Lothian Valuation Joint Board
Assessor & Electoral Registration Office

UPDATE ON NON DOMESTIC RATES REFORM

17th June 2019

1.0 INTRODUCTION

This report provides an update on the progress being made at both a national and local level in respect of NDR Reform.

2.0 LEGISLATION

2.1 The Non Domestic Rating Reform (Scotland) Bill is currently under parliamentary scrutiny. The Scottish Assessors Association appeared before the Local Government and Communities Committee on the 29th May 2019 to provide verbal and written evidence. The Committee's findings, in terms of the general principles of the Bill, shall be debated by Parliament as Stage 1 of the scrutiny process by the 30 October 2019.

2.2 The Scottish Government Barclay Implementation Advisory Group Appeals Sub Group has scheduled a series of meetings throughout the summer and autumn. The aim of which is to discuss how best statutory regulations should be framed that support the new proposal/appeal framework provided for in the NDR Reform Bill. Some of the issues under discussion include the release dates for draft valuation notices, methods of communication, the provision of additional information to ratepayers, the proposal disposal schedule and notification process, the proposal discussion period, the exchange of information during the discussion period, and how to progress to appeal.

3.0 NDR REFORM IMPLEMENTATION PROGRESS

3.1 At an organisational level work progresses on the identified ICT system development aimed at supporting delivery of the 3 yearly revaluation cycle, the development of a training framework that supports existing trainee staff to complete their training period and associated qualifications in readiness for the next revaluation in 2022, and a performance framework investigating current processes and procedures ensuring the best use of available resources.

3.2 The senior management team are currently considering the detail surrounding the additional recruitment needed to support the NDR Reform requirements. This includes the posts to be recruited to, their number and timing of recruitment, and exploring alternatives options such as the better use of existing resources.

3.3 The NDR Reform Risk Register, presented to the Board at previous meetings, is currently under review and re-iteration, aiming to reflect current issues and project progress.

4.0 CEC INTERNAL AUDIT – LVJB BARCLAY READINESS REVIEW

4.1 As part of their 2018/19 schedule of work CEC Internal Audit carried out an audit on the current state of readiness in connection with implementation of NDR Reform arising from the Barclay Review. The final report was received on the 14th May 2019 and is attached as an appendix to this report.

4.2 The report indicated an overall amber rating of "generally adequate with enhancements required" further defined as "areas of weakness and non-compliance in the control environment and governance and risk management framework that may put the achievement of organisational objectives at risk".

4.3 The detailed audit findings, which are summarised below, highlighted the follow;

- Limited project management skills within the project manager group and a lack of project governance oversight.

- The Project Board requires terms of reference.

- A change management process is required to monitor and approve scope changes within projects.

- Project costs and benefits should be monitored on an ongoing basis.

- RAID's logs should be created and maintained for each project.

- Where appropriate detailed test plans are required for projects which incorporate user acceptance testing and documented test plan outcomes.

- Create a schedule for formal project post implementation reviews

4.4 Management has provided responses to each of the audit findings, summarised below;

- The project definitions have been revisited with project managers ensuring there is absolute clarity on required project outcomes. Project managers are fully supported by the Project Board, and a schedule of regular Project Governance meetings has been initiated. The current roles and responsibilities of the Assistant Assessors have been reviewed to support their project manager activity.

- Project Board terms of reference have been established.

- A change management process to monitor project scope changes is under construction.

- Project costs and benefits shall be monitored as part of the Project Board function with any significant issues escalating to the senior management group.

- RAID's log shall be implemented for the appropriate projects and monitored by the Project Board.

- The existing testing plan shall be reviewed and enhanced reflecting the audit recommendations.

- Formal Post Implementation reviews shall be introduced at relevant project milestones and project end.

5.0 RECOMMENDATION

5.1 The Board is asked to note this report.

Graeme Strachan
ASSESSOR & ERO

The City of Edinburgh Council
Internal Audit

Lothian Valuation Joint Board – Barclay Readiness Review

Final Report

14th May 2019

LVJB1801

Overall report rating:

Generally Adequate with enhancements required	Areas of weakness and non-compliance in the control environment and governance and risk management framework that may put the achievement of organisational objectives at risk.

·EDINBVRGH·
THE CITY OF EDINBURGH COUNCIL

Contents

This internal audit review is conducted for the Lothian Valuation Joint Board (LVJB) and is designed to help the LVJB assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there are a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the LVJB. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

1. Background and Scope

Background

The Lothian Valuation Joint Board (LVJB) is a statutory entity established under the 1995 Valuation Joint Boards Order, providing a range of specialist valuation and electoral registration services for the Edinburgh; East Lothian; West Lothian; and Mid Lothian local authorities, and is responsible for the management and ongoing administration of their Business Rates Valuation Rolls; Council Tax Valuation Lists; and Electoral Registers.

LVJB delivers these services on an operating budget of £5.847m, but generates circa £600m of Business Rate and Council Tax revenue across four local authorities.

In August 2017, a review commissioned by the Scottish Government on non-domestic rates culminated in the Barclay report that included 30 recommendations designed to improve the current non-domestic (business) rates systems to better reflect economic conditions and support investments and growth.

Subsequently, the Barclay Implementation Advisory Group was formed, consisting of 12 members from various localities (including LVJB) affected by the Barclay report, to discuss and share best practice in implementing the recommendations from the review. It is expected that the most significant impact will be the proposed change to move from a five year to a three year revaluation cycle with effect from 2022.

It is expected that this reduction in the valuation cycle will also have a significant impact on the appeals process, as all appeals will need to be finalised in advance of the next three year cycle. Following the 2017 revaluation, LVJB received a total of 13,000 appeals, and it is likely that a similar (or potentially increased) volume may now have to be addressed in a much shorter timeframe.

Following completion of the Scottish Government consultation, it is expected that the Barclay proposals will be incorporated into legislation, with primary legislation effective from 1 April 2020 and secondary legislation finalised by 2022.

The Scottish Government has provided £2.6M of indirect funding via Local Authorities to the 14 Scottish valuation boards to support implementation of the Barclay recommendations, to be distributed using a Scottish Government funding allocation model.

Management has advised that to support implementation of the Barclay recommendations, a roadmap has been established through to 2025 that comprises 6 projects, and includes two significant technology projects (the basic rate evaluator; and the revaluation management system). An established project governance framework also supports Barclay project implementation, with monthly project board meetings, and a risk register.

Scope

Barclay Project Review

The scope of this review assessed the design adequacy and operating effectiveness of the project management framework and its application to the Barclay project established by LVJB to support implementation of the Barclay recommendations,

Follow-up of previously raised Internal Audit findings

The review also included follow up of previously raised Internal Audit findings.

A total of 32 findings were raised in the Data and Records Management Framework (4 High; 16 Medium; and 2 Low) and Business Rates Internal Assurance Framework reviews (8 Medium; and 2 Low) completed in 2017/18.

A sample of 10 findings and their supporting agreed management actions were selected and reviewed to confirm that they had been effectively implemented and sustained. The sample included:

- Data and Record Management Framework – 2 High and 4 Medium; and
- Business Rates Internal Assurance Framework - 4 Medium.

2. Executive summary

Total number of findings: 1

Summary of finding raised	
Medium	1. Application of the Project Management Framework

Opinion

Review outcomes

Our review of the design of the Lothian Valuation Joint Board (LVJB) project management framework and its application across the Barclay project (the Project) and its six underlying workstreams confirmed that it is generally adequate with enhancements required.

LVJB has established an appropriately designed project management framework that is based on PRINCE 2 (projects in controlled environments) project management methodology that is used widely across both the UK public and private sector.

Whilst the project management framework is appropriately designed, our review confirmed that it is not being consistently and effectively applied to support the Barclay project, which could potentially impact its successful implementation.

Consequently, one medium rated finding has been raised reflecting the need to ensure that the established project management framework is consistently applied, most notably in relation to ensuring that changes made to existing systems are fully tested prior to their implementation.

Management has advised that LVJB could still meet the new Barclay requirements using existing processes and procedures, and that Barclay is being used as a vehicle for change and improvement across the organisation.

Whilst acknowledging that there is currently no established systems testing framework and that testing processes could be improved, management has confirmed that LVJB employs a dedicated internal development team that is experienced and knowledgeable, and has previously deployed a number of successful system changes.

Management has also advised that there are no anticipated costs associated with implementation of the Barclay recommendations as all planned systems changes will be developed and implemented by the internal development team.

Areas of good practice

Some areas of good practice across the Barclay project were also noted. These include:

- effective ongoing internal and external stakeholder engagement in relation to the Barclay changes and the LVJB project;
- effective risk management with 3 risk registers to record and manage operational risks (service level risk register); project risks; and corporate risks. The risk registers are discussed at the relevant boards / governance forums; and
- Scottish Government funding has been secured to support Barclay project implementation.

Follow-up on previously raised Internal Audit findings

A total of 32 findings were raised from the Data and Records Management Framework and Business Rates Internal Assurance Framework reviews completed by Internal Audit in 2018/19.

Management has advised that 28 of these have now been addressed; with 2 medium rated findings in progress, relating to the update of key performance indicators (Data and Records Management Framework) and documenting current processes used (Business Rates Internal Assurance Framework); and a further 2 medium rated findings from the Data and Records Management Framework review (the potential requirement for more detailed process mapping; and data loss prevention software) where management has agreed to accept the risk,

Our review of a sample of 10 findings and their supporting agreed management actions confirmed that they had been effectively implemented and sustained.

3. Detailed findings

1. Application of the Project Management Framework	Medium

Whilst the Lothian Valuation Joint Board (LVJB) has an established project management framework that is based on PRINCE 2 (projects in controlled environments) project management methodology that is used widely across both the UK public and private sector, our review confirmed that it is not being consistently applied to support the Barclay project (the Project) and its six underlying workstreams. Specifically:

- Project management skills and experience – the Project is being delivered by project managers who have ongoing operational responsibilities, and limited project management skills and experience. Additionally, there is no established feedback mechanism to provide feedback on how effectively project managers are performing;
- Project Board – no terms of reference have been established detailing the authority, roles, and responsibilities of the Project board;
- Change management process – the Project scope is detailed in project initiation documents (PIDs), however there is no established change management process to ensure that subsequent scope changes are recorded and updates provided to the Board;
- Project costs and benefits have been considered and recorded in PIDs, but are not being monitored and reported on an ongoing basis to the Board;
- Risks, issues, and dependencies – whilst Project risks are recorded in the project risk register and subject to regular review, project issues (risks that have crystallised to become live issues) and key delivery dependencies have not been identified;
- Systems testing – the Project Management Framework includes the requirement to create a test plan and conducting testing under the 'Develop and Test' section.
  Our review established that system testing is being performed by team members responsible for

designing and implementing the system changes, with no independent user acceptance testing.

Additionally, there is no documented testing plan and testing outcomes are not being recorded and prioritised for resolution.

- Post-implementation reviews - the Project Management Framework includes the requirement to complete post-implementation reviews (PIRs) with the objective of 'reviewing the success or otherwise of the project against the agreed requirements and reporting any lessons learned'.

    Review of Project plans established that post implementation reviews have not been scheduled for completion. Management has advised that PIRs are generally informal, and the outcomes are not documented.

Risks

The potential risks related to the findings are:

- The Project may not deliver on time or project deliverables may not be at the expected level of quality;
- Ineffective Project governance and decision making, including approval of any significant scope changes;
- Project overspends and failure to deliver anticipated benefits are not identified and effectively managed;
- Significant issues and dependencies that could impact Project delivery are not identified and managed; and
- System defects and anomalies are not identified and resolved prior to live implementation.

1.1 Recommendation – Project Manager Skills and Experience

- expectations of the appointed project and the overall Project Managers should be recorded (refer recommendation 1.2 below - Project Board terms of reference); communicated and discussed with appointed project / Project Managers;
- Project Manager performance should be monitored with feedback provided on an ongoing basis; and
- Project Manager skills and capacity should be recorded as a risk on the Project risk register with any issues identified that could adversely impact the project escalated to the Project Board for discussion and resolution.

Agreed management action - Project Manager Skills and Experience

Project definitions shall be revisited and clarified with the Project Manager ensuring a revised and appropriate implementation plan underpins the required project outcome. Project Managers shall be subject to monthly governance overview where feedback on performance shall be provided. Where necessary direct intervention shall be applied where risk of project failure emerges. Project Managers skills and capacities shall be supported through the Project Board and Governance functions. Recent changes have been made to responsibilities for Assistant Assessors (Project Managers) that shall allow greater focus on project work. This change shall be supported by the actions noted above.

Owner: Graeme Strachan, Assessor	Implementation Date:
Contributors: Bernie Callaghan, Head of Governance	1/7/19

1.2 Recommendation – Project Board Terms of Reference

A terms of reference should be established to clearly define the roles and expectations of the Barclay project board and the governance to be applied across the project This should include, but not be limited to:

- Board decision making responsibilities (for example approval of scope changes; additional costs and changes to expected benefits delivery);
- Roles and responsibilities of Board members and project managers;
- an overview of Project progress;
- ongoing review of Project risks; issues and dependencies to ensure that these are being effectively managed; and
- review and approval of system testing plans and outcomes escalation, and responsibilities in relation to 'go / no go' decisions prior to implementation of significant systems changes.

Agreed Management Action - Project Board Terms of Reference

Project Board terms of reference will be created to ensure clear definition of remit, roles, and expectations, including the overall governance to be applied across the project programme.

Owner: Graeme Strachan, Assessor	**Implementation Date: 17/6/19**
Contributors: Bernie Callaghan, Head of Governance	

1.3 Recommendation – Project Change Management

A Change Management process should be established and applied to ensure that any significant scope changes are documented and approved by the Project Board. This should include, but not be restricted to:

- Version controlled documents that show the changes and reasons for them; and
- Approval of changes from the Project Board.

Agreed Management Action - Project Change Management

A Change Management procedure shall be introduced including a Project Board approval process.

Owner: Graeme Strachan, Assessor	**Implementation Date: 2/9/19**
Contributors: Bernie Callaghan, Head of Governance	

1.4 Recommendation - Project costs and benefits

- ongoing monitoring of Project costs and benefits should be implemented, with monitoring and reporting performed at both individual workstream and overall Project level; and
- reports on project costs and benefits should be provided on a regular (for example monthly) basis to the Project Board to enable review and approval of any significant changes.

Agreed management action – Project costs and benefits

The Project Board shall identify and monitor with Project Managers any costs arising from project activity and ongoing costs following delivery of project outcomes. At this stage no such costs have been identified other than those identified and provided for by Scottish Government in pursuance of the long term delivery of the NDR Reform requirements. Any project costs identified shall be escalated to the Assessor and CLT for consideration and set against the overall benefits of the project itself. Overall project benefits have already been identified within project initiation documents however as project

progress is made these shall be further defined and monitored by the Project Board and Project Manager.

Owner: Graeme Strachan, Assessor **Contributors: Bernie Callaghan, Head of Governance**	**Implementation Date:** **1/7/19**

1.5 Project Risks; Issues; and Dependencies

- a consolidated risks; issues; and dependencies (RAIDS) log should implemented to ensure that all issues and dependencies that could potentially impact Project delivery are identified; recorded; and effectively managed;

- all risks; issues; and dependencies should be assessed based on their significance and potential impact (for example, using a red; amber; and green assessment) and allocated to appropriate individuals with timeframes agreed for their resolution; and

- the RAIDS should be included in Project Board report to enable Board review and challenge.

Agreed Management Action - Project Risks; Issues; and Dependencies

Consolidated risks; issues; and dependencies (RAIDS) logs shall be implemented for the three key software development work streams under the NDR reform requirements. Once created they shall be maintained by Project Managers and scrutinised at Project Board level.

Owner: Bernie Callaghan, Head of Governance **Contributors: Kier Murray, IT Development Manager**	**Implementation Date:** **26/8/19**

1.6 Recommendation - Systems Testing

A system testing plan should be developed and reviewed and approved by the Project Board. The testing plan should include (but should not be restricted to):

- details of the testing to be performed by the systems development team and system end users (user acceptance testing). Testing details should be aligned with and cover all changes made to systems;

- how system capacity will be tested (i.e. how the maximum number of simultaneous users will be identified);

- regression testing to be performed to ensure that system changes will not adversely impact any other aspects of the system or network prior to live implementation;

- responsibility for completion of testing (system developers and end users);

- details of how testing defects will be recorded and rated / assessed;

- details of how testing defects will be addressed and retested prior to implementation of system changes; and

- details of the system 'back out plan' to ensure that changes can be reversed and the system restored if implementation is unsuccessful.

The Change Board should also be requested to specify their requirements to support a 'go / no go' implementation decision based on an acceptable volume and significance of unresolved system defects that will be addressed post implementation.

Agreed Management Action – Systems Testing

A formal systems testing framework shall be created for approval by the Project Board.

Owner: Bernie Callaghan, Head of Governance Contributors: Kier Murray, IT Development Manager	Implementation Date: 4/11/19

1.7 Recommendation – Post Implementation Reviews

Post implementation reviews (PIRs) should be scheduled for each of the six workstreams and at overall project level.

The PIRs should include Project Board members; project managers; and users of the new / refreshed processes delivered by the Project.

The PIRs should consider whether:

- the Project / workstream delivered its objectives on time and within budget;
- anticipated benefits have been delivered;
- risks, issues, and dependencies were effectively managed;
- the new system / processes delivered are operating effectively and as designed, and any improvements / enhancements that could be made; and
- any lessons have been learned that should be incorporated into future projects.

PIR outcomes should be recorded and used as reference for future projects.

Agreed Management Action – Post Implementation Reviews

Post implementation reviews (PIRs) will be introduced at relevant stages of work stream maturity to enable accurate reflection on objective delivery & benefits, effective RAIDs management, expected system/process operation and identification of any lessons learned.

Owner: Graeme Strachan, Assessor Contributors: Bernie Callaghan, Head of Governance	Implementation Date: 2/12/19

Appendix 1 - Basis of our classifications

Finding rating	Assessment rationale
Critical	A finding that could have a: • **Critical** impact on operational performance; or • **Critical** monetary or financial statement impact; or • **Critical** breach in laws and regulations that could result in material fines or consequences*; or* • **Critical** impact on the reputation of the organisation which could threaten its future viability.
High	A finding that could have a: • **Significant** impact on operational performance; or • **Significant** monetary or financial statement impact; or • **Significant** breach in laws and regulations resulting in significant fines and consequences*; or* • **Significant** impact on the reputation of the organisation.
Medium	A finding that could have a: • **Moderate** impact on operational performance; or • **Moderate** monetary or financial statement impact; or • **Moderate** breach in laws and regulations resulting in fines and consequences; or • **Moderate** impact on the reputation of the organisation.
Low	A finding that could have a: • **Minor** impact on operational performance; or • **Minor** monetary or financial statement impact; or • **Minor** breach in laws and regulations with limited consequences; or • **Minor** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Appendix 2 - Follow up of audit recommendations

Item	Review	Reference	Grade	Recommendation	Follow Up	Status
1	Review of Data & Records Mgmt Framework	Data & Records Management Governance Framework – 1.5.2	Medium	Establish a more detailed and comprehensive 'technology and data risk register' to record new and emerging risks and the controls in place to manage them.	Risks captured on Service Risk Register and Corporate Risk Register.	Closed
2	Review of Data & Records Mgmt Framework	Training & Awareness – 2.6.1	High	Consider performing a simulated 'phishing' exercise to assess levels of employee risk awareness and effectiveness cyber security controls by October 2018.	Implemented, with testing completed on effectiveness as part of Cyber Essentials Plus review.	Closed
3	Review of Data & Records Mgmt Framework	Data Retention & Destruction – 4.2.1	Medium	A review should be performed to confirm whether data is archived and destroyed in line with retention schedules.	A Retention & Disposal Schedule has now been created and is used.	Closed
4	Review of Data & Records Mgmt Framework	Data Access & Security – 5.3.1	Medium	Regular clean desk checks should be performed on an ongoing basis, with any personal data identified during the exercise appropriately secured, and feedback provided to the relevant team / employees.	Clean Desk & Clear Screen Policy has now been developed and walk arounds are conducted to ensure implementation, with follow up.	Closed
5	Review of Data & Records Mgmt Framework	Third Party Data Sharing Arrangements – 7.1.1	High	Establish formal data sharing agreements with key third parties to ensure that the process applied is compliant with applicable regulations and secure. These should include (but not be restricted to): • Clearly defined roles and responsibilities for the data sharing process; • A clearly defined escalation and resolution process to be applied in the event of any issues or breaches; • The Board should be made aware of all significant data sharing arrangements with third parties.	Data Sharing Agreements and now in place for third party suppliers.	Closed

Item	Review	Reference	Grade	Recommendation	Follow Up	Status
6	Review of Data & Records Mgmt Framework	Data Breaches – 8.1.1	Medium	Update / modify the ITMS Policy to include the process to be applied in the event of a significant data breach or data loss incident, but not be restricted to: • Roles and responsibilities of employees and senior officers; • Responsibility for reporting significant breaches to the Information Commissioner's Office; • The process for communicating the breach to any impacted third parties; and • Frequency of testing incident plans.	Data Breach Policy now in place.	Closed
7	Review of LVJB Business Rates Internal Assurance Framework	Business Rates Assurance Framework – 1	Medium	LVJB should develop and implement an appropriate risk based business rates valuation assurance framework that is applied across…	Business Rates Assurance Framework now created.	Closed
8	Review of LVJB Business Rates Internal Assurance Framework	Governance Framework – 2	Medium	The new Governance Committee should be constituted in line with Audit Committee good practice – a number of 'good practice' and…	A Terms of Reference has now been created for the Governance Committee.	Closed
9	Review of LVJB Business Rates Internal Assurance Framework	Local Authority Source Data Filtering – 4	Medium	Management should ensure that the new process for manually filtering planning permission, building warrant and completion…	A process is not in place for Quality Assurance checks for Building Warrants and Planning Permissions.	Closed
10	Review of LVJB Business Rates Internal Assurance Framework	Spreadsheet Model Guidance and Oversight – 6	Medium	LVJB should establish general guidance on creating, maintaining, and reviewing spreadsheet models.	Alternative Valuation Model Guidance has now been created.	Closed