

Official Sensitive

Meeting of the Revenue Scotland Board –17 March 2021

Meeting of the Revenue Scotland Board

13:00 till 17:00, 17 March 2021

Present:

Dr Keith Nicholson, Chair
Lynn Bradley
John Whiting CBE
Jean Lindsay
Martin McEwen
Simon Cunningham

In attendance:

Elaine Lorimer, Chief Executive, Revenue Scotland
Michael Paterson, Head of Tax, Revenue Scotland
Neil Ferguson, Head of Corporate Functions, Revenue Scotland
Mairi Gibson, Head of Legal, Revenue Scotland
Gary Sharp, Head of Governance, Revenue Scotland
Shamyla Afzal, Governance and Compliance Manager
Rosey Stewart, Revenue Scotland (Secretariat)
Lindsay Wells, SEPA (Item 7 Only)
Gary Walker, SEPA (Item 7 Only)
Gareth Hill, Chief Accountant, Revenue Scotland (Items 6 and 12 Only)
Lorraine Marlow, Governance Officer (Item 12 Only)
Alan Martin, The Head of Strategy and Communications (Item 12 Only)
Andrew Macartney, Head Statistician, Revenue Scotland (Item 12 Only)
Pamela Bruce, Organisational Development Manager (Items 12 Only)
Paul Gilhooley, Land and Buildings Transaction Tax Team Leader

1. Meeting Opening

- 1.1 The Chair welcomed everyone to the meeting. He offered members the opportunity to add items under AOB. No items were added.

Apologies

- 1.2 No apologies were tendered.

Minutes of Meetings

- 1.3 The Board was content to approve the minutes of the 27 January 2021 meeting as an accurate record of proceedings, subject to some minor amendments.

Action and Decision Log

- 1.4 The Head of Governance took the Board through the action log, noting any open actions and providing an update where appropriate.
- 1.5 It was agreed that actions 72, 74, and 80 should close. All other actions are to remain open.

New Declarations of Interest

- 1.6 There were no new declarations of interest.

Action – Secretariat to amend the action log as agreed.

2. Chair Update (Oral)

- 2.1 The Chair informed the board that he and the Chief Executive were due to attend the next meeting with the Minister on Monday, 22 March. A report on the discussion will be offered at the next meeting. He also outlined the consideration that is being made to setting up a virtual parliamentary event after the election period to introduce Revenue Scotland and the new corporate plan, alongside the new Chair.

3. ARC Update (Oral)

- 3.1 The Chair of the Audit and Risk Committee provided an oral update from the latest ARC Meeting.
- 3.2 She highlighted that the Committee had received and approved the internal audit plan for 2021-22, and that the external audit plan had not yet been agreed, but is expected to be shared with the Committee soon. She indicated that it is expected that the audit timetable for 2020-21 will be the same as that for last year's plan, with the annual report and accounts being signed in November 2021. 2022 will also act as a transitional year to bring the process back into line with the more traditional audit timetable thereafter.
- 3.3 She continued to highlight the discussion around risk, and the resumption of the deep dive approach to support risk management discussions.
- 3.4 The Chair then proceeded to highlight to members the discussion at the Committee in relation to the audit report from Internal Audit and Ernst and Young on the response to the COVID-19 emergency and the relevant operational decisions taken. She indicated to members that this report had been well received by the Committee, and that it was considered an excellent report and validation of the approach taken. She noted that this report is part of the meeting agenda for today, and looked forward to discussing it more fully then.
- 3.5 The Chair thanked the Chair of the Audit and Risk Committee for her report and welcomed questions from members. There were no questions.

4. SEC Update(Oral)

- 4.1 The Chair of the Staffing and Equalities Committee (SEC) provided an oral update to board members, noting this was her first SEC meeting as the new chair. The Chair of the committee highlighted that that she is keen over the coming months to establish more clarity around the functions of the SEC (in relation to the Board and the Executive), linking this to the current governance review that is under way.
- 4.2 The SEC Chair confirmed that the Committee considered and discussed the performance information provided through the Quarter 3 Health, Safety and Wellbeing Report, indicating the significant progress that had been made compared to where we were a year ago on this matter.
- 4.3 Similarly, on the People Strategy, the performance report indicated positive progress across all areas. She highlighted that discussion had also taken place about establishing the cost of delivery for the strategy – acknowledging that this is work in progress and will be considered as part of the new People Strategy and organisation’s Financial Strategy.
- 4.4 She continued to update members on the progress around the organisation’s workforce plan and that a final version of this was expected soon. This also highlighted a need to build all associated cost assumptions into the financial plans being prepared.
- 4.5 In relation to the progress around equalities mainstreaming, the Chair indicated some concern around the lack of progress and that the Committee expected to see progress on this matter in line with the action plan by its next meeting.
- 4.6 The Chair thanked the Chair of SEC for her report and welcomed questions from members. There were no questions.

5. CEO Report

- 5.1 The Chief Executive opened this item and provided an overview of her report since the last meeting.
- 5.2 The Board thanked the Chief Executive and provided comments, guidance, and questions on the following:
- (a)Recent SEPA cyber-attack: a request has been made to SEPA which seeks assurance around the position of any RS data held by SEPA. The detailed nature of the attack is not extensively disclosed but assurances have been provided to RS on relevant data release matters;
- (b)Positive progress with recruitment: it was confirmed that both the Head of People Services and Legal Executive roles were the subject of full external recruitment, but in the end, internal candidates had been successful. The Head of ICT vacancy will also be an external recruitment; in the interim, a member of DDaT Profession was going to be placed in this role for 3 months; and

(c) FOI/EIR activity was reasonable and assurance was given on the subject of each enquiry.

- 5.3 The Board welcomed the update provided and was content with the progress highlighted.

6. RS Budget Report

- 6.1 The Chair invited the Chief Accountant to introduce his paper, highlighting main issues within the paper and noting that some areas in terms of the general cost have been reduced due to staff working from home.

- 6.2 The Board scrutinised the 2020-21 budget and the budget allocation for 2021-22. The Board was content to delegate responsibility to the Chief Executive to manage the budget including financial delegations to the SLT.

Decision – The Board approved the budget allocation for 2021-22 and agreed to delegate the management of it to the Chief Executive and Senior Leadership Team.

7. Communities Fund – Subvention Rate

- 7.1 The Head of Tax introduced the paper and noted the key messages. He indicated that the covering paper commented that the appendix was draft. That is now the final proposal from SEPA, and SEPA colleagues made some additional comments that were partly anticipated by the covering paper itself.

- 7.2 These additional comments were:

- a. There is a reminder that the MOU between RS and SLCF means that RS will cover any deficit;
- b. SEPA had considered the possibility of reducing the SEPA staffing costs, but this was also covered in the covering paper; and
- c. Because the margins are tight, there may be a need to re-assess the figures once SEPA's recovery from the cyber-attack has taken place.

- 7.3 The proposal made is therefore to set the rate of subvention for the coming year to 2.75%.

- 7.4 The Board thanked the Head of Tax and SEPA for the helpful paper and discussed the possible alternative routes. They sought clarification on how the landfill sector and government might receive the subvention rate change, given the fund is declining.

- 7.5 SEPA colleagues indicated that due to the recent Cyber-attack it has not been possible to have much contact with stakeholders, but given the increase is less than 1% and it is the first increase for 6 years, they did not anticipate significant resistance.

- 7.6 The Board welcomed the report provided and approved the recommendation made.

Decision – The Board approved the subvention rate to be set for the year 2021-2022 for the Scottish Landfill Communities Fund at 2.75%.

8. Repayment Case – CMSL00980324

8.1 The Head of Tax provided an overview of this case and recommendation.

8.2 The Board was content with the proposal and approved the repayment.

Decision – The Board approved the repayment in relation to the CMSL00980324 case.

9. Repayment Case – CMSL0006604

9.1 The Head of Tax provided an overview of this case and recommendation.

9.2 The Board was content with the proposal and approved the repayment.

Decision – The Board approved the repayment in relation to the CMSL0006604 case.

10. Historic Penalties

10.1 The Head of Tax introduced this item and provided an overview of the paper provided, noting an amendment was required at 7.1 which read six months but should in fact read three months.

10.2 The Board were content with the proposal and approved the recommendations made.

Decision - The Board agreed that RS restarts issuing pre COVID-19 period penalties using the normal pre COVID-19 business as usual processes, and an extension to the current 'COVID-19 period' to 30 June 2021 from the current end date of 31 March 2021.

11. Debt Paper

11.1 The Head of Tax introduced this item and provided an overview of the paper.

11.2 The Chief Executive, in support, advised that this was the first time that Revenue Scotland has lodged a claim with a liquidator and there was useful learning to be taken from this case.

11.3 On this matter, Board members were keen to understand whether there was any alternative option that would provide a different way to reduce the risk of tax revenues not being recovered. The legislative position and complexity of alternative methods of recovery were discussed, and the response highlighted the limited nature of the options available.

Action – Head of Legal to check the prospects of alternative means of recovery of the tax outlined.

Action – Head of Tax to consider with Chief Accountant the potential and likelihood for any

media attention.

Action – SLT to consider whether any debt write-off of this nature going forward is to be presented for approval to the Board and Chief Executive by the Chief Accountant.

Decision – The Board approved the recommended write off.

12. Strategic Items

- 12.1 The Chief Executive welcomed this paper introducing Alan, Pamela, Paul, Gareth and Andrew.
- 12.2 The Chief Executive introduced this paper by setting out some context around it. She highlighted that this piece of work would help set out the strategic direction for the third Corporate Plan. There had been a lot of thinking done by the team supported by colleagues across RS and Ernst & Young, supported by both internal and external engagement.
- 12.3 A report had been commissioned of both Internal Audit and Ernst & Young by the Chief Executive to look objectively at the key operational decisions that had been taken over the last year, as it was important to be able to offer the Board external assurance about these and, importantly whether they could provide the foundations for the future operating model of the organisation. The fact that the auditors had given an assessment of substantial assurance was welcomed.
- 12.4 The CEO explained that the propositions set out in Annex B of the paper for the future operating model were designed to spark debate and that a steer from the Board was being sought as to direction of travel, together with endorsement to continue the work and planning with a view to bringing a more refined set of propositions to the Board in due course.
- 12.5 The Chair began by congratulating Alan Martin on his new post and wished him well. He also congratulated Pamela Bruce on being appointed as the new Head of People Services.
- 12.6 The Chair welcomed the substantial assurance received and commented that it provided a helpful basis for the Board to determine a viable future direction of travel. The report was extremely complimentary of the organisation and demonstrated how well the leadership team had responded to the challenges of COVID-19. The Chair then opened the discussion to the Board members for questions.
- 12.7 The following points were made in discussion:
- a) The need to consider the income tax implications from having two bases; office and home
 - b) The importance of making the case for the change in operating model and in particular consideration of productivity and cost.

- c) The need to ensure the value of collaborative working and working face to face is not lost and that there is flexibility for staff who don't have the best working environment at home
- d) Consideration as to the delivery challenges of a change in operating model
- e) The need to understand the critical path towards delivery of the change
- f) Consider whether any commitment to legislative change is needed to be able to operate differently
- g) The importance of listening to staff and recognising that there is a risk of losing staff or staff goodwill if enhanced flexibility is not built into the future model
- h) The need to ensure that whatever model is determined, it will need to demonstrably be more efficient and improve Revenue Scotland effectiveness.

12.8 In response, the executive provided the Board advice that given the learning experience from remote working, this was a good time to take the opportunity to improve on staff's work-life balance and explore alternative options for the future operating model.

12.9 Scottish Government and other delivery bodies within the Scottish Administration are also having these discussions. Current options being considered include moving to a more flexible model in terms of hours of work and place of work, taking into account the need for a green recovery.

12.10 The Chair concluded this part of the discussion by thanking the executive for their work. The Board agreed that the next step would be for a business case to be prepared which would provide the evidence base for change and the assurance sought around operational effectiveness, deliverability and cost.

12.11 The discussion then moved onto the Strategy Work and in particular the draft Corporate Plan, which was introduced by Head of Corporate Functions, who advised that further work was to be done in relation to Key Performance Indicators and the preparation of the digital strategy. After discussion, it was agreed that:

Action - A business case is to be prepared making the case for change and brought to a future meeting of the Board.

Action - The vision statement should be revised in the light of progress made over the last 3 years, taking into account the strategic outcomes Revenue Scotland is seeking to deliver, of which digital is to be included.

Action – The strategic purpose of Revenue Scotland should be inserted. This is currently expressed as being to “efficiently and effectively collect and manage the devolved taxes which funds public services for the benefit of the people of Scotland”.

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Action – The next version of the Corporate Plan, together with initial thinking on Key Performance Indicators should come to the next meeting of the Board on 5 May.

End of Meeting

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