



Orkney and Shetland Valuation Joint Board



Minute

Thursday, 27 March 2025, 14:00.

Microsoft Teams.

Present:

Orkney Islands Council:

Dr Stephen Clackson, Lindsay Hall, Kristopher Leask, John Ross Scott and Dr Jean Stevenson.

Shetland Islands Council:

Allison Duncan, Stephen Leask, Liz Peterson, Gary Robinson and Arwed Wenger.

Clerk to the Board:

- Gavin Mitchell.

In Attendance:

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

Orkney Islands Council:

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

KPMG:

- Taimoor Alam, Public Sector Manager (for Items 1 to 17).

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.

No apologies for absence had been intimated.

2. Declarations of Interest

No declarations of interest were intimated at this point, although Liz Peterson subsequently declared an interest at Item 18.

3. Minute of Previous Meeting

There had been previously circulated the draft Minute of the Meeting of the Board held on 28 November 2024.

On the motion of Gary Robinson, seconded by John Ross Scott, the Board **approved** the Minute of the Meeting of the Board held on 28 November 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 to the Board outlined the one outstanding action from the meeting held on 26 September 2024, and confirmed that a briefing would be issued after the annual performance report was considered by the Board in June.

Allison Duncan referred to the action relating to the Shetland accommodation and confirmed that, following a visit, in his opinion, the current facilities were not fit for purpose, in that there was no area for private consultations with the public and that he would continue to raise the matter of looking for alternative premises.

It was agreed that, when the Orkney representatives were in Lerwick in June 2025 for the next Board meeting, arrangements would be made for them to visit the premises, if the Depute Electoral Registration Officer was available. Further, once the new Depute Assessor was in post, this would provide an opportunity to review office accommodation and a meeting would be arranged with representatives from the Estates team at Shetland Islands Council.

In response to a query from John Ross Scott regarding cyber security, the Assessor confirmed that this was a matter taken very seriously, with information circulated frequently to staff, as well as reminding staff about appropriate training courses on Orkney Islands Council's i-Learn system.

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

5. Minute of Special Meeting

There had been previously circulated the draft Minute of the Special Meeting of the Board held on 28 February 2025.

On the motion of Allison Duncan, seconded Dr Jean Stevenson, the Board **approved** the Minute of the Special Meeting of the Board held on 28 February 2025, as a true record.

6. Revenue Expenditure Monitoring

There had been previously circulated a report by the Treasurer to the Board advising on the revenue budget outturn position as at 31 December 2024, in respect of the Orkney and Shetland Valuation Joint Board.

The Treasurer to the Board advised that a budget deficit of £11,500 had accrued as at 31 December 2024 and no material variances reported. However, approaching the end of Quarter 4, the budget deficit had now changed to a small underspend (budget surplus) which may result in a reduced requisition from both constituent authorities at year end.

The Board noted the revenue financial summary statement, in respect of the Orkney and Shetland Valuation Joint Board, for the period 1 April to 31 December 2024, attached as Annex 1 to the report by the Treasurer to the Board.

7. Draft Budget

There had been previously circulated a report by the Treasurer to the Board setting out a draft budget for 2025/26, in respect of the Orkney and Shetland Valuation Joint Board, for approval.

The Treasurer to the Board outlined the main assumptions made in drafting the budget:

- Staff costs included an increase of 11.1%, which reflected:
 - The 2023/24 pay award of 6.5% which was omitted in error when setting the 2024/25 staff budget.
 - A 1.6% increase to reflect the actual 2024/25 pay award which was under budgeted in 2024/25.
 - An allowance of 3% for 2025/26.
- Staff Costs also included the additional cost of National Insurance contributions, with the rate rising from 13.8% in 2024/25 to 15.0% in 2025/26, in addition to the reduction in the secondary threshold from £9,100 to £5,000.
- Staff Costs also reflected potential staff promotions.
- Some overtime was also anticipated as the 2026 Non-Domestic Rates revaluation was carried out.
- All other costs were inflated by a factor of 2% in an attempt to cover increased cost pressures across all budget areas.

In response to a query from Lindsay Hall about fees and charges remaining at the same level, the Treasurer confirmed that the majority of fees and charges related to a Service Level Agreement with Orkney Islands Council in respect of valuation services to assist with year end accounts, which had recently been reviewed and the fee increased from £40,000 to £50,000, with the next review anticipated in five years' time. Also, rounding of figures when applying inflationary pressures sometimes resulted in no change to the actual figure.

John Ross Scott sought further assurance that the staffing budget was adequate. The Treasurer advised that, when setting the budget for 2024/25, staff budget costs were based on December 2023 costs. Pay increases were made in January 2024, therefore the 2024/25 budget had been set at 2023/24 pay rates, rather than 2024/25 rates. Further, the 2024/25 budget had allowed for a pay award of 2% - the actual award was at a higher rate. None of these factors resulted in a reported variance, as Orkney Islands Council's pension contribution rate had dropped significantly, which masked the discrepancy in salary levels. The Treasurer gave assurance that the draft 2025/26 budget was more accurate than previously.

In response to a query from John Ross Scott regarding overtime, the Assessor advised that it was difficult to predict the level of overtime required as part of the forthcoming 2026 Revaluation exercise, however it was considered prudent to include this in the budget. The previous Revaluation was the first run on the new software system, with less experienced staff. Lessons learned from that exercise, as well as more experienced staff, should result in a lesser requirement for overtime.

Allison Duncan queried the budget proposed for staff promotions. The Assessor advised that he could not provide the detail of this in public. The Clerk suggested that this item be deferred, to the end of the meeting, when the Board could pass a resolution to exclude the public to receive that information, and thereafter to approve the draft budget for 2025/26.

8. Internal Audit Charter

There had been previously circulated a report by the Chief Internal Auditor presenting the Internal Audit Charter for 2025/26 for approval.

The Chief Internal Auditor advised that the Global Internal Audit Standards in the UK Public Sector would come into effect on 1 April 2025 replacing the Public Sector Internal Audit Standards.

The Internal Audit Charter contained the purpose, mandate, responsibilities and the scope of services provided. It also detailed the authority of Internal Audit to access records, personnel and physical properties relevant to the performance of audit engagements and defined the scope of internal audit activity.

The revised Charter, appended to the report, was based on the Institute of Internal Auditor's model charter and conformed with the Global Internal Audit Standards in the UK Public Sector, which also required that the Charter be reviewed annually and approved by the Board.

In response to a query from the Convener as to whether the Standards would result in more work for the Internal Audit service, the Chief Internal Auditor confirmed that, once the team got used to the new Standards, it would be business as usual.

The Board **resolved** that the Internal Audit Charter for 2025 to 2026, attached as Appendix 1 to the report by the Chief Internal Auditor, be approved.

9. Internal Audit Strategy and Plan

There had been previously circulated a report by the Chief Internal Auditor presenting the Internal Audit Strategy and Plan for 2025/26 for approval.

The Chief Internal Auditor advised that the Global Internal Audit Standards in the UK Public Sector included the requirement for the Chief Internal Auditor to develop a strategy and prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

The internal audit strategy and the audit plan were combined and reviewed annually and updated as required. The plan was a three-year rolling plan which could be adjusted depending on changes in risk or internal procedures.

The planning process involved the following:

- Reviewing the Board's risk register.
- Reviewing the Board's strategic and operational plans.
- Reviewing external audit reports to identify areas of concern.
- Reviewing the Board's website and internal policies and procedures.
- Audit work previously undertaken, and the conclusions reached.
- Consultation with the Assessor and Board Officers.

Of the internal audits identified for 2024/25, one was still to be completed (Workforce Planning), with the other two (Performance Reporting and Budget Setting and Budgetary Control) to be considered by the Board at this meeting.

Three audits were planned for 2025/26, namely Corporate Governance and Risk Management, Payroll and Financial Controls, which had been delayed pending approval by the Board of its own tailored Financial Regulations.

In response to a query from Dr Jean Stevenson regarding an audit of the IT Network and Security, given comments made earlier in the meeting, the Chief Internal Auditor advised that this audit would probably feature in the 2026/27 audit plan, but the position would be reviewed should any risks be identified in the interim.

The Board **resolved** that the Internal Audit Strategy and Plan, attached as Appendix 1 to the report by the Chief Internal Auditor, be approved.

10. Internal Audit – Budget Setting and Budgetary Control

There had been previously circulated a report by the Chief Internal Auditor presenting the Internal Audit report on budget setting and budgetary control for scrutiny.

The Chief Internal Auditor advised that effective budget setting and budgetary control ensured resource availability, helped set and report on internal goals and prioritised the actions necessary to achieve key objectives of the Orkney and Shetland Valuation Joint Board.

The objective of the audit was to obtain assurance that processes and controls around budget setting and budgetary control were operating effectively. Several areas of good practice had been identified, and areas of testing were highlighted in the audit report. Overall, the audit provided substantial assurance that the processes and procedures relating to budget setting and budgetary controls were well controlled and managed. There were no audit recommendations.

The Board scrutinised the findings of the internal audit reviewing the adequacy of the controls and procedures in place around budget setting and budgetary control, attached as Appendix 1 to the report by the Chief Internal Auditor, and obtained assurance that action had been taken or agreed where necessary.

11. Internal Audit – Performance Reporting

There had been previously circulated a report by the Chief Internal Auditor presenting the Internal Audit report on performance reporting for scrutiny.

The Chief Internal Auditor advised that effective performance reporting ensured that the Board had appropriate information to enable them to effectively scrutinise performance against agreed key priorities and objectives. Overall, the audit provided substantial assurance that the performance reporting arrangements were well controlled and managed. The internal audit report included three low priority recommendations and one medium priority recommendation regarding action plans, accuracy of data and performance indicator targets.

In response to a query from Lindsay Hall regarding the management's response of "where possible" in relation to SMART targets, the Chief Internal Auditor advised that not all actions may require SMART targets.

Reference was then made to recommendation 4, and the possibility of adopting an alternative Key Performance Indicator (KPI) and/or target for the existing KPI (% reduction on appeal), some Board members were of the view that the KPI should be dropped, while others considered that it should remain unless and/or until an alternative was identified. The Assessor confirmed that the Board was the only one in Scotland which reported on this KPI, although it was not an onerous task to collate the necessary information. After further debate, it was agreed that the KPI should be retained meantime and that the Assessor should present alternatives to a future meeting of the Board for consideration.

The Board scrutinised the findings of the internal audit reviewing the controls and procedures in place to ensure the adequacy of performance reporting arrangements, attached as Appendix 1 to the report by the Chief Internal Auditor, and obtained assurance that action had been taken or agreed where necessary.

12. External Audit Annual Plan

There had been previously circulated a report by the Treasurer to the Board presenting the indicative External Audit Plan for the year ended 31 March 2025.

The Treasurer advised that the indicative Annual Audit Plan presented the planned audit work by the Board's appointed external auditors, KPMG, for financial year 2024/25. Page 4 of the Plan set the indicative materiality for the Board at £27,000. Page 5 of the Plan identified the significant audit risks considered in designing the audit approach, namely:

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

Page 9 of the Plan depicted the audit schedule showing the deadline for completion of the audit, and presentation of the annual audit report set at the end of September 2025.

The Wider Scope and Best Value Approach of the audit, focusing on financial sustainability, was detailed on pages 10 to 13 of the Plan.

The Treasurer had been consulted on the development of the Annual Audit Plan, and any implications identified from the audit work would be duly considered before being taken forward and actioned as appropriate.

The audit fee for the programme of work as set out in the Annual Audit Plan for financial year 2024/25 had been proposed at £9,510. On a comparable basis, excluding the fee for the additional audit work, this represented an increase of £180 or 2% on the previous year's original proposed fee and would be met from within existing budgets.

Taimoor Alam, Public Sector Manager, KPMG, confirmed that, as outlined on page 3, the plan remained indicative meantime. Risk assessment was an iterative process, and the Board would be kept updated of any significant changes. The indicative materiality levels were outlined on page 4, with any misstatements in excess of £1,350 being reported to the Board.

Pages 5 to 8 of the indicative Annual Audit Plan set out the three significant audit risks, together with KPMG's audit approach to those risks. Risk 1, Risk from income recognition and expenditure, was planned to be rebutted and no specific audit work, beyond standard fraud procedures, would be incorporated into the audit plan. Risk 2, Management override of controls, could not be rebutted and was part of every audit undertaken, with the auditors' planned response including analysing journals. Risk 3, Risk of retirement benefit obligations, was considered a significant risk and KPMG employed specialists to assist in testing assumptions.

Page 11 onwards of the draft Plan referred to the wider scope and best value approach. The Code of Audit Practice allowed for a different approach for less complex organisations and KPMG had assessed the Board to be less complex, therefore a reduced scope would be applied. The 2024/25 work would therefore cover financial sustainability, a review of the annual governance statement and a follow-up of recommendations from previous years, including consideration of the development of savings plans to bridge the funding gap identified in the medium-term financial plan.

In response to a query from John Ross Scott regarding the 2% increase in the audit fee, Taimoor Alam confirmed that Audit Scotland issued a template every year and the fee was then reported in the audit plan. The Convener reminded the Board that the Treasurer had previously confirmed that the fee increase was considered appropriate.

Dr Stephen Clackson referred to the statement regarding restrictions on distribution contained on page 3 of the indicative External Audit Plan and queried the need for such a statement, given that this paper was being considered in a public forum and had been published on Orkney Islands Council's website, as part of the papers for this meeting. Taimoor Alam agreed to take this matter back to colleagues.

Taimoor Alam then gave a brief overview of the appendices to the External Audit Plan.

The Convener thanked Taimoor Alam for his presentation.

The Board noted the indicative External Audit Plan, prepared by KPMG, as the appointed auditors to the Orkney and Shetland Valuation Joint Board, for financial year 2024/25, attached as Appendix 1 to the report by the Treasurer to the Board.

13. Medium-Term Financial Plan

There had been previously circulated a report by the Treasurer to the Board presenting the Medium-Term Financial Plan for the period 2025/26 to 2027/28, for consideration.

The Treasurer to the Board advised that the starting point for the Medium-Term Financial Plan was the proposed budget, projected out using various assumptions, including inflation and pay awards. The key principles remained unchanged, although changes to National Insurance contributions had been incorporated.

Gary Robinson referred to the plan being rolled over and queried the mechanism required at some point to zero-base, in order to provide some challenge. The Treasurer advised that the budget setting for 2023/24 was zero-based, in that every budget line had been interrogated. Known pressures had been identified and included in the updated plan and the Board would monitor the budget versus spend through alternative processes. To provide limited assurance, the Treasurer referred to the potential reduced requisitions for 2024/25 which, while not cutting budgets to the bone, any savings were returned to the constituent authorities.

The Treasurer agreed, however, to consider the manpower required to return to a zero-base and build up the budget, noting that a backward look was also undertaken, with a view to a review at subjective level either next year or the following year.

John Ross Scott referred to section 2.4 of the Plan which made reference to "Elected Members" and the Clerk agreed that this would be amended by deleting "Elected" and replacing with "its" before the Plan was published.

The Board noted:

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

13.2. That the Medium-Term Financial Plan linked to the Service Plan 2023-2026 and Workforce Plan 2024-2027.

13.3. The key principles of the Medium-Term Financial Plan, as follows:

- The Board has a comprehensive, coherent balanced budget.
- Resources are allocated and deployed to facilitate delivery of services.
- All key strategic decisions on the allocation and deployment of resources are made within the appropriate financial context, with due regard to levels of risk.
- The Board is able to take full account of the impact of decisions on the overall financial resources of the Board in the short, medium and long term.
- The Board has flexibility to address new policy requirements, or significant changes to existing policies, within overall available financial resources.
- There is an ongoing focus on securing efficiencies across the organisation.

The Board **resolved**:

13.4. That, subject to the amendment outlined above, the Medium-Term Financial Plan for the period 2025/26 to 2027/28, attached as Appendix 1 to the report by the Treasurer to the Board, be approved.

14. Service Plan 2023-26 – Annual Review

There had been previously circulated a report by the Assessor and Electoral Registration Officer presenting the annual review of the Service Plan 2023-2026.

The Assessor advised that the Service Plan, approved on 2 March 2023, was a significant document which contained the Board's service mission, vision, aims, objectives and commitments for the three years 2023 – 2026. The Service Plan reflected the significant reforms in Non-Domestic Rating and Electoral Registration. When approving the Service Plan in 2023, the Board also requested that the Plan be reviewed annually. Although the Service Plan was reaching the later stage of its life, there had not been any requirement to make material changes, rather the changes made were minor in nature relating to changes in the tense of events that had occurred, and updates to statistical figures.

In response to a query from Dr Stephen Clackson regarding maintenance procedures of the Corporate Address Gazetteer (CAG), the Assessor thought that the CAG, which pinpointed every property, was maintained by the local authority, and outlined the benefits of being able to access the CAG for the services provided by the Board.

The Board **resolved** that the updated Service Plan 2023-2026, attached as Appendix 1 to the report by the Assessor and Electoral Registration Officer, be approved.

15. Single Equality Scheme

There had been previously circulated a report by the Assessor and Electoral Registration Officer presenting the revised Single Equality Scheme for the period 2025/26 to 2028/29.

The Assessor advised that nominally, the revised three-year Scheme, replaced the previous scheme, given there had been no significant legislative changes. A comparison with other Boards' schemes had been undertaken and there was general alignment. Unlike the Service Plan, the Single Equality Scheme was concise.

The Board **resolved** that the Orkney and Shetland Valuation Joint Board Single Equality Scheme 2025/26 – 2028/29, attached as Appendix 1 to the report by the Assessor and Electoral Registration Officer, be approved.

16. Date of Next Meeting

The Clerk advised that the next meeting was scheduled to be held on Tuesday, 24 June 2025, in Shetland.

The Board had previously agreed the following dates for 2025:

- 30 September 2025 (in Orkney).
- 27 November 2025 (virtual).

17. Exclusion of Public

On the motion of the Convener, seconded by Allison Duncan, the Board resolved that the public be excluded for part of Item 18, as the business to be considered involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

18. Draft Budget (deferred from Item 7 above)

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this part of the 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 Act.

Liz Peterson declared an interest in this item, her connection being that a family member was employed by the Board, and left the meeting at this point.

The Assessor referred to the query raised by Allison Duncan earlier in the meeting regarding the budget allocation for potential staff promotions.

Upon conclusion of discussion of staffing matters and, thereby, the exclusion of the public, the Board:

Noted:

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

18.2. That the Scottish Government Settlement for 2025/26 allocated 'new money' towards the Barclay Review Implementation of £2,000 for each constituent local authority, increasing total funding to £74,000 for each, or a total of £148,000.

18.3. That the draft budget for financial year 2025/26, attached as Appendix 1 to the report by the Treasurer to the Board, was based on a standstill position, subject to pay and inflationary costs pressures and broadly followed the strategies adopted by the constituent authorities.

18.4. That, should the draft budget be approved, this would result in a requisition to each constituent authority as follows:

- Orkney Islands Council – £576,250, representing an increase of £64,950 or 12.7% on the previous year's requisition.
- Shetland Islands Council – £565,850, representing an increase of £64,650 or 12.9% on the previous year's requisition.

The Board **resolved**:

18.5. That the draft budget for 2025/26, attached as Appendix 1 to the report by the Treasurer to the Board, be approved.

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.

19. Conclusion of Meeting

There being no further business, the Convener declared the meeting concluded at 15:25.

Signed: (Convener).