

**Official Sensitive**

**Meeting of the Revenue Scotland Board – 5 May 2021**

## **Meeting of the Revenue Scotland Board**

10:00 till 14:00, 5 May 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

Rosey Stewart, Revenue Scotland (Secretariat)

Hamish Davidson, Ernst and Young (Item 4 Only)

Sarah Philips, Ernst and Young (Item 4 Only)

Gareth Hill, Chief Accountant, Revenue Scotland (Items 4 and 8 Only )

Andrew Macartney, Head Statistician, Revenue Scotland (Items 4 and 8 Only)

Pamela Bruce, Organisational Development Manager (Items 4 and 8 Only)

Paul Gilhooley, Scottish Landfill 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 received.

### **Minutes of Meetings**

- 1.3 The Board was content to approve the minutes of the 17 March 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 open actions and providing an update where appropriate.

- 1.5 It was agreed that actions A033/20, A069/20, A071/20, A073/20, A04/21, A06/21, A10/21, A11/21, A12/21, A013/21, A014/21, A015/21, A016/21, A018/21 and A019/21 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 updated members on the recent meeting with the new Chair, also attended by the CEO, and the work underway to develop the induction plan.

## **3. CEO Report**

- 3.1 The Chief Executive outlined continued challenges around recruitment and onboarding new staff and the impact that this was having on the organisation. The Chief Executive assured the Board that Revenue Scotland is looking at ways to innovate the recruitment strategy to appeal to the right audiences in a competitive jobs market.

- 3.2 The Chief Executive then informed Board members that a review request had been received for the recent Environmental Information Request (EIR) requesting the disclosure of information relating to landfill operations, and that a review officer had been appointed to lead this work.

- 3.3 Board members welcomed the update and were content with the progress highlighted.

## **4. Strategic Items**

- 4.1 The Chief Executive opened this item and provided an overview of the paper. She highlighted the future operating model options appraisal, the draft Corporate Plan, and revised Target Operating Model and that representatives from Ernst & Young would join the meeting for the discussion on this item.

- 4.2 She also set out the wider context around this work, highlighting the developments to the material presented following the last Board meeting where an outline proposal was discussed. Revenue Scotland remains an active member of the Scottish Government Delivery Bodies Group and as such, is well connected with the broader thinking within the Scottish Government, and in particular how all delivery bodies are considering some form of increased, permanent flexibility and hybridity into their operating model. The Chief Executive then asked Sarah Philips from Ernst and Young to present the options appraisal around the future operating model to members.

- 4.3 Sarah Philips provided an overview of the approach taken with this work, stressing the use of established methodologies such as the HM Treasury Green Book – the

recognised best practice for government investment decisions. She also highlighted that, like with any options appraisal, there are always multiple choices and variables, but to support the structured consideration of these options, a range of weighted objectives were established to help support the refinement of these options.

4.4 The following points were made in discussion:

- (a) The need for more detailed analysis against the options to help inform the final outcome;
- (b) In the section covering the improvement opportunities, more detailed references should be made to the potential to collect more taxes – including how we improve the efficiency of how we collect those taxes;
- (c) The need to ensure that we are building a suitable model for the future, considering how the models operate if we were to scale up and take on additional responsibility;
- (d) The need to provide more detailed cost analysis and analysis of risks, such as the risk to tax compliance and collection;
- (e) Consideration should also be given to cost shifting and green shifting, and to the potential dis-benefits to the wider community – local economies and socioeconomic impact;
- (f) The need to review the structure of RS in light of any move to increased flexible working as the same office based structures may not be appropriate for the future – looking at functions and form;
- (g) The approach to weighting of the objectives and the comparison to those with similar work across private and public sector; and
- (h) The next phase of this process - the timeline for developing the more detailed business case in support of the preferred option.

4.5 In relation to these points, Sarah Philips offered some further assurance on the approach to the options appraisal and how this progresses to the business case, confirming that all the specific points raised will be fully addressed at the next stage. In particular, she highlighted that as part of the business case, quantitative financial and economic analysis will be undertaken against the 'base case' (in line with HM Treasury Green Book). She also stressed the particular challenge presented around the very limited evidence that is available because of the Covid pandemic as most of the data is pre-Covid and there is little available post-Covid, but agreed to add an appendix to the business case on the data that was used/not used and why.

4.6 The CEO, in support of the discussion around next steps, also committed to a more detailed definition of what the hybrid model will look like by considering the roles that particular groups of staff perform alongside other analysis of costs and risk for the June Board meeting.

4.7 In summing up, the Chair outlined that on the basis of the report and discussion, Board members were content to endorse the preferred option outlined – the hybrid working model – and requested that analysis of this option should now progress into a more detailed business case. The business case will be discussed at the Board strategy meeting on 23 June.

**Action** – An appendix is to be added to the business case around the preferred option to set out what data was used, or not used and why as part of the overall consideration.

**Decision** – Members endorsed the preferred option outlined through the options appraisal and requested that a full business case should now be developed in support of this option (the hybrid model).

4.8 The Head of Corporate Functions opened the discussion on the draft Corporate Plan for 2021-24 by providing an overview of the work to date to develop the draft, and the plans to share and discuss it with external stakeholders.

4.9 Board members thanked the Head of Corporate Functions for the overview provided and the work undertaken to date. They highlighted that they liked the style of the Corporate Plan, welcoming the clear, crisp and easy to follow version and approach.

4.10 The following more detailed points were made in discussion:

- (a) Under the 'Looking Ahead' section a more proactive statement should be made in relation to how RS will contribute to the thinking around devolved tax – it was felt that the current statement was too passive;
- (b) Against each of the objectives it would be helpful to provide detail on how success will be measured;
- (c) Consideration should be given to including objectives on managing the tax gap and tax collection;
- (d) Further strengthen the references to the National Outcomes by including references to fairer work duties etc; and
- (e) Ensure that uses of terminology are consistent (e.g. customer vs user) and also remove references such as 'barriers to..'. We should also look across other key documents to ensure consistency, such as to the TOM and references to 'digital by design' etc.

4.11 The Head of Corporate Functions, in response to the point on how we plan to measure success, highlighted that each of the components detailed through the Corporate Plan has a corresponding strategy and/or policy, all of which have delivery plans and stated outcomes expectations. This will support the success measures in terms of performance against each.

4.12 The CEO highlighted the challenges around setting tax collection targets, recognising that we do not set the tax forecasts and so this may be problematic. She did commit

to looking more closely at this issue and offer a response through the next iteration.

4.13 The Head of Corporate Functions proceeded to outline the next steps and the work to further refine this draft ahead of the next meeting of the Board on 23 June.

4.14 The Chair thanked everyone for the helpful and detailed discussion around the draft Corporate Plan for 2021-24 and confirmed the Board's endorsement of the approach and draft plan and approval to progress this, as outlined, to the next draft for consideration on 23 June.

**Action** – Consider including KPIs on measuring the 'tax gap', tax collection and compliance target in the next version to be discussed in June 2021.

**Action** – The Head of Corporate Functions is to revise the draft Corporate Plan further, as discussed, and present this to the 23 June Board meeting for final approval.

4.15 The Head of Tax introduced the further refined Target Operating Model (TOM) to members and asked that they note the following:

- (a) This version is based on the framework introduced by Ernst and Young; and
- (b) How adaptable this model is to future changes and shifts to the core functions.

4.16 The following points were made in discussion:

- (a) The interaction with the SG policy function is to be set out more clearly;
- (b) Better connections should be made between the ARC and risk management - adding the assurance map reference and link;
- (c) It fails to capture the impact from the structural changes as a result of the 'digital by design' approach;
- (d) Need to ensure that the TOM links to the workforce plan; and
- (e) On the culture slides, the bullets provided should be further revised to include references to external relationships as a core component of good culture, and also consider including how the core values, set by the Charter of Standards and Values, are reviewed.

4.17 The Board welcomed the progress made on the TOM and approved the development of the next iteration, covering the points raised.

**Action** – The Head of Tax is to update the TOM in line with the comments provided.

**Action** – The Head of Governance is to share the Charter of Standards and Values with the Board.

## 5. Quarterly Tax Report

- 5.1 The Head of Tax introduced the paper and proceeded to provide an overview of tax matters since the last quarterly report, highlighting;
- (a) Progress to date around tax compliance;
  - (b) Particular challenges being experienced; and
  - (c) Resourcing – welcoming the new C1 to the LBTT team, and also highlighted the issues being created by particular grade shortages.
- 5.2 The Head of Tax then invited The Head of legal to similarly provide an update from the legal progress section of the paper provided. She proceeded to highlight:
- (a) Progress around the on-going legal arguments around the SLfT case;
  - (b) The impact to the legal team from the current vacancies being carried; and
  - (c) The work underway with The Head of Tax to develop a Litigation and Settlement Strategy for the organisation.
- 5.3 The Head of Tax continued to draw members attention to a request for an endorsement that was detailed in the paper provided – the endorsement to take the action outlined in relation to issues that had arisen from Direct Debit payments.
- 5.4 Members welcomed the update provided and made the following enquire:
- (a) When will members have access to a draft copy of the Litigation and Settlement Strategy?
  - (b) What support is available to the legal team to ease any capacity issues? and
  - (c) On the IT issue highlighted, do taxpayers now owe sums that had not been previously identified?
- 5.5 The Head of Legal confirmed that the draft Litigation and Settlement Strategy, once considered internally first, would be shared with members for comments. Also she was able to confirm that a legal services contract with Harpers McLeod remains in place and so if we should need any support, then this route can be more fully utilised.
- 5.6 The Head of Tax, on the IT issue, confirmed that there are now sums due from taxpayers as a result of this matter and that his team were working with agents and taxpayers to establish a resolution plan.

**Action** - Head of Legal to share draft Litigation and Settlement Strategy with the board once this has gone through the internal consideration process.

**Decision** – Quarterly Tax Report should always include a legal update going forward.

**Decision** – The updates provided in this report satisfy the Board that the tax compliance

function is being carried out in accordance with the Revenue Scotland Scheme of Internal Delegation.

**Decision** – Board members endorse the action undertaken by Revenue Scotland at Section **Error! Reference source not found.** in relation to errors made by two agents with their Direct Debit payments.

## 6. Proposal To Open Enquires

- 6.1 The Head of Tax provided an overview of the paper provided and the enquires that were planned, as well as the recommendations made.
- 6.2 The Board was content with the proposal and approved the opening of the enquires for the purposes outlined.

**Decision** – The Board approved approve the commencement of a series of enquiries into landfill operators (under paragraph 13 of schedule 3<sup>1</sup> to the Revenue Scotland and Tax Powers Act 2014).

## 7. Decision of the First-tier Tax Tribunal for Scotland (FTTS) in SLFT case

- 7.1 The Head of Legal provided an overview of this case and made a recommendation to the board in relation to the continuation of the current delegation arrangements.
- 7.2 Members thanked the Head of Legal for her paper and detailed update provided. Members were content with the progress made.

**Action** – Head of legal to amend the statement in the paper on legal costs reimbursement of the appellant (page 120 of PDF).

**Decision** – The Board confirmation and continuation of general delegated authority for decision making on the case.

## 8. Q4 Performance Report

- 8.1 The Head Statistician introduced this item and provided the Board members with an overview of the spreadsheet with the help of the Head of Corporate Functions, the Organisational Development Manager, and the Chief Accountant.
- 8.2 He highlighted the following in terms of Q4 performance:
- (a) On devolved taxes, a noticeable recovery was recorded;
  - (b) Tax function – the filing of 3 year lease reviews has been problematic, but issuing of letters is about to re-start and debt pursuit has been successful;
  - (c) KPIs – although we did not meet all our KPIs in 2020-21, given the move to remote working it is great to see such strong performance from indicators such

as ‘call handling’;

- (d) Strategic priority projects – largely these projects are on track and have been delivered successfully. We are confident that we will conclude the amber projects in a reasonable time;
- (e) Budget – the Chief Accountant highlighted the underspend recorded and provided the reasons for variance against approved budget – such as the impact from moving to working from home and staff cost savings. Underspending on capital too;
- (f) People – the Head of People Services highlighted the results around AWDL which now shows a sharp drop from the previous period. She stated that the recording of stress, as a cause, has also seen an improvement. Recruitments continues to be a challenge; and
- (g) ICT – the overall availability level of SETS2 is recorded as high.

8.3 The Board scrutinised the paper asking for clarification on a number of issues, such as:

- (a) Budget – approved overspending on project costs should be unclear. This should be factored into all future finance reports to show cost control;
- (b) Annual Leave balances and how these are managed, reading across to the record reduction in stress as a cause of absence and how this is further supported through routine H&S stress assessments;
- (c) The Gender Pay Gap – there is a big variance between the figures reported as part of the Equalities Mainstreaming Reporting and this report. This should be looked at more closely again to confirm the reason for any shift; and
- (d) The underspend on legal costs and any flexibility there is around budget management.

8.4 The Board noted the report and thanked the Head Statistician and other heads of service for leading the Board members through the items, thanking all involved in the creation of this report.

**Action** – the Gender Pay Gap calculation is to be reconsidered with any reasons for the large variance being provided.

**Decision** - Board members were satisfied with the performance of Revenue Scotland during Q4 of 2020-21.

## 9. Risk Report

9.1 The Head of Governance introduced this item and provided a high level risk performance overview since the last report to the Board. He also highlighted the commitment to undertake a risk review of the draft Corporate Plan for 2021-24 and provide that to members for consideration at the next meeting on 23 June.

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9.2 Members welcomed the update provided and were content that risk is being managed effectively across the organisation, also noting the commitment to produce the risk statement to accompany the new Corporate Plan in June.

**Action** - Risk review and statement to accompany the new Corporate Plan at the June meeting of the Board.

**10. AOB**

10.1 The Chair offered members another chance to add any items under AOB. No items were added.

**11. Homologation of Actions and Decisions from 27 April Teleconference**

11.1 The following action and decision resulted from the 27 April Teleconference.

**Decision** - Board approved the deferral paper present at the teleconference.

**End of Meeting**

**05 May 2021**