value. Within the settlements of those large subjects were reductions for identified production areas and plant items which were redundant or had been decommissioned, which had not been notified by rating agents at the time but would have to be accounted for within the appeal settlement. This was unfortunate but the reality of normal practice of a tidy up exercise.

In conclusion it had become clear that the historic appeal loss target of 1% was no longer realistic and a target within a parameter of 5-10% might be more realistic, but it had to be recognised that the vast majority of that appeal loss occurred due to information coming to light post-valuation.

Regarding the one remaining action outstanding from earlier meetings, the Clerk advised that training and induction for the remaining members of the Board would be completed by the end of the calendar year.

Mr Allison Duncan appreciated the commercial aspects surrounding the office accommodation and requested an update at the next meeting.

Dr Stephen Clackson referred to the training session held earlier in the day and what provision would be made for those who could not attend. The Clerk confirmed that the training session had not been recorded, but those who could not attend would be issued with a briefing. In future, consideration would be given to recording training sessions.

5. Revenue Expenditure Outturn

There had been previously circulated a report by the Treasurer to the Board advising of the revenue budget outturn position for financial year 2022/23 in respect of the Orkney and Shetland Valuation Joint Board.

The Treasurer advised that the budget was a zero budget, with rounding accounting for the 0.1% underspend indicated on Annex 1.

In detail, expenditure on services for the financial year as a whole amounted to £986,928 which, against an approved budget of £956,100, represented an overspend of £30,828, as at 31 March 2023, which could be attributed in the main as follows:

- Staff costs - overspend of £27,588 mainly in relation to salary costs for the pay review and associated backpay, together with costs related to commencement of the new Assessor and Electoral Registration Officer.
- Operating costs – overspend of £4,810 due to the increase in travel as operations continued more or less as normal post Covid-19 pandemic, nothing there were some savings on Supplies and Services as a result of a reduction in audit and consultancy fees.

The net overspend of £30,828 on the Board's activities relative to the approved revenue budget for financial year 2022/23 represented an increase in the requisition to each of the constituent authorities as follows:

- Orkney Islands Council – an increase of £16,818 to £496,218.
- Shetland Islands Council – an increase of £14,010 to £490,710.

In response to a query from Mr John R Scott regarding the overspend in relation to the Barclay Review, the Assessor confirmed this was wholly in respect of overtime required to ensure the revaluation was completed by the November deadline and that most Boards across Scotland had also required officers to incur overtime for that specific purpose.

The Board noted:

5.1. The revenue financial summary statement in respect of the Orkney and Shetland Valuation Joint Board, for the period 1 April 2022 to 31 March 2023, attached as Annex 1 to the report by the Treasurer, reporting a balanced budget position.

The Board scrutinised:

5.2. The explanations given and actions proposed in respect of significant budget variances as outlined in the Budget Action Plan, attached as Annex 2, together with further detail provided in section 4.3 of the report by the Treasurer, and obtained assurance that action was taken with regard to significant budget variances.

6. Revenue Expenditure Monitoring

There had been previously circulated a report by the Treasurer to the Board advising of the revenue position of the Board as at 30 June 2023.

The Treasurer reported that, for the first quarter of financial year 2023/24, the budget was indicating a deficit position of nearly £8,000. The requisition from Shetland Islands Council was showing an overspend of £14,000, which was due to profiling of payments and would be resolved when the requisition was requested as part of the 2023/24 payment. The main underspend in joint costs related to the vacant post of Depute Assessor, with further vacancies to come.

In response to a query from Ms Liz Peterson on the cost of a consultant and the timeline for recruitment, the Assessor confirmed that the cost of the consultant was similar to the staffing cost of the substantive post, so the Board would not incur additional costs. It was proposed to commence another recruitment exercise in January 2024, which, if successful, would hopefully tie in with the consultancy ending by March 2024.

The Clerk clarified the previous decision of the Board regarding the consultancy, which had been procured using Orkney Islands Council's Financial Regulations and Contract Standing Orders, which the Board had adopted until such time as Board specific documents were adopted. Further, the Board had also agreed a timeline for the recruitment to the post of Depute Assessor, noting that there was the potential to extend the consultancy, should the recruitment exercise not be successful.

The Board noted:

6.1. The revenue financial summary statement, in respect of the Orkney and Shetland Valuation Joint Board, for the period 1 April to 30 June 2023, attached as Annex 1 to the report by the Treasurer, indicating a budget deficit position of £7,900.

The Board scrutinised:

6.2. The explanations given and actions proposed, in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to the report by the Treasurer, and obtained assurance that action was being taken with regard to significant budget variances.

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 confirmed that this report was presented to each meeting of the Board and now contained one outstanding action, namely Board specific Financial Regulations and Contract Standing Orders. Although a target date of December 2023 was indicated, it was noted that the officers were busy with the audit of the final accounts.

The Board noted:

7.1. The updated Action Plan, attached as Appendix 1 to the report by the Clerk, 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 December 2023.

8. Annual Report to those charged with Governance

There had been previously circulated a report by the Treasurer to the Board presenting the External Auditor's Annual Audit Report to those charged with governance of the Board's Financial Statements.

Michael Wilkie advised that he was responsible for signing the opinion on the accounts in this, the first year of KPMG's five-year appointment as external auditors to the Board. He thanked officers for responding to their queries and confirmed that the audit was substantially complete, subject to some internal processes.

Referring to the audit report, attached as Appendix 2 to the Treasurer's report, Michael Wilkie summarised the main points as follows:

- Every audit required to consider two significant risks:
 - Fraud risk from management override of controls – the audit work did not identify any instances of override of controls or matters that required adjustment in the annual accounts or which required to be brought to the attention of the Board.
 - Fraud risk from income revenue recognition and expenditure – rebutted.
- Another significant risk related to an inappropriate amount estimated and recorded for the defined benefit obligation – as a result of testing, the auditors concluded that the estimated and recorded defined benefit obligation was fairly stated and appropriately disclosed in the financial statements.
- There was one unadjusted audit difference, namely an overstatement of estimated return on pensions paid.
- A follow-up on previous audit recommendations indicated that the Board had made progress in addressing weaknesses in the leadership and governance arrangements highlighted in previous audits.
- One recommendation from the previous year's audit remained outstanding – tailored governance documents for the Board, specifically Financial Regulations and Contract Standing Orders.
- Two new recommendations, both relating to financial planning.

In response to a query from Mr John R Scott regarding a recovery plan should a budget deficit occur or alternatively, a reserves policy, the Treasurer confirmed that, in reality, the Board was unlikely to generate surpluses, as all activities were fully funded by the two local authorities.

Dr Jean Stevenson queried the lack of an implementation date for the final recommendation in Appendix 6, and Matthew Moore confirmed that, as the audit report was still draft, the date could be agreed, following comments made by the Treasurer in relation to inflationary rates for medium term financial planning purposes.

The Convener referred to the conclusion contained in the section on Governance and Transparency, which had also been mentioned previously, and extended his thanks to the auditors for their comments, noting that the momentum on improving governance would continue.

The Board noted:

8.1. That KPMG, as the Board's external auditor, had concluded its audit of the Orkney and Shetland Valuation Joint Board's Annual Accounts for the year ended 31 March 2023.

8.2. That KPMG expected to provide an unqualified audit opinion on the Orkney and Shetland Valuation Joint Board's Annual Accounts for the year ended 31 March 2023.

8.3. That an unqualified opinion meant that the Annual Accounts had been properly prepared in accordance with applicable law, accounting standards and other reporting requirements.

8.4. That KPMG deemed that, as a result of the issues identified in the 2021/22 annual audit report in relation to governance and decision making, it remained appropriate to apply expanded wider scope requirements, specifically to follow-up on the recommendations made in the 2021/22 annual audit report covering financial sustainability and governance and transparency.

8.5. That, during the course of the audit, one unadjusted audit difference, together with a small number of presentational adjustments within the financial statements, were identified, which had been adjusted in the final accounts.

8.6. The Orkney and Shetland Valuation Joint Board's Letter of Representation to KPMG in connection with its audit of the financial statements for the year ended 31 March 2023, attached as Appendix 1 to the report by the Treasurer.

8.7. The Annual Audit Report to the Board and the Controller of Audit in respect of the Orkney and Shetland Valuation Joint Board's Annual Accounts, attached as Appendix 2 to the report by the Treasurer.

9. Annual Accounts

There had been previously circulated a report by the Treasurer to the Board presenting the final Annual Accounts for the Orkney and Shetland Valuation Joint Board for financial year 2022/23.

The Treasurer presented the final annual accounts for approval, noting that there was very little change from the draft accounts which the Board had approved in June.

In relation to a query from Mr John R Scott regarding staffing, the Assessor confirmed there continued to be an unsettled period, with a number of vacancies resulting in a skills gap, although they had successfully recruited to a post of Technician.

Regarding the skills analysis for Board members, the Clerk reminded the Board that this had been completed at a development session held in Shetland in December 2022, following which a programme of training and development sessions had been agreed, although it was always open to members to request training sessions on specific topics, where they felt this would be beneficial.

Returning to the point on staffing and recruitment, the Assessor advised that applications were received for vacant posts and the trainees were progressing towards chartered surveyor status, with the one in the Shetland office being top of his university class. He was of the view that the revised pay and grading structure had assisted in recruiting to vacancies.

In response to a query from Mr Allison Duncan regarding fulfilling all the obligations within the approved budget, the Assessor confirmed that, with a number of vacancies, the Board would remain within budget, however, should a full staffing complement be in place, this would prove more challenging.

The Board noted:

9.1. That the Local Authority Accounts (Scotland) Regulations 2014 required the Board to consider and approve an audited set of accounts, including an annual governance statement, by 30 September each year, and publish the accounts on a website by 31 October.

9.2. The management commentary, comprising pages 1 to 8 of the Annual Accounts, attached as Appendix 1 to the report by the Treasurer, which provided an overview of the most significant matters reported in the Annual Accounts for financial year ended 31 March 2023, with the key facts and figures summarised at section 4.3 of the report.

The Board **resolved**:

9.3. That the Annual Accounts for financial year 2022/23, as presented, be approved.

10. Date of Next Meeting

It was noted that the next meeting was scheduled for 14 December 2023 and would be held virtually.

The Board **resolved** to approve the following dates for meetings of the Board in 2024:

- 7 March 2024 – virtual.
- 20 June 2024 – in Shetland.
- 26 September 2024 – in Orkney.
- 28 November 2024 – virtual.

11. Conclusion of Meeting

At 14:55 the Convener declared the meeting concluded.

Signed: Stephen Leask.