

## **REPORT TO THE AUDIT AND GOVERNANCE COMMITTEE OF EAST LoTHIAN COUNCIL**

### **1.0 INTRODUCTION**

The purpose of this report is to update members on the role and duties of the Assessor and Electoral Registration Officer of the Lothian Valuation Joint Board, and to outline current pressures, issues and risks facing the organisation.

### **2.0 ROLE OF THE ASSESSOR AND ELECTORAL REGISTRATION OFFICER**

- 2.1 The Assessor is responsible for the creation and maintenance of the Valuation Roll and Council Tax List. It is through these functions that local property taxes are raised. Relevant information is passed regularly to each constituent authority of Lothian Valuation Joint Board allowing collection of these taxes.
- 2.2 The Assessor also acts as the Lothian Electoral Registration Officer and is responsible for the annual compilation and maintenance of the Electoral Register. The Register represents a list of all those registered electors who hold the necessary franchise to vote in various elections and referendums.
- 2.3 The Assessor and ERO, a statutory official, is an officer of the Lothian Valuation Joint Board and not an officer of the individual authorities that make up its composition. This independence is deemed essential for the proper discharge of the statutory duties laid upon the Assessor allowing the decisions made in the performance of their duties to be free from political influence. The correctness of entries in the Valuation Roll and Council Tax List are not matters for which the Assessor is answerable to the Board or local authority. Provision for such a challenge is provided in legislation by way of appeal procedures.
- 2.4 The administration of the Assessor and ERO's organisation and the overall expense involved in carrying out the statutory duties are matters which are considered by the Board.

### 3.0 LOTHIAN VALUATION JOINT BOARD

3.1 The Board was formed in 1996 following local government re-organisation which established 32 unitary authorities in Scotland. Previously the office of the Assessor and Electoral Registration Officer formed a department of Lothian Regional Council. As a matter of expediency the 14 Assessor areas that existed pre-1996 re-organisation were retained and where necessary formed into Joint Boards ensuring coverage of the new 32 Council areas. There are currently 10 Assessors appointed to Joint Boards and 4 Assessors appointed to unitary authorities.

3.2 The Lothian Valuation Joint Board comprises membership from 4 unitary authorities, East Lothian, Midlothian, West Lothian and City of Edinburgh Councils. There are in total 16 elected members that comprise the Board with City of Edinburgh providing 9, East Lothian 2, Midlothian 2, and West Lothian 3.

3.3 The Board sits in total 5 times during the year and operates within the framework provided by its Scheme of Delegation and Financial Regulations.

### 4.0 THE VALUATION ROLL (NON DOMESTIC RATING)

A system of property taxation has been in place in various guises for hundreds of years. The concept of attaching tax to immovable property has long held an attraction and this, coupled with the relatively low cost of administration, has retained property as the favoured basis for local taxation.

#### 4.1 The Roll

4.1.1 The Valuation Roll compiled by the Lothian Assessor is a list of all lands and heritages that exist within the Lothian area which are not exempt from entry. There are currently 36,491 entries in the Lothian Roll with a total rateable value of £1.324 billion. The table provides information per Council area. On a Scotland wide basis there are 255,373 entries in Valuation Rolls accounting for a total rateable value of £7.430 billion.

| <b>Council Area</b>      | <b>No of Subjects</b> | <b>Total</b> |
|--------------------------|-----------------------|--------------|
| <b>West Lothian</b>      | 6,558                 | 208,937,590  |
| <b>East Lothian</b>      | 3,678                 | 80,274,940   |
| <b>City of Edinburgh</b> | 23,128                | 949,349,479  |
| <b>Midlothian</b>        | 3,127                 | 85,945,700   |

4.1.2 Each entry in the Roll comprises an address, property description, names of proprietors, tenants and occupiers, a rateable value, and an effective date.

4.1.3 The rateable value in round terms represents the Assessor's estimate of the annual rent at a given point in time known as the tone date, which, subject to certain conditions, could be expected to be achieved in the open market between a willing landlord and tenant for the property identified. It is upon this annual rateable value that local authorities apply the rate poundage in order to raise and collect non-domestic property taxes.

4.1.4 Around 65% of subjects appearing in the Lothian Roll fall into the familiar property classes such as shops, offices, warehouses, restaurants, public houses and supermarkets. However the Roll also contains entries for such subjects as mines, quarries, sporting subjects, telecommunication undertakings, clinics, surgeries, hospitals, theatres, and harbours to name a few.

## **4.2 Revaluation**

The Valuation Roll is made up on a regular cycle which currently covers a five year span. Each cycle commences on the 1<sup>st</sup> April in the year of revaluation. It is the intention however to alter this to a 3 year span commencing in 2022. The last revaluation was effective from the 1<sup>st</sup> April 2017. The next revaluation is scheduled for 1<sup>st</sup> April 2022 followed by a revaluation on 1<sup>st</sup> April 2025.

4.2.1 A Revaluation requires Assessors to revalue all the lands and heritages in their area, establishing new levels of value that reflect the movement in the rental market since the last revaluation. Notification of a revaluation is provided to all parties who have an interest in a property appearing in the Roll via the issue of a Valuation Notice.

4.2.2 The purpose of a revaluation is to redistribute the NDR tax burden in accordance with and reflecting the movements in the rental market occurring between revaluations. The rateable values calculated are therefore a snap shot in time and are only reviewed in accordance with the revaluation cycle timetable.

## **4.3 Running Roll**

For each of the years within the revaluation cycle that a Valuation Roll exists, amendments can be made to insert new properties that have come into existence, delete those that no longer exist, or alter existing entries to reflect material physical alterations, sub-division or combination. In addition name information relating to proprietors, tenants and occupiers is constantly updated. All this activity is known as annual running roll. Notices are issued in respect of all these changes and the relevant information passed to local authorities for billing purposes.

For the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019 the number of changes and reason for the change for properties in East Lothian is shown below. This amounts to 8.5% of the total number of properties on the valuation roll for East Lothian.

| 01/04/18 – 31/03/19 | Insert | Amend | Delete | Re-reference | Deletion Amend | History Amend |
|---------------------|--------|-------|--------|--------------|----------------|---------------|
| <b>East Lothian</b> | 115    | 137   | 50     | 10           | 0              | 1             |

New entries to the valuation roll included the new Wallyford Primary School, a new nursing home at Mill Wynd in Haddington and thirty new self-catering units.

#### 4.4 Appeal Process

In respect of any entry legislation provides the ratepayer and those others named in the Roll with a right of appeal. There exists statutory time periods within which appeals can be lodged. At a time of revaluation all appeals must be lodged by the 30<sup>th</sup> September in the year of revaluation, while at all other times an appeal can be lodged within six months following receipt of notification that an alteration has been made to an entry in the Roll or when a new entry has been made. An appeal can be lodged at any time on the basis of a material change of circumstances. However such an appeal, if successful, would only be effective from the later of the date of the material change or the start of the financial year in which the appeal was lodged.

4.4.1 In the majority of cases appeals are settled following discussion and negotiation between the Assessor and the ratepayer, or ratepayer's agent. Where this is not possible appeals shall be heard by the Valuation Appeal Committee, or in limited circumstances the Lands Tribunal for Scotland, or the Lands Valuation Appeal Court. The Valuation Appeal Committee comprises a lay panel of volunteers drawn from society at large. The Committee also includes a secretary the costs of which are defrayed by the Board.

4.4.2 The table below gives an indication of the volume of appeals received following the 2017 Revaluation, the current disposal performance and the level of value adjustment made.

| Council Area             | Revaluation Appeals | Running Roll | Closed       | Withdrawn          | Adjusted           |
|--------------------------|---------------------|--------------|--------------|--------------------|--------------------|
| <b>City of Edinburgh</b> | 8,352               | 1,283        | 6,053        | 4,320 (71%)        | 1,733 (29%)        |
| <b>Midlothian</b>        | 1,059               | 114          | 545          | 343 (63%)          | 202 (37%)          |
| <b>West Lothian</b>      | 2,498               | 365          | 1,388        | 1,093 (79%)        | 295 (21%)          |
| <b>East Lothian</b>      | 1,107               | 112          | 605          | 464 (77%)          | 141 (23%)          |
| <b>Total</b>             | <b>13,016</b>       | <b>1,874</b> | <b>8,591</b> | <b>6,220 (73%)</b> | <b>2,371 (27%)</b> |
| <b>E.L.C.</b>            | 567                 | 17           | 318          | 289 (91%)          | 29 (9%)            |

## 5.0 COUNCIL TAX

During 1993, Community Charge was replaced with Council Tax as a means of raising local taxes. This saw the return of domestic property as a basis for local taxation.

5.1 Every dwelling within Lothian is placed into one of eight value bands, reflecting an assessment of capital value as at 1991 levels. It is upon these bands, noted below, that taxes are levied.

- Band A Dwellings with a capital value of up to £27,000
- Band B Dwellings with a capital value of between £27,001 and £35,000
- Band C Dwellings with a capital value of between £35,001 and £45,000
- Band D Dwellings with a capital value of between £45,001 and £58,000
- Band E Dwellings with a capital value of between £58,001 and £80,000
- Band F Dwellings with a capital value of between £80,001 and £106,000
- Band G Dwellings with a capital value of between £106,001 and £212,000
- Band H Dwellings with a capital value over £212,000

5.2 There are currently 423,499 entries on the Council Tax List for Lothian and the table below indicates their allocation between bands and council areas.

| Council Area      | A      | B      | C      | D      | E      | F      | G      | H     | Total   |
|-------------------|--------|--------|--------|--------|--------|--------|--------|-------|---------|
| West Lothian      | 17,705 | 24,954 | 10,260 | 8,621  | 9,886  | 6,249  | 2,807  | 197   | 80,679  |
| City of Edinburgh | 24,170 | 48,061 | 44,950 | 40,612 | 42,663 | 25,923 | 22,217 | 4,133 | 252,729 |
| East Lothian      | 1,196  | 9,429  | 15,242 | 6,454  | 6,361  | 5,084  | 4,426  | 680   | 48,872  |
| Midlothian        | 979    | 12,539 | 11,033 | 5,540  | 4,988  | 3,630  | 2,330  | 180   | 41,219  |
| Sub-total         | 44,050 | 94,983 | 81,485 | 61,227 | 63,898 | 40,886 | 31,780 | 5,190 | 423,499 |

5.3 The Council Tax List is maintained on an ongoing basis with changes being made to reflect new inserts, deletions, sub-divides and combinations, appeal adjustments, corrections, and re-banding following point of sale assessment.

Below is a table showing the number of new houses entered on the Valuation List along with their banding for the last three years. The total number over the three years is 15,716.

| 2016/17      | A   | B   | C   | D   | E   | F   | G   | H  | Total |
|--------------|-----|-----|-----|-----|-----|-----|-----|----|-------|
| Edinburgh    | 209 | 265 | 294 | 738 | 615 | 369 | 336 | 52 | 2,878 |
| Midlothian   | 5   | 48  | 93  | 213 | 118 | 190 | 91  | 4  | 762   |
| West Lothian | 48  | 47  | 44  | 132 | 162 | 187 | 46  | 3  | 669   |
| East Lothian | 3   | 84  | 98  | 156 | 64  | 60  | 100 | 6  | 571   |

|                     |          |          |          |          |          |          |          |          |              |
|---------------------|----------|----------|----------|----------|----------|----------|----------|----------|--------------|
| <b>2017/18</b>      | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G</b> | <b>H</b> | <b>Total</b> |
| <b>Edinburgh</b>    | 365      | 199      | 445      | 722      | 936      | 566      | 344      | 63       | 3,640        |
| <b>Midlothian</b>   | 4        | 57       | 133      | 126      | 83       | 167      | 101      | 2        | 673          |
| <b>West Lothian</b> | 47       | 61       | 64       | 146      | 126      | 171      | 48       | 7        | 670          |
| <b>East Lothian</b> | 5        | 52       | 196      | 168      | 131      | 60       | 190      | 6        | 808          |
| <b>2018/19</b>      | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G</b> | <b>H</b> | <b>Total</b> |
| <b>Edinburgh</b>    | 229      | 514      | 412      | 719      | 552      | 329      | 371      | 59       | 3,185        |
| <b>Midlothian</b>   | 5        | 12       | 118      | 137      | 97       | 152      | 140      | 8        | 669          |
| <b>West Lothian</b> | 47       | 117      | 155      | 263      | 158      | 151      | 76       | 3        | 970          |
| <b>East Lothian</b> | 0        | 28       | 114      | 127      | 127      | 111      | 214      | 6        | 727          |

- 5.4 Legislation affords council tax ratepayers a right of appeal against the banding of their property or any adjustment to it. New council tax payers have six months in which to lodge an appeal following becoming the ratepayer.

## 6.0 ELECTORAL REGISTRATION

The ERO is responsible for the creation and maintenance of the Electoral Register for each of the four constituent councils of the Board. The Register is effectively a list of addresses showing the names of persons qualified to vote at that address, and showing their entitlement to vote at various elections and referendums.

### 6.1 The Register

- 6.1.1 The Register is updated every month throughout the year (Jan–Sept inclusive), excluding the annual canvass period, and re-published following canvass on the 1<sup>st</sup> December each year. It is used for elections to the Scottish Parliament, UK Parliament (Westminster), and for local government elections, national referendums and Community Councils.

- 6.2 The table below provides some specific statistics for the East Lothian Council area broken down by Ward. For comparison purpose the table also includes totals for the whole LVJB area.

| Ward Number/Name                  | Number of Households | Electorate as at 1 Dec 2018 | Current Electorate | Number of Postal Voters |
|-----------------------------------|----------------------|-----------------------------|--------------------|-------------------------|
| 1 - Musselburgh                   | 10,636               | 15,864                      | 16,098             | 3,309                   |
| 2 - Preston, Seton and Gosford    | 8,366                | 14,553                      | 14,634             | 2,579                   |
| 3 - Tranent, Wallyford & Macmerry | 8,460                | 14,504                      | 14,664             | 2,242                   |
| 4 - North Berwick Coastal         | 6,843                | 10,869                      | 10,754             | 2,953                   |

|                                      |         |         |         |         |
|--------------------------------------|---------|---------|---------|---------|
| <b>5 – Haddington and Lammermuir</b> | 8,487   | 14,275  | 14,185  | 2,822   |
| <b>6 – Dunbar and East Linton</b>    | 6,883   | 11,264  | 11,115  | 2,002   |
| <b>East Lothian totals</b>           | 49,675  | 81,309  | 82,469  | 15,547  |
| <b>LVJB area totals</b>              | 437,523 | 658,970 | 670,485 | 121,380 |

### 6.3 Young Persons

6.3.1 Since 2015 persons 16 years and over have been given the franchise allowing them to vote in Scottish Parliament, local government and Scottish referendums. Each year the ERO is active with education establishments encouraging this age group to register. The table below provides the 2018/19 position on registration levels achieved within this group who are part of the education system.

| <b>Constituent Council</b> | <b>Eligible Students</b> | <b>Total Registered</b> | <b>% Registered</b> | <b>% Increase</b> |
|----------------------------|--------------------------|-------------------------|---------------------|-------------------|
| <b>City of Edinburgh</b>   | 8132                     | 6770                    | 83.25               | 23.70             |
| <b>East Lothian</b>        | 2432                     | 2122                    | 87.25               | 22.83             |
| <b>Midlothian</b>          | 2031                     | 1621                    | 79.81               | 23.17             |
| <b>West Lothian</b>        | 4678                     | 4091                    | 87.45               | 24.53             |
| <b>Total</b>               | <b>17273</b>             | <b>14604</b>            | <b>84.55</b>        | <b>23.56</b>      |

### 6.4 IER

6.4.1 During 2014 a system of Individual Electoral Registration was introduced (IER). This new approach to registration gave electors an individual responsibility to fulfil the registration process. The principle aim of this change was to improve accuracy and completeness with the register and help reduce the possibility of electoral fraud.

6.5 Under the IER system an elector must provide a national insurance number and date of birth as part of the registration process. These details are checked with national databases held by the Department of Work and Pensions before the registration process can be completed.

6.6 To assist and accelerate the registration process an online registration facility has been developed and currently around 88% of registration applications are undertaken using this facility.

### 6.7 Annual Household Canvass

6.7.1 Each year between August and November an annual household canvass is undertaken. A Household Enquiry Form (HEF) is issued to every household in the Lothian area in order to capture any amendments to those persons residing at the address. For new

names added to the HEF this gives rise to the issue of a second form known as an Invitation to Register (ITR). This allows the elector to provide the necessary information to complete the registration process. Alternatively the elector may undertake the registration process using the online facility.

6.7.2 The introduction of the HEF and ITR forms part of the IER legislative requirement. It is also a requirement to follow up non-returned forms with up to 2 reminders and a canvasser door knock.

6.7.3 The 2019 annual household canvass is currently under way and the table below indicates the latest position.

| <b>Ward Number/Name</b>                    | <b>Current Household Canvass form return rate</b> |
|--|---|
| <b>1 - Musselburgh</b>                     | 66.34%  |
| <b>2 - Preston, Seton and Gosford</b>      | 68.29%  |
| <b>3 – Tranent, Wallyford and Macmerry</b> | 63.86%  |
| <b>4 – North Berwick Coastal</b>           | 74.35%  |
| <b>5 – Haddington and Lammermuir</b>       | 69.84%  |
| <b>6 – Dunbar and East Linton</b>          | 69.04%  |
| <b>East Lothian totals</b>                 | 68.35%  |
| <b>LVJB area totals</b>                    | 62.21%  |

## **6.8 Elections and Referendums**

The Lothian ERO works closely with the Returning Officers for each of the constituent councils of the Board. Some years ago the Lothian and Borders Electoral Working Group was formed and through this a close and useful working relationship is maintained between the parties. This proves invaluable during the preparation period before major electoral events as the ERO is responsible for supplying key data sets to Returning Officers such as poll card data, postal vote data, and poll registers.

6.8.1 The ERO is also extremely busy at election periods dealing with high volumes of new registrations, absent vote applications, and proxy and postal proxy applications. These all require processing within a tight regulatory timeframe that is contained within the overall election timetable.

## **7.0 CURRENT ISSUES**

There are a range of current issues and pressures associated with each statutory function in addition to those organisational pressures created by the ongoing environment of fiscal constraint within local government.

Each of these is outlined below.



## 7.1 Electoral Registration

### 7.1.1 Individual Electoral Registration

The introduction of IER created additional financial burdens on ERO's. This was primarily due to the prescriptive nature of the new legislation and the insistence of adopting a paper based approach to the annual household canvass.

While an element of mitigation was introduced with an online facility assisting with the registration process, IER currently creates an additional annual financial pressure of £225k.

This burden is recognised by the UK Government and additional funding has been provided annually since 2015 by the Cabinet Office.

The current legislative requirement which underpins annual canvass is due for revision with effect from 2020. This shall see the removal of many prescriptive elements of the current requirements and the introduction of a more permissive approach.

Following a matching process with national databases EROs shall be able to adopt a range of different methods with which to make contact with households. This includes the use of email, telephone, and through online facilities. In addition dependant on the results of the matching process the requirement for the ERO to chase for a response is significantly reduced.

The Cabinet Office have indicated that as a result of these changes the provision of additional funding shall cease in 2020.

Within the organisation various models are being tested assessing the financial impact of the new approach as set against the current level of additional burden. It is important that any changes introduced maintain and enhance completeness and accuracy within the register.

### 7.1.2 Elections and Referendums

The risk of unscheduled major electoral events is currently an ever present possibility. All election events are subject to definitive timetables that indicate when certain activities must take place. Depending on the electorate's reaction to the event these "must do by" dates become considerable pressure points. This is compounded when an election event has not been expected. During 2017 a snap General Election was called while work was ongoing for the Scottish Local Government elections. This resulted in there being a matter of weeks between each event and in order to ensure that elector expectations were met, unfunded budget pressures arose to the extent of £45k.

Within the organisation pre-emptive planning has been ongoing for some time. This involves reflection on recent past election events, the identification of possible high volume workloads, pinch points, the creation of draft timetables, resource identification and allocation, process improvement possibilities, elector engagement activities, and any additional ICT requirements. While this provides a high level of preparedness it is

impossible to accurately predict the level of recourse the electorate shall make on ERO services at such times.

### 7.1.3 Legislative Change

The following legislation is under consideration, or being prepared for consideration, by the Scottish Parliament,

- Electoral Reform Bill
- Scottish Election (Franchise and Representation) Bill
- The Representation Of the People (Annual Canvass)(Amendment) Scotland Regulations 2019
- The Referendums (Scotland) Bill 2019
- Electronic Vote Counting Project 2022

This represents an ambitious programme with certain items being of considerable significance to Electoral Registration Officers. In particular the Franchise and Representation Bill shall see the franchise extended to all foreign nationals legally resident in Scotland for Local Government and Scottish Parliament elections, and Scottish Referendums. In addition Scottish prisoners serving sentences of less than 12 months will receive the right to vote.

## 7.2 Valuation Roll

### 7.2.1 The Barclay Review of NDR

The Barclay Review of NDR concluded during 2017 with a range of recommendations being made to Scottish Government. Following consideration and consultation the Scottish Government drafted the Non-Domestic Rates (Scotland) Bill 2019.

The Local Government and Communities Committee of the Scottish Parliament is currently taking evidence with the Bill currently under timetable to receive approval by 1<sup>st</sup> April 2020.

The Bill provides for the biggest changes to NDR for many years and is of huge significance to Assessors throughout Scotland.

Noted below are the key elements;

- The move from a 5 yearly to a 3 yearly revaluation cycle
- The introduction of a new two phase proposal/appeal framework
- A requirement for Assessors to provide additional information in addition to the revaluation notice
- Provision for a fee to be paid by ratepayers should they wish to proceed to appeal
- Increased powers for Assessors in respect of the parties that can be requested to provide information to support the valuation process

- Powers to Assessors to impose civil penalties on those parties who fail to provide information requested
- Provision for values to be increased by the Valuation Appeal Committee following appeal hearing
- A requirement for Assessors to place markers in the Valuation Roll indicating that Business Growth Accelerator relief applies
- Provision for entries to be made in the Roll in respect of commercial activity in public parks

The greatest impact arises from the shortening of the revaluation cycle. Under the 5 year period, the acts of revaluation and disposal of all resulting appeals were sequential activities. Under the new 3 yearly cycle, these shall become simultaneous activities within the allotted timeframe.

From an organisational position a number of ICT projects have been identified to support the delivery of these changes. These involve enhancements to existing systems designed to mitigate as much as possible the impacts on workload and resource requirements.

These projects are part of a larger NDR Reform implementation plan which is formed of a Barclay Roadmap (appendix 1), NDR Reform risk register (appendix 2), and detailed project plans supported by a Project and Governance Board.

During 2019 City of Edinburgh Council conducted an internal audit on the level of NDR Reform preparedness and provided an “adequate” finding. A number of recommendations were indicated and these are currently being acted upon.

Scottish Government has acknowledged that the NDR Reform package shall add an additional ongoing financial burden to the work of Assessors and accordingly additional budget amounting to £154k has been allocated for 2019/2020. Indicative figures for future years have been provided and shall be the subject of discussion later in the year.

### **7.3 Council Tax**

Council Tax legislation was effective from 1<sup>st</sup> April 1993 and in respect of its main components has remained unchanged since that time. The option provided in legislation to undertake revaluations has never been exercised.

As a result all council tax bandings that are applied to new houses reflect a level of value as at 1<sup>st</sup> April 1991.

Council Tax as a vehicle for taxation has come under scrutiny in recent years and a further investigation is expected soon. It is this uncertainty that causes an element of risk to the organisation as it is difficult to set a forward looking service delivery strategy

when such doubt exists. Notwithstanding, annual Council Tax activity creates a substantial volume of work.

## **8.0 GOVERNANCE**

As part of an internal re-organisation during 2018 a Governance Group was established within the organisation. While appropriate governance practices were in place prior to this, the creation of this team led by a Head of Governance has provided additional focus on this key element of organisational management. The Group operate to an agreed set of Terms of Reference and conduct external facing meetings twice yearly with key stakeholders.

A Governance Framework has been designed which underpins the key elements of accountability, transparency, and effectiveness and efficiency. This provides the appropriate focus on effective leadership and management, performance and risk assessment, and outcomes set against service requirements.

As part of this Framework the Governance Team undertake regular quality assurance checks against key activities, ensure compliance with regulatory requirements, such as Data Protection and GDPR, monitor and review all strategic, operational and project risk registers and associated mitigation actions, undertake specific internal audits of processes and associated teams, and undertake data access and security reviews

Attached as appendix 3 is the first annual report to the Board by the Governance Team presented at its meeting on the 17<sup>th</sup> June 2019.

The organisation is also subject to annual external audit by both City of Edinburgh Council Audit Team and by Audit Scotland with the Head of Governance acting as key contact.

## **9.0 FUNDING**

The organisation is in receipt of an annual revenue budget requisitioned from its four constituent authorities. As indicated in the 2018/19 audited accounts this amounted to £5.847m, of which East Lothian Council contributed £636k.

Prior to 2018/2019 the organisation had for many years maintained a flat cash budget position through the use of vacancy control. This however over time led to significant operational issues and during 2017/18 a Transformation Programme was initiated.

In addition to identifying a number of specific improvements and efficiencies this programme launched a general programme of modernisation and digitalisation.

As part of this Programme a new organisational employee structure was introduced effective from 1<sup>st</sup> April 2018. This provided a 4.4% reduction in annual budget requirement.

The fiscal environment within which local government currently operates is extremely challenging and the Board acknowledges that it requires to take the necessary action required to mitigate the impact that is emerging.

A funding gap in excess of £880k has been identified over the next three years resulting from unavoidable growth and inflationary pressures.

A 2020/2023 Business Strategy is currently under development that identifies the 5 key challenges facing the organisation. These are,

- Responding to the ongoing fiscal constraint within local authorities by identifying efficiencies and savings
- Ensuring the organisation is able to deliver the changes brought about by the NDR Reform agenda
- Ensuring the organisation is able to deliver the changes required to the electoral registration annual household canvass process and in so doing remove the need for additional annual funding
- Ensuring the organisation can continue to deliver all business as usual services and activities throughout this period of challenge and change
- To continue with and accelerate the process of Organisational Transformation involving modernisation, process review and cultural change

Each challenge is linked to and dependant on the other and the solutions that flow from the timetabled investigations that are to commence shortly shall produce outcomes that provide support across all challenges.

In particular the Strategy shall inform a three year funding projection allowing the Board to consider all possible options to deal with and mitigate the identified funding gap.

**Graeme Strachan**  
**Assessor & ERO**

5 September 2019

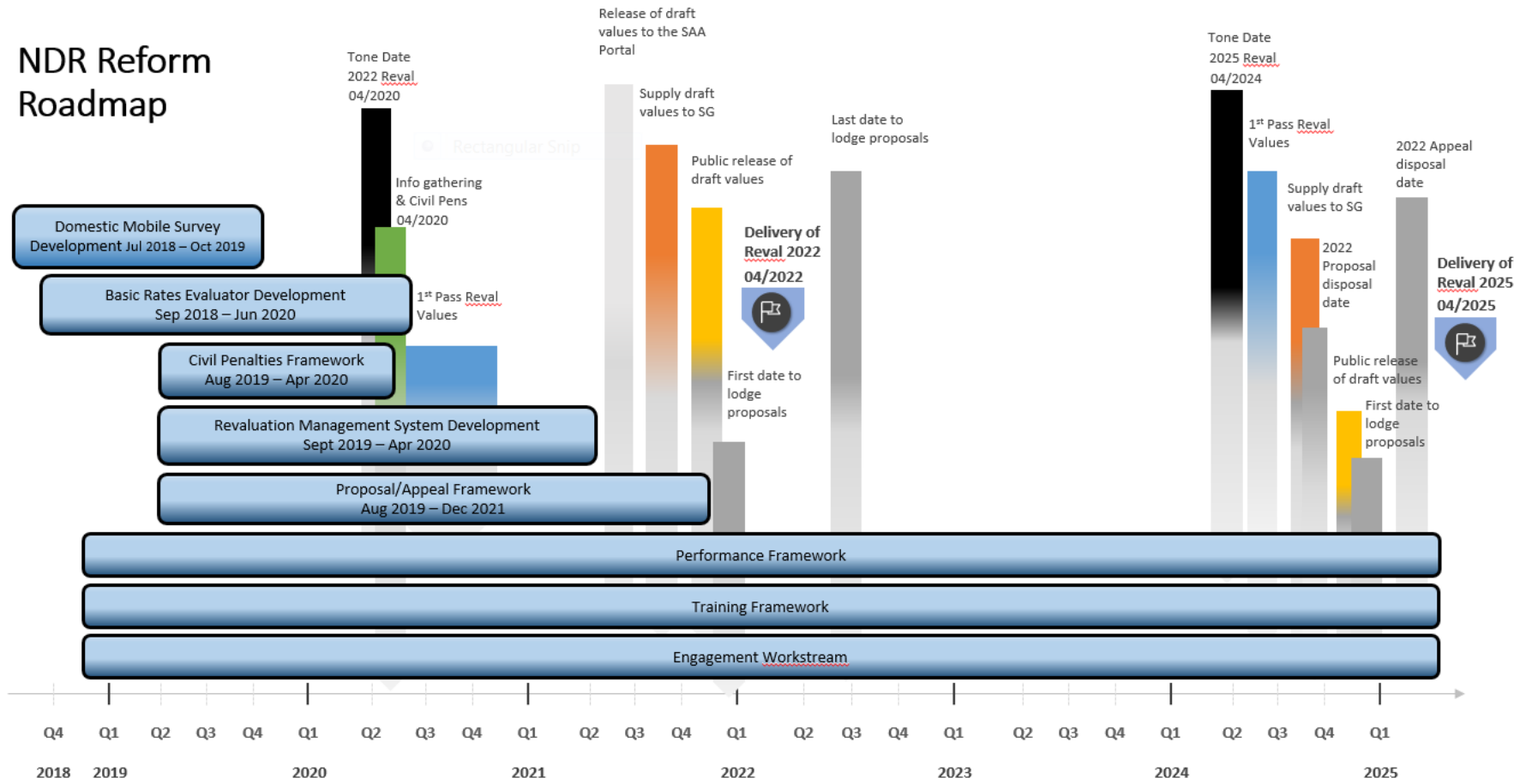
*Attached:*

*Appendix 1: Barclay Roadmap*

*Appendix 2: NDR Reform Risk Register*

*Appendix 3: First Annual Report to the Board by the Governance Team*

# NDR Reform Roadmap



## NDR REFORM RISK REGISTER

| ID | Description  | Category      | Pre - Mitigation | Mitigation & Control   | Post - Mitigation | Allocation | Further Action  | Responsibility | Action Date |
|----|--|---------------|------------------|--|-------------------|------------|---|----------------|-------------|
| 1  | Annual Reduction in Core Funding                         | Finances      |                  | The creation of a Business Strategy for the period 2020/23 is underway to allow a core budget forecast to be developed in association with budget control options                  |                   | G Strachan |   | G Strachan     | Nov 2019    |
| 2  | Failure to identify risks within Barclay Roadmap process | Project Board |                  | Roadmap versioning aims to reflect the emerging picture of the full requirements including associated national timetable. Risks are assessed and mitigated as part of this process |                   | G Strachan | Continue to monitor draft Bill progress and development of supporting regulations | CLT            | Nov 2019    |
| 3  | Lack of Resources to deliver Barclay requirements        | Resources     |                  | Funding has been established and options for recruitment under consideration   |                   | G Strachan | Establish a recruitment timetable which allows flexibility on options adopted     | CLT            | Nov 2019    |

| ID | Description   | Category  | Pre - Mitigation | Mitigation & Control   | Post - Mitigation | Allocation | Further Action   | Responsibility | Action Date |
|----|---|-----------|------------------|--|-------------------|------------|--|----------------|-------------|
| 4  | Organisational staffing structure fails to support delivery of Barclay requirements | Resources |                  | Headline workload pressures have been identified arising from NDR reform in association with options for resource deployment.    |                   | CLT        | Undertake projected workload volumes exercise including identification of pinch points | CLT            | Dec 2019    |
| 5  | Unrecognised impact on existing VR maintenance tasks                                | Resources |                  | Existing Performance Framework project identifies opportunities to support BAU activities.                                       |                   | G Strachan | Introduce process changes and evaluate effectiveness                                   | G Elliot       | Mar 2020    |
| 6  | Administrative processes unable to support delivery of Barclay requirements         | Process   |                  | Project Initiation Documents have been created in order to identify level of change requirement to support these process.        |                   | CLT        | Continue to monitor draft Bill development and associated regulations                  | N Chapman      | Mar 2020    |
| 7  | Lack of project Management Skills   | Audit     |                  | Project definitions and required progress have been established with Project Managers and a Project Governance regime initiated. |                   | G Strachan | N/A  | Project Board  | Complete    |



| ID | Description  | Category | Pre - Mitigation | Mitigation & Control   | Post - Mitigation | Allocation  | Further Action   | Responsibility | Action Date |
|----|--|----------|------------------|--|-------------------|-------------|--|----------------|-------------|
| 8  | Lack of Project Board terms of Reference               | Audit    |                  | Project Terms of Reference established   |                   | B Callaghan | N/A  | B Callaghan    | Complete    |
| 9  | Lack of Project Change Management Process              | Audit    |                  | Project Board shall initiate project change process  |                   | PMB         | Creation of project change templates and associated approval process | B Callaghan    | Oct 2019    |
| 10 | Lack of process identifying project costs and benefits | Audit    |                  | The PMB meetings have incorporated this requirement, documenting outcomes and raising emerging issues with CLT |                   | PMB         | N/A  | B Callaghan    | Complete    |
| 11 | Lack of RIADS logs for projects                        | Audit    |                  | Raids logs allow individual project risks and issues to be identified and mitigated.                           |                   | PMB         | Logs under construction allowing completion by Project Managers      | B Callaghan    | Aug 2019    |
| 12 | Lack of system testing plan                            | Audit    |                  | Detailed testing plans allow effective and expected delivery and performance of major ICT developments         |                   | PMB         | Existing testing plan templates to be enhanced accordingly.          | B Callaghan    | Nov 2019    |

| ID | Description  | Category      | Pre - Mitigation | Mitigation & Control   | Post - Mitigation | Allocation | Further Action  | Responsibility   | Action Date |
|----|--|---------------|------------------|--|-------------------|------------|---|------------------|-------------|
| 13 | Creation of post implementation project reviews                                | Audit         |                  | Project reviews allow reflection on expected deliverables and the implementation of additional remedial action if necessary  |                   | PMB        | A formal and documented project review process shall be created and initiated when appropriate. | B Callaghan      | Dec 2019    |
| 14 | Failure of ICT developments to meet final Barclay requirements                 | Project Board |                  | Current projects are being constantly aligned with current/ongoing knowledge of Barclay requirements and projects at this stage allow flexibility for change.  |                   | G Strachan | Scheduled re-assessment of project outcomes as set against requirements.                        | CLT              | Oct 2019    |
| 15 | Failure to support project development with appropriate internal communication | Communication |                  | End user involvement during project creation and implementation creates wide knowledge base. Wider scale internal communication reflecting on the operational changes projects shall have is essential for end user acceptance |                   | PMB        | PM's to develop internal communication schedules.   | Project Managers | Oct 2019    |

| ID | Description   | Category      | Pre - Mitigation | Mitigation & Control  | Post - Mitigation | Allocation | Further Action                 | Responsibility | Action Date |
|----|---|---------------|------------------|---|-------------------|------------|--------------------------------|----------------|-------------|
| 16 | Failure to identify all required projects to deliver Barclay requirements | Project Board |                  | Continue to monitor draft Bill development and associated regulations, review and consider organisational implications. |                   | G Strachan | Initiate PID's as appropriate. | CLT/PMB        | Oct 2019    |



## 2018/19 ANNUAL GOVERNANCE STATEMENT

17<sup>th</sup> June 2019

### 1.0 INTRODUCTION

- 1.1 This report is the first Annual Governance Statement prepared by the organisation's internal Governance Team.
- 1.2 The aim is to provide assurance to the Board of the organisational commitment to the creation and ongoing maintenance of an effective and resilient Governance Framework.
- 1.3 The Framework provides for the proper governance of the discharge of the Assessor and ERO functions including the identification and mitigation of risk.
- 1.4 The Governance Framework is supported by the audit activities of both City Of Edinburgh Council Audit Section and external auditors, Scott Moncrieff.

### 2.0 SCOPE

- 2.1 The report provides information on the manner in which the Governance Framework is constructed and operated within the organisation
- 2.2 In addition Governance activity during 2018/19 is highlighted including an indication of planned action for 2019/20.

### 3.0 RECOMMENDATION

- 3.1 The Board is asked to note the report.

**Graeme Strachan**  
**ASSESSOR & ERO**



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## 1. Scope of Responsibility

Lothian Valuation Joint Board (LVJB) takes responsibility for ensuring that it conducts its business in accordance with legislation and proper standards, and that public money is properly accounted for and used economically, efficiently and effectively. LVJB also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, LVJB is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

LVJB acknowledges its responsibility for ensuring that there is effective governance within the organisation and as such has developed a Code of Corporate Governance that defines 3 main principles of accountability, transparency and effectiveness & efficiency that support its governance arrangements.

The responsibility for leading and directing the annual reviews of the effectiveness of LVJB's governance arrangements and providing ongoing oversight and robust challenge, is City of Edinburgh Council (CEC) Internal Audit and external auditors Scott Moncrieff. LVJB also operates an internal and external facing Governance Committee which underpins the delivery of these key principles

## 2. What is Governance?

Governance is about how the LVJB ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, transparent and accountable manner.

Good governance leads to effective:

- leadership and management
- performance and risk management
- public engagement and outcomes for our service users and stakeholders

## 3. What is the purpose of a Governance Framework?

The governance framework comprises the culture, values, systems and processes by which our organisation is directed and controlled. It enables the LVJB to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services in an efficient manner.

Internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, LVJB:

- operates in a lawful, open, inclusive and honest manner;
- makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud and properly accounted
- has effective arrangements for the management of risk (*see Appendix 1- LVJB Risk Management Cycle, Register Summary & Examples*);
- seeks continuous improvement in the way that it operates;
- enables resources to be managed efficiently and effectively;
- properly maintains records and information



#### 4. What are the key elements of LVJB's Governance Framework?

##### Accountability

- as a public body we are held accountable to citizens and stakeholders
- we implement good practice in reporting, quality assurance and auditing

##### Transparency

- processes, procedures and data are directly accessible to those who need them, and enough information is provided to understand and monitor them
- we engage with our stakeholders and help them understand the services we provide

##### Effectiveness & efficiency

- the organisation produces results that meet service delivery needs while making the best use of its resources
- we operate in a manner to secure an environment of continuous improvement

## 5. What is a Governance Assurance Framework?

Assurance provides confidence, based on evidence, that internal controls are in place and are operating effectively and that objectives are being achieved. A Governance Assurance Framework is a structure within which the LVJB Corporate Leadership Team (CLT), with additional external scrutiny, can identify the principal risks to meeting its key objectives. Through this we can map out both the key controls to manage them and how we have gained sufficient assurance about the effectiveness of those controls. The assurance framework underpins the statements made within the Annual Governance Statement.

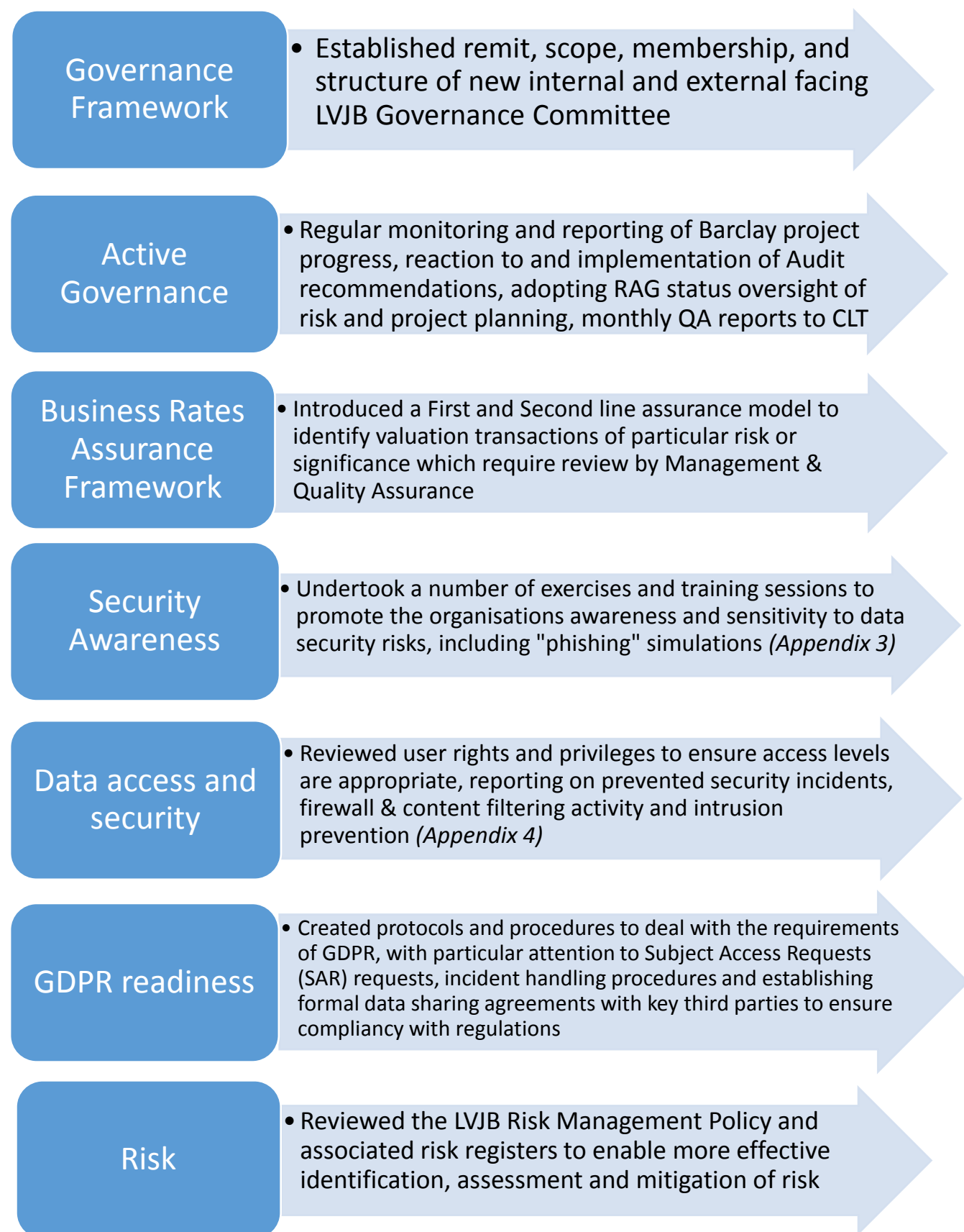
A governance assurance process is in place to provide a framework for the annual assessment of the effectiveness of the governance arrangements operating within LVJB (*See Appendix 2 - LVJB's governance assurance framework*). This includes internal Governance Committee overview and oversight and robust challenge by our internal and external auditors and ultimately, the Board.

In addition, 'the three lines of defence assurance model' is in place which helps staff and the CLT to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance.

Assurance can come from many sources within LVJB. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance. Defining these sources into three categories (*see below*), helps the LVJB understand how each contributes to the overall level of assurance and how best they can be integrated and supported.

- **First Line**- functions that own and manage risks e.g. staff, management and supervisory controls
- **Second Line**- functions that oversee risks e.g. Quality Assurance, Governance Committee & Risk Management
- **Third Line**- functions that provide independent assurance on the management of risks e.g. Internal/External Audit, Board

## 6. What have we delivered to date?

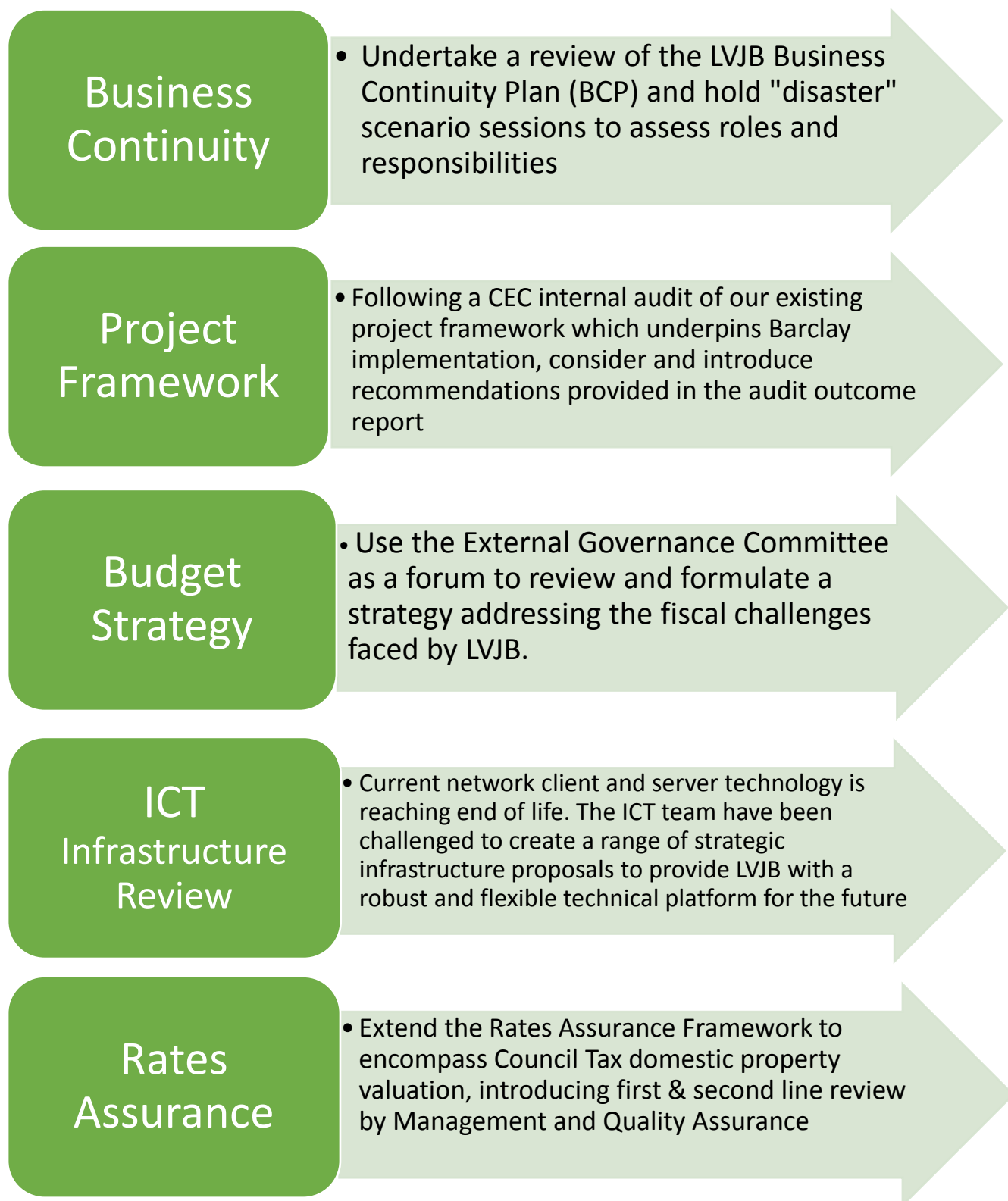


## 7. The role of Quality Assurance

We have worked hard throughout the year to enhance the role of quality assurance within the organisation. Focus is placed on providing confidence that the level of service provided meets stakeholder expectation and offers an additional layer of protection against errors. Assurance is provided both internally to management, demonstrated through reporting and follow up actions, and externally to customers by improved information provision and transaction accuracy. The Governance Committee has overall scrutiny of all reported actions and recommendations. The table below describes the current QA suite of activity checks.

| Function                                  | Task  | Description   |
|---|---|---|
| <b>Council Tax</b>                        | Interface Audit                             | Audit Reports are produced for each interface period. Checked and emailed weekly to the four constituent councils.  |
|   | Point of Sale Reports                       | Weekly check for the same period as the interface report. Confirm accuracy of sales date which is applied as the effective and liability date for any change in banding.  |
|   | Self-verification Checks                    | Carry out quality assurance checks on 10% of all self-verified transactions on the Valuation List. Report on any anomalies or transactions incorrectly processed. Currently the report is run on a monthly basis.   |
| <b>Valuation Roll</b>                     | Interface Audit                             | Audit Reports are produced for each interface period. Checked and emailed weekly to the four constituent councils.  |
|   | Business Rate Assurance Checks              | The Principal Surveyors will carry out a 10% check on certain self-verified transactions. QA will carry out an assurance check on 10% of all self-verified and verified transactions as a second line check. Report on any anomalies or transactions incorrectly processed. |
|   | PTO Name Checks                             | Valuation Roll names updates processed by the Technical staff receive a 10% check by Governance.  |
| <b>Electoral Support/Processing Areas</b> | EMS reports                                 | Check system reports to ensure that electors are correctly processed and absent voting arrangements are applied correctly and ensure the accuracy of the register. A quality assurance check will take place on 10% of the reports produced for electoral activities.       |
| <b>Miscellaneous</b>                      | KPI Stat Review                             | Produce monthly KPI stats for review by CLT & Technical Divisions   |
|   | Building Warrant/Planning Permission Checks | QA carry out a 10% check on filtered cases to ensure that they are removed in accordance with procedure   |
|   | Revaluation Appeal Stats Quarterly Return   | Validate the quarterly return of RVAPP stats provided to Scottish Government.   |

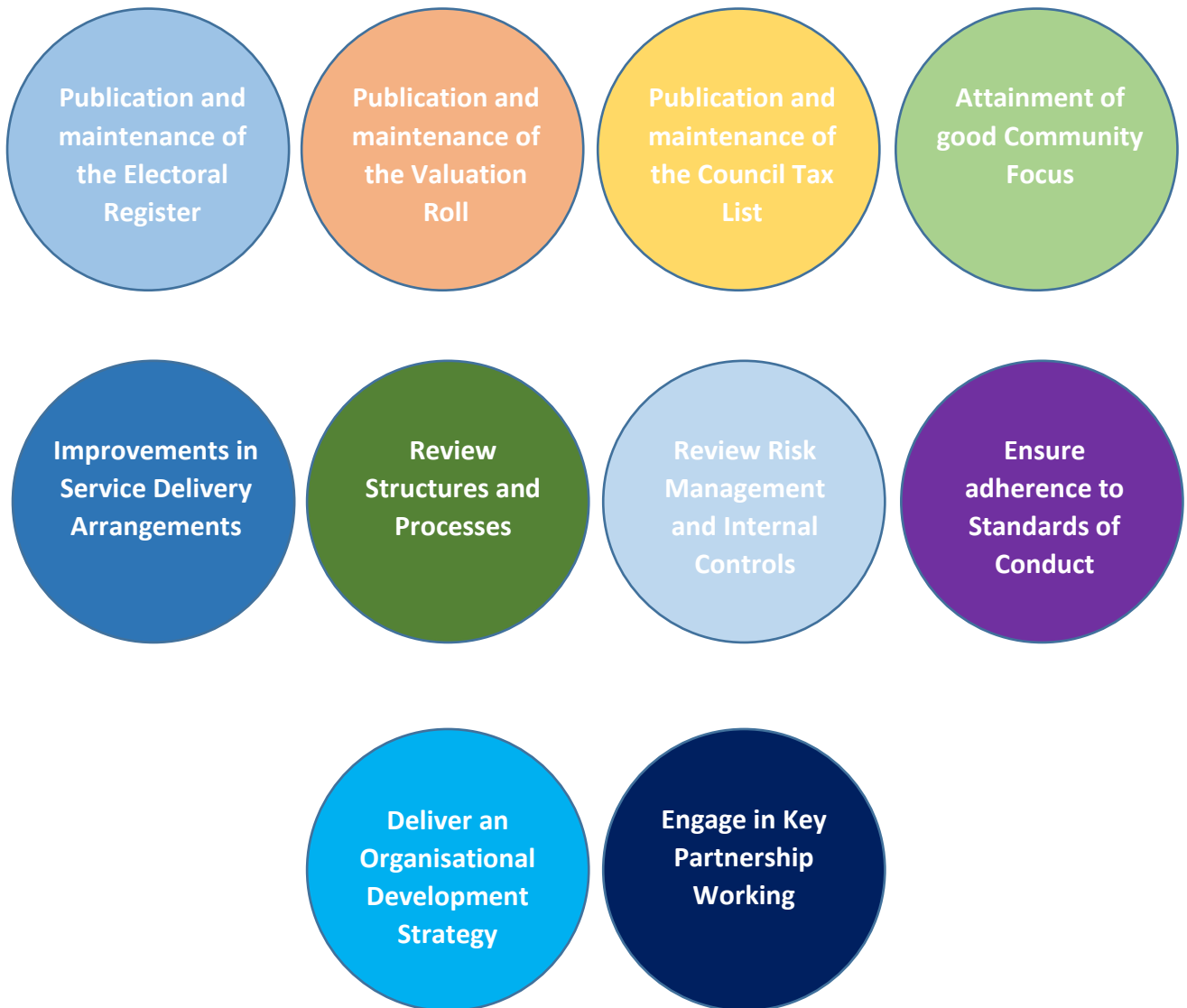
## 8. Future work in 2019



## 9. Corporate and Service plans – how have we performed?

Corporate and Service plans are annual business plans developed by LVJB. The plans set out the key activities and outcomes that we will deliver within the financial year and the way in which we will measure our performance.

Our key Corporate and Service priorities for 2018/19 were;



## 10. Corporate and Service plans – achievements

A number of objectives realised by the organisation that support our key activities and outcomes are shown below. In particular;

- Progress has been made at the initial point of contact with ratepayers by providing clearer explanation of why a rateable value has been created or amended, providing direct contact details of the member of staff responsible for that change.
- Internal Quality Assurance (QA) activity has been reviewed and enhanced, supporting the introduction of transformational efficiency objectives, such as self- verification for certain types of valuation updates and enabling more streamlined first and second line assurance activities to be undertaken.
- Elements of our training strategy have been implemented to ensure that the skillset of staff, essential to deliver Barclay recommendations, meets organisational requirements.



## 11. Corporate and Service plans – work in progress

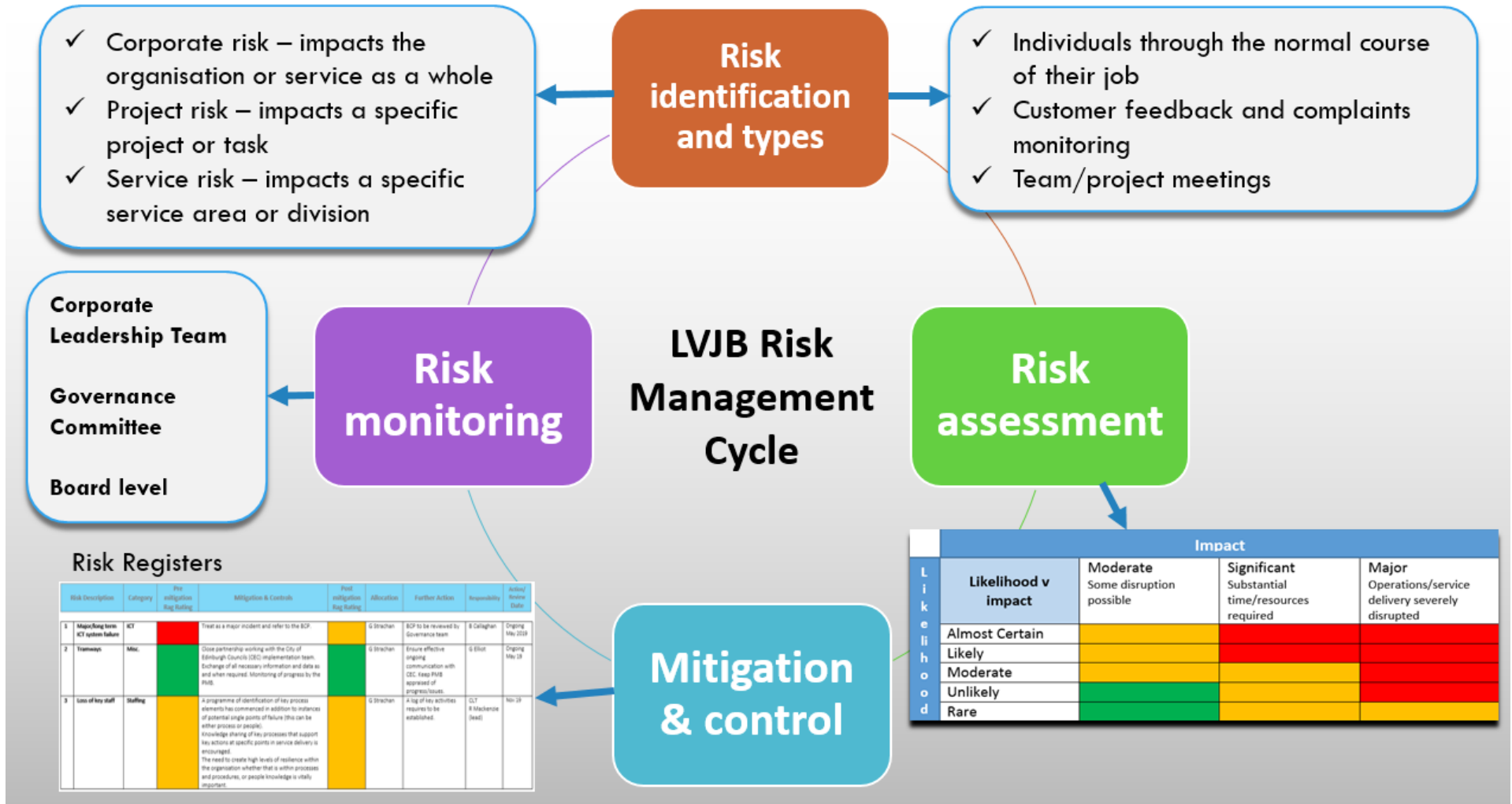
LVJB recognises the importance of continually seeking to deliver improvements in organisational efficiency and performance. We acknowledge that the organisation must continue to challenge traditional ways of working and reflect on how well we function both internally and when engaging with stakeholders.

Below are a number of ongoing activities aimed at supporting this process of improvement.

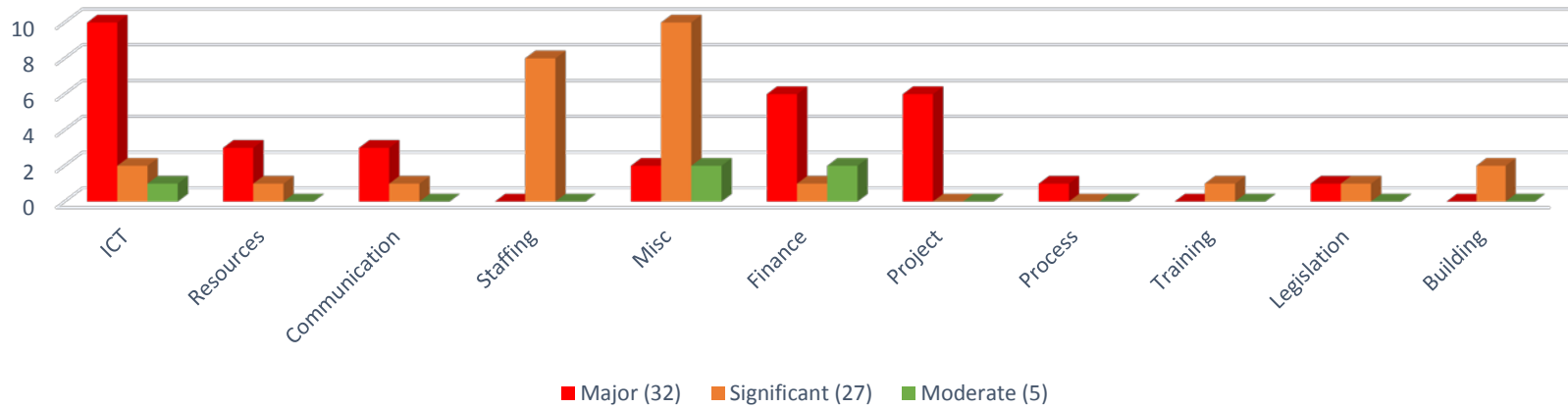




# Appendix 1 –Risk Management Cycle, Register Summary & Examples



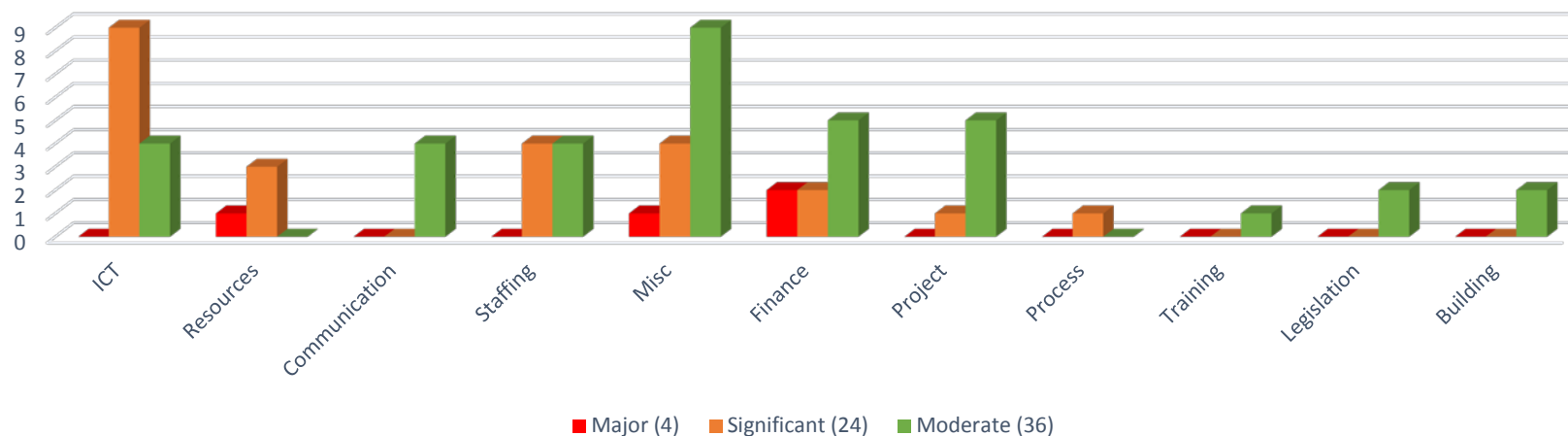
### Summary of Corporate, Project & Service Risk Registers (pre mitigation)



#### Examples of major risks

| Risk Description  | Category      | RAG rating |
|---|---------------|------------|
| Internal or external malicious damage, including virus/hacking, leading to ICT file corruption at key statutory times                               | ICT           |            |
| Failure to receive established funding requirement from constituent authorities of the Board, and the impact of the economic climate on the funding | Finance       |            |
| Project Board failure to ensure implementation of Barclay Roadmap   | Project       |            |
| Lack of Technical staff resource to deliver Barclay requirements  | Resources     |            |
| Lack of external communication throughout delivery process  | Communication |            |

## Summary of Corporate, Project & Service Risk Registers (post mitigation)

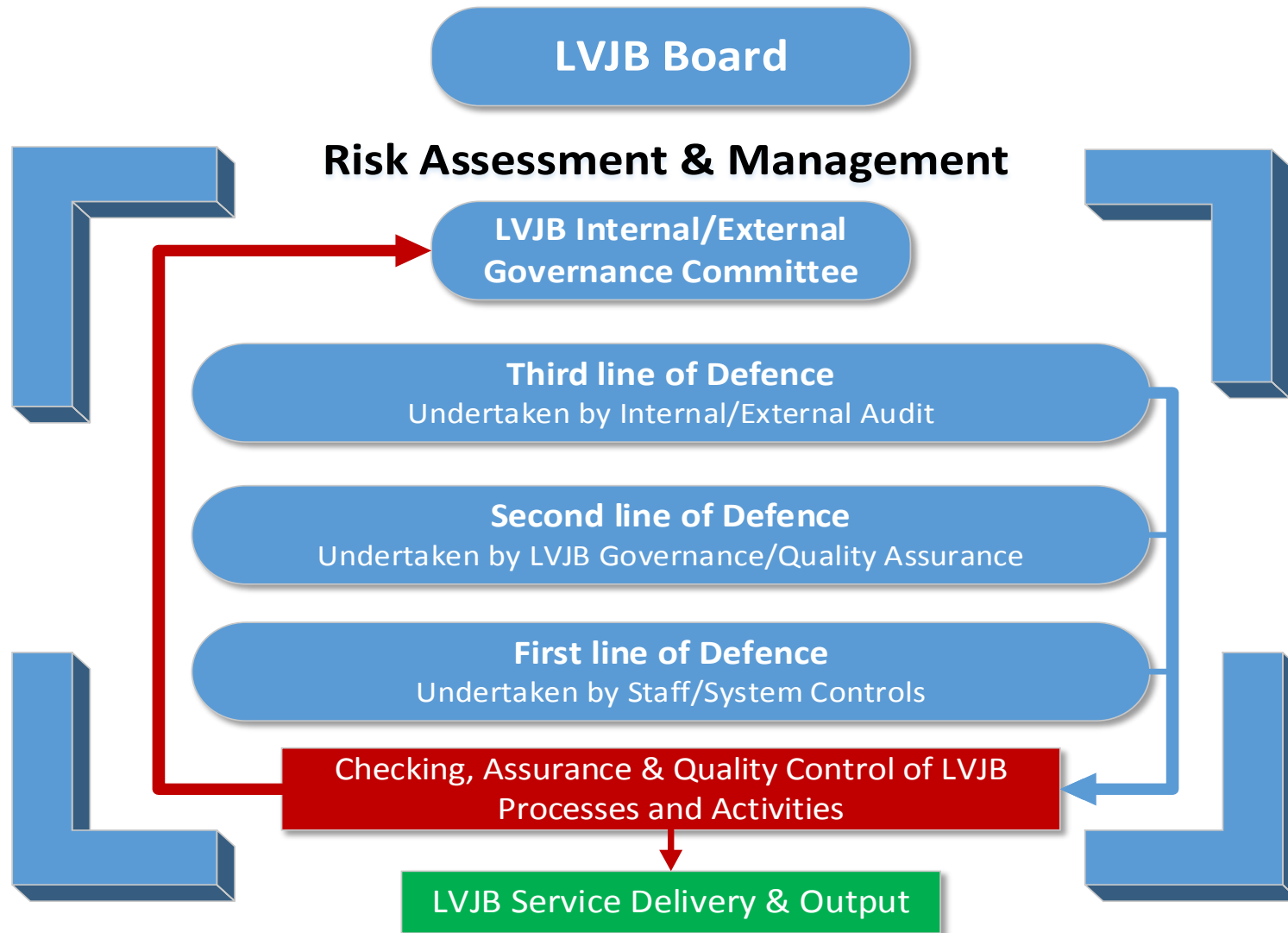


### Examples of mitigated major risks

| Risk Description  | Category | Mitigation & Controls   | RAG rating |
|---|----------|---|------------|
| Internal or external malicious damage, including virus/hacking, leading to ICT file corruption at key statutory times                               | ICT      | Anti-virus and associated software continually updated. Firewall; Network/application controls; Quality assurance procedures and Business Continuity Plan (BCP). Compliance with PSN security protocols and the introduction of Sophos Intercept X have increased our resilience to this risk. This has also been enhanced by our achievement of the Cyber Essential Plus certification.  | Yellow     |
| Failure to receive established funding requirement from constituent authorities of the Board, and the impact of the economic climate on the funding | Finance  | Fiscal constraint and the need to reduce budgets is a constant within local authorities. The statutory nature of LVJB services provides some mitigation against this but there remains a requirement to establish budget levels at a sustainable level. This being stated by Audit Scotland. During 2017/18. A Transformation and Cultural Change Programme was commenced, one of the outcomes being a revised staffing level and structure. A net 4.4% budget saving was achieved. | Yellow     |
| Project Board failure to ensure implementation of Barclay Roadmap   | Project  | The Barclay Roadmap represents a set of milestone dates for key deliverables. The map is underpinned by a series of internal projects aimed at ensuring the required  | Green      |

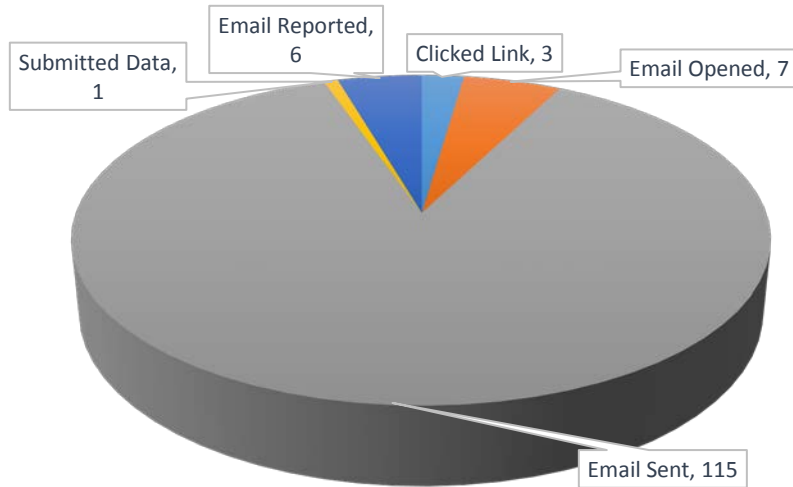
|  |               |   |  |
|--|---------------|---|--|
|  |               | objectives are met. The map is subject to regular review and as clarity develops from discussion with SG throughout 2019 it shall be modified accordingly. The PMB supports the delivery of key project objectives with overall governance and intervention lying with the Assessor. Current project progress is in line with individual project plans.   |  |
| Lack of Technical staff resource to deliver Barclay requirements | Resources     | Delivery of primary Barclay requirements is a combination of ICT development, additional funding, and optimum organisational deployment of available technical resources reflecting all service delivery demands. Through the Barclay Roadmap and associated material, all of these elements are currently under progress, review, discussion and consideration. When total granularity emerges on all key deliverables each of these elements shall be assessed to ensure they are fully supportive of the required outcome. |  |
| Lack of external communication throughout delivery process       | Communication | Communication to the Board is currently provided through the existing reporting mechanisms by the Assessor. Any additional meetings can be provided as necessary.   |  |

Appendix 2 – Governance Assurance Framework



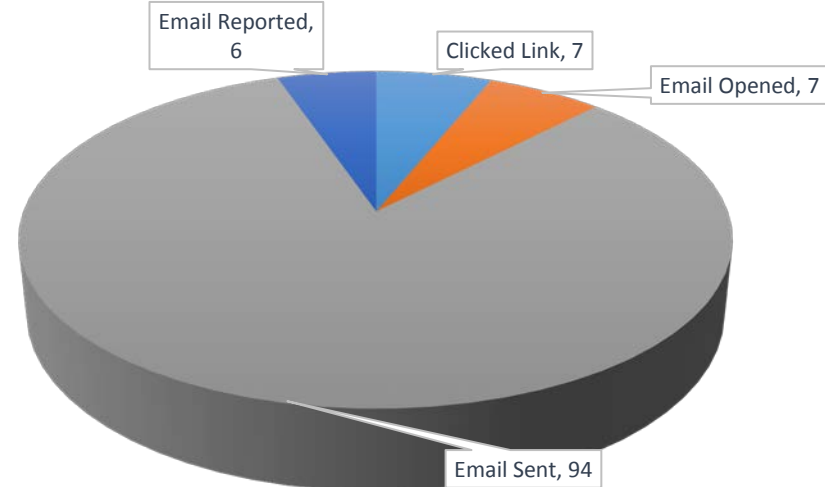
## Appendix 3 – Phishing Simulation Results

### LVJB External Phishing Exercise (Sept 18)



The above results were obtained from a phishing email with the external address of [accounts@linkedin.co.uk](mailto:accounts@linkedin.co.uk). If the link was clicked the user was directed to a dummy linkedin landing page, hence the instance of submitted login data.

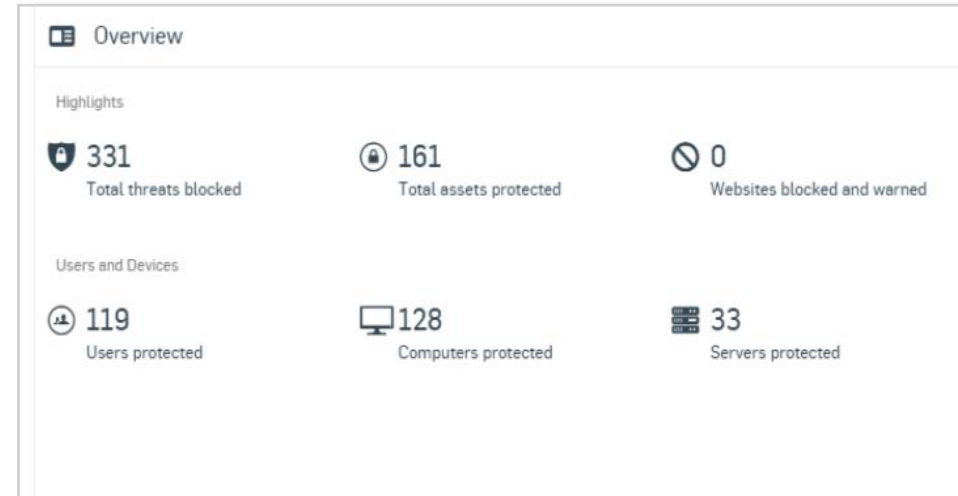
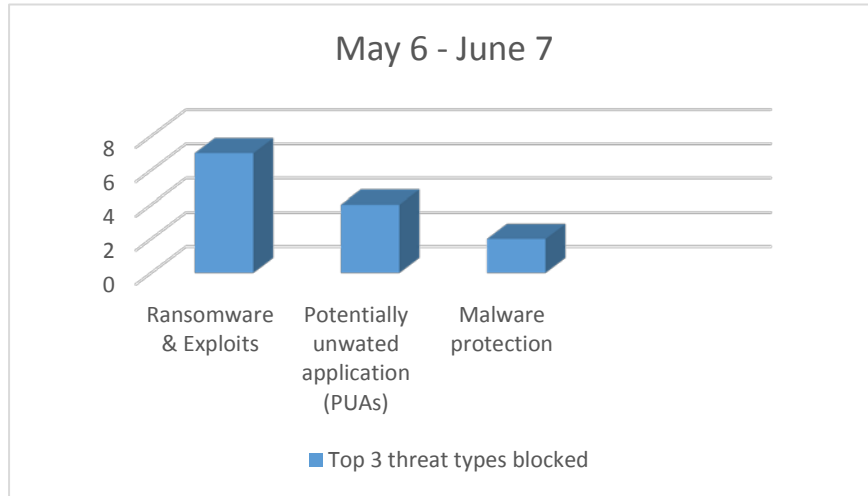
### LVJB Internal Phishing Exercise (Apr 19)



The above results were obtained using a phishing email with a spoofed internal address [IT@lothian-vjb.gov.uk](mailto:IT@lothian-vjb.gov.uk). A higher number of clicked links were recorded as the originating email address misled more staff.

## Appendix 4 – Security Incident Prevention

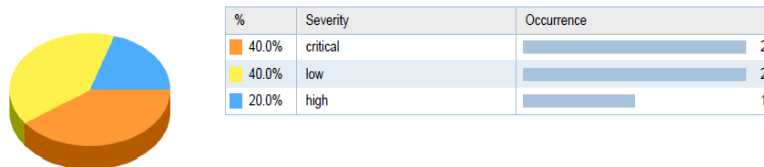
### Endpoint Protection Summary



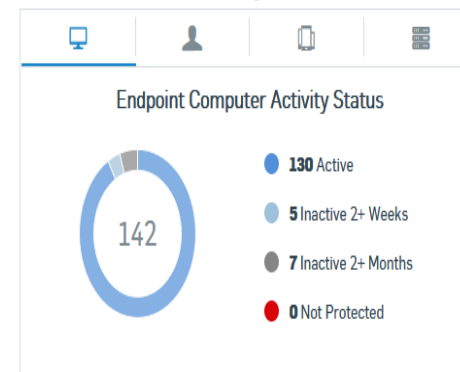
#### Intrusions Blocked

| # | Intrusion Name                                      | Counts |
|---|---|--------|
| 1 | ThinkPHP.Controller.Parameter.Remote.Code.Execution | 2      |
| 2 | BuleHero.Trojan.Downloader                          | 1      |
| 3 | Snort.TCP.SACK.Option.DoS                           | 1      |
| 4 | TCP.Window.Size.Zero.DoS                            | 1      |

#### Intrusions By Severity



#### Devices and users: summary [See Report](#)



#### Endpoint and server web control [See Reports](#)

