

Official Sensitive
Meeting of the Revenue Scotland Board – 18 May 2022

10:00 till 13:30, 18 May 2022

Present:

Aidan O’Carroll, Chair
John Whiting CBE
Jean Lindsay
Lynn Bradley
Martin McEwen
Simon Cunningham
Idong Usoro
Rt Hon Ken Macintosh
Professor Robert MacIntosh – (part attendance for first hour)

In attendance:

Elaine Lorimer, Chief Executive, Revenue Scotland
Michael Paterson, Head of Tax, Revenue Scotland
Mairi Gibson, Head of Legal, Revenue Scotland
Neil Ferguson, Head of Corporate Functions, Revenue Scotland
Louise Alonzi, Head of Governance, Revenue Scotland
Shamyla Afzal, Governance and Compliance Manager, Revenue Scotland
Rosey Stewart, Executive Assistant (Secretariat), Revenue Scotland
Theresa Valtin, Strategy & Communications Manager, Revenue Scotland (Item 6)
Allan Macdonald, Strategy, Planning & Performance Manager, Revenue Scotland (Item 5 & 9)
Stuart McMahan, Finance Manager, Revenue Scotland (Item 9)
Pamela Bruce, People Services Manager, Revenue Scotland (Item 7 & 9)
Craig Morton, ICT Manager, Revenue Scotland (Item 9)
Andrew Morgan, Head Statistician, Revenue Scotland (Item 9)
Observer: Callum MacInnes, Head of Governance from 30 May 2022

1. Meeting Opening

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

Apologies

1.1 No apologies were tendered.

New Declarations of Interest

1.2 There were no new declarations of interest noted.

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Draft Minutes of 3 November 2021, 24 November 2021, 19 January 2022 and 24 February 2022

1.3 The Board approved the minutes of 3 November 2021, 24 November 2021, 19 January 2022 and 24 February 2022.

Action and Decision Log

1.4 The Governance and Compliance Manager discussed the action log, noting open actions and providing an update where appropriate.

1.5 It was agreed that actions **A049/20, A028/21, A074/21, A084/21 and A085/21** are to be closed. All other actions are to remain open.

1.6 It was noted that AO31 was to be discussed under agenda item 10 Quarterly Tax and Legal report in relation to the budget for litigation expenses.

Decision – Minutes of 3 November 2021, 24 November 2021, 19 January 2022 and 24 February 2022 to be published on the website.

Action – Secretariat to amend the action log as agreed.

2. Chair Update

2.1 The Chair welcomed everyone to the first Board hybrid meeting and welcomed three new Board Members, Robert MacIntosh, Idong Usoro and Ken Macintosh, confirming that the formal announcement of their appointments was issued at 09.30 this morning.

2.2 The Chair confirmed his intention to have performance review discussions with individual Board Members before the end of June.

2.3 The Chair highlighted two items for noting within the CEO report: the meeting with the Minister for Public Finance, Planning & Community Wealth and the update provided on the revised Model Code of Conduct.

2.4 An update was provided regarding the constructive meeting attended with Jayne-Anne Gadhia from HMRC. An action for Jayne-Anne Gadhia was to establish contacts for both Revenue Scotland (RS) and HMRC to enable the sharing of best practice. John Whiting was pleased to hear that the meeting with HMRC went so well.

3. Audit and Risk Committee(ARC) Update (Oral)

3.1 The Chair of ARC updated the Board following the Committee meeting of Wednesday 2 March 2022.

3.2 The Committee considered RS' risk register and reviewed current issues including

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cyber security and the SG transformation programme.

3.3 The Chief Accountant presented the Committee with the Audit timetable for the Annual Report & Accounts 2021-22, highlighting that the Annual Report would be approved and laid in parliament in November, one month later than pre-pandemic.

3.4 Clarification was sought from Internal Audit about whether the work of TAG was in scope of the audit on litigation decisions. Internal Audit confirmed TAG would be considered as part of the audit.

3.5 An update was provided by Audit Scotland as this is its final year as auditor under current arrangements. The Chief Executive confirmed that Audit Scotland will continue as the Auditor but RS will have a different Director.

3.6 An update was provided on work to progress the Scheme of Internal Delegation and how to best balance responsibilities of the RS Board and the Chief Executive as Accountable Officer. Looking to finalise the position at the June committee meeting and present to Board in August.

4. Chief Executive Report

4.1 The Chief Executive opened this item by welcoming the new Board Members. Key points were highlighted from the Chief Executive Report:

- The Chief Executive and the Chair had their regular 6 week catch up with the Minister for Public Finance, Planning & Community Wealth. Also due to to see the Cabinet Secretary for Finance on 22 June.
- The Head of Corporate Functions will be representing Revenue Scotland at the Scottish Parliament Finance Committee roundtable discussion on 24 May on the National Performance Framework following our response to the consultation.
- The CEO advised the Board the RS Budget allocation from SG for 22-23 was confirmed and approval would be sought from the Board on how this budget is allocated. Also, the Spending Review which will be published by the end of the month but we should hear within the week as to the RS allocation.
- There has been engagement with Scottish Government (SG) on Public Sector Reform to review the wider public sector landscape, through our involvement in the Scottish Government Delivery Bodies Group.

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- Hybrid working – The Chief Executive commented on this being a significant day for RS given it being the first hybrid Board Meeting and an update was provided on work being undertaken to convert GB South into a more collaborative working space.
- On the Code of Conduct, there has been good progress made with the Standards Commission and SG in addressing concerns, currently waiting to hear back from SG.

Decision - The Board approved the internal allocation of Budget as set out in Annex A of the Chief Executive Report in line with 22/23 Financial Plan.

Decision –The Board endorsed the Chief Executive report and was satisfied that the report provides sufficient information on other issues not covered elsewhere on the agenda.

5. Green Strategy

5.1 The Strategy, Planning & Performance Manager introduced this item, noting the SG ambitions to be a net zero country by 2045. A particular focus for RS is on reducing CO2 emissions.

5.2 The proposal to the Board was to approve a KPI to track Victoria Quay’s gas, electricity, water and paper waste. The data showing the year on year changes would help to inform RS decision making on future activities. To support this and help drive this ambition within RS, a Green Action Group has been formed.

5.3 The update was well received by the Board. Board members were keen to ensure that the parameters set are the right ones and achievable. The Board agreed the KPI should not be introduced but instead targets should be set for the next twelve months whilst more engagement is undertaken. It was noted that the ethos of SLfT/Aggregates Levy as an environmental fiscal and policy measure should be factored into the Green Strategy given the important role RS has in the delivery of these.

5.4 Board members also suggested engagement with independent specialist organisations to provide direction on where we need to be and to be clear within our Green Strategy that we collect taxes in an environmentally friendly way.

5.5 The Chief Executive thanked Board members for their comments and highlighted our responsibilities as a public body and the need to ensure our operations are environmentally friendly. We do not currently have baseline data, and we need to establish what that is to allow us to track our progress. Engagement with a specialist organisation will help us to take that forward.

Action – The Strategy, Planning & Performance Manager to revise the Green Strategy, setting out targets for the next 12 months, for approval by the Board.

Action - The Strategy, Planning & Performance Manager is to contact Idong Usoro and engage with specialist organisations and feedback to the Board.

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Decision – The Board agreed that the KPI set within the Green Strategy was to be set aside.

Decision – The Green Strategy is to be a standing item on the Board agenda.

6. Communications and Engagement Strategy 2022-24

6.1 The Strategy and Communications Manager provided an update highlighting that the objective is to provide effective communication and a user-centric service design and delivery. The Strategy is also aligned to the People Strategy and our equalities and diversity work.

6.2 The update was well received by Board members who noted it was a good well laid out strategy that captured future priorities and summarised the direction of RS.

6.3 Discussion continued around building the RS brand and how it would be helpful to know if RS is appearing externally in the media. The Strategy and Communications Manager highlighted that we needed to improve on gathering insights and provide a better narrative.

6.4 The Chair thanked the Communications and Strategy Manager for an excellent document. He noted that work was needed to discuss with the Board how we engage with key stakeholders and improve the reach of the brand RS. The Chair added that the strategy needed to be brought into business planning discussions to look at key areas and how we are going to engage, what resources are needed to deliver and what can we prioritise in the next 12 months and what we build in on a longer term basis.

Decision – The Board approved the Communications and Engagement Strategy 2022-24.

7. People Strategy Update

7.1 The Head of People Services invited Jean Lindsay, as Chair of the Staffing and Equalities Committee to provide an update on progress on the People Strategy.

7.2 Jean reflected that with the Head of People Services in post that great improvements have been made. A workforce plan is in place, an increase in staff engagement and leadership scores has been seen. A detailed action plan is operational with significant traction on Health and Safety actions and good performance on Equality and Diversity. The move to hybrid working has been an excellent piece of work.

7.3 The Head of People Services added that by bringing the HR function in-house, this has allowed RS more control of the recruitment process from advert to offer of employment, reducing the on-boarding process for new staff.

7.4 Key priorities for 22-23 were highlighted with delivery of the action plan being an organisational responsibility not solely the People Services Team. Three key deliverables highlighted to the Board were 1) building leadership capability 2) building staff capability and 3) succession planning.

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7.5 The Board noted staff absence levels with an increase in Covid cases being seen. Discussion continued about staff headcount with 75 out of 86 staff in post with the remainder of the vacancies waiting to be filled. It was acknowledged that staff had been lost to SG on promotion and we are keen to retain talent within the organisation.

7.6 Jean Lindsay highlighted that the headcount has grown. Most of the teams have more staff with a stronger ability to deal with single points of failure, and she noted that succession planning for SLT members will be considered by SEC in July.

7.7 Discussion then moved to the SWOT analysis recognising that the organisation needed the right people doing the right job at the right time.

7.8 The Chair acknowledged the excellent progress with delivery of the People Strategy particularly within the current constraints.

Action – SLT Succession Planning to be discussed at July’s SEC Meeting.

Action – The organisational productivity review to be considered by the Board as part of the Futures pilot.

8. Business Plan 2022-23

8.1 The Head of Corporate Functions introduced this item as a product of the Board strategy session in January. The Business Plan sets out the work required to deliver the Corporate Plan objectives.

8.2 Key areas discussed were the data and digital aspirations, our statutory obligations and revisions to our legislative framework. It was noted that the Capital Investment Programme would be the vehicle to bring the required improvements from a data and digital perspective.

8.3 In summing up the discussions, the Chair requested to see a further iteration of the Business Plan, looking for clear priorities to help deliver this, clear articulation of what a technology data strategy looks like and key actions to take over 12 months.

Action – Further iteration of the Business Plan to be presented to the Board with clear articulation of what a technology / data strategy looks like; key actions to take over 12 months and what can be deprioritised to help deliver the Business Plan.

9. Quarter 4 Performance Report 2021-22

9.1 The Head Statistician introduced this report with the Strategy, Planning & Performance Manager, Finance Manager, Head of People Services and Head of ICT.

9.2 The number of residential LBTT transactions in 2021-22 was the highest ever in a year, and was 5% higher than the last highest year of 2019-20. Residential LBTT revenue,

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excluding ADS, in 2021-22 was by far the highest ever in a year, and was 45% higher than the previous highest year of 2019-20.

9.3 The number of non-residential LBTT transactions in 2021-22 was the second highest in a year, and was 1% lower than the previous highest year of 2018-19. Non-residential LBTT revenue in 2021-22 was the highest ever in a year, and was 17% higher than the last highest year of 2015-16.

9.4 On SLfT, revenues were higher compared to the budget figure for financial year 2021-22. SLfT Revenue has risen slightly over the past year, but this is due to increasing standardised rates of tax, rather than an increase in waste going to landfill. The amount of taxable waste going to land fill decreased between 2018/19 and 2019/20, but has been relatively static since 2019/20. The amount of non-taxable waste going to landfill has remained static in recent years. Q4 figures are still to be confirmed.

9.5 The Board noted the filing rates for three yearly reviews of leases. The team are working on their analysis of the priority initiatives to improve the return rates and these will be getting brought to SLT in an update later in Summer. Those ideas, including legislative change possibilities, will be prioritised and presented back to the Board as an update thereafter. We hope to be able to get some further reporting on 3/6 year lease return yields by then.

9.6 The Strategy, Planning & Performance Manager Planning confirmed that KPIs were on track, with two amber items being closely monitored.

9.7 The Finance Manager noted a forecast underspend against our budget with the main driver being delays in recruiting staff into posts.

9.8 The Head of People Services highlighted a slight increase in Average Working Days Lost (AWDL), key successes are: embedding Learning & Development tracker, 94% of the workforce achieving their L&D objective and 90% of workforce is permanent. People Services will be encouraging staff to provide diversity data.

9.9 A discussion followed on the data provided for the gender pay gap. It was felt the level of data provided was not appropriate and should be reviewed.

The Chair thanked everyone for the clear report and confirmed that it was good progress across all fronts.

Action – Strategy, Planning & Performance Manager to add breakdown of category of penalties within the graph in the Tax Report.

Action – Head of People Services to review data regarding gender pay gap.

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Decision – The Board was satisfied with Revenue Scotland’s performance during Q4 of 2021-22 financial year.

10. Quarterly Tax and Legal report

10.1 The Head of Tax introduced the quarterly tax report.

10.2 Head of Tax noted that he was pleased overall with the performance of the TAG as it was generating good engagement and mature debate amongst staff.

10.3 The Head of Legal provided the Board with an update and summary in relation to ongoing SLfT litigation work.

10.4 An update was provided on site visits with the possibility of procurement of a third party for a competent person in respect of RS officers. Currently in discussion with SEPA with respect to the competent person position for their own staff.

10.5 On litigation costs and the potential in general of a budget shortfall, RS were looking to address via initiating revisions to the RS framework arrangements. Subsequently SG begun a general review of its relationship with Public bodies and invited comments on a template framework document, which RS is due to provide.

10.6 The Board welcomed the updates provided.

10.7 Decision made and agreed on **15 March 2022** to be homologated for the record.

Decision – For voluntary disclosures, the Board approved delegation of any necessary decisions on an LBTT compliance case, where the amount exceeds the delegated limits under the current Scheme of Internal Delegation, to the Chief Executive.

Decision – The Board were satisfied with the updates provided with the Quarterly Tax report and the Legal update.

11. Scottish Landfill Communities Fund

11.1 The Head of Tax introduced this paper and provided an update on the future of the Scottish Landfill Communities Fund.

11.2 Decisions made and agreed on **15 March 2022** to be homologated for the record.

Action - The Board agreed that a paper be produced for the May 2022 Board setting out the timetable for deciding on the future of the fund.

Decision - Board approved the subvention rate to be charged for the year 2022-23 for the Scottish Landfill Communities Fund at 3.00%.

Decision – Board members noted initial direction, progress and timeline proposed with the Scottish Landfill Communities Fund options paper.

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12. AOB

12.1 The Chair announced that the terms of Lynn Bradley and John Whiting were coming to an end on 30 June 2022. He thanked them for their invaluable commitment and contribution over the years by helping to steer RS on a successful journey since 2015.

12.2 Lynne Bradley said it had been an honour and privilege to be part of the journey from RS being a project to the modern and model high performing organisation it has become. She thanked Board members and members of the Senior Leadership and staff who have brought so much to the organisation.

12.3 John Whiting echoed the sentiments and said it had been a privilege over seven and a half years to be part of RS. He expressed his thanks to the Chief Executive for her leadership and reminded everyone to reflect on the achievement of creating a tax authority in a short space of time. He thanked the Senior Leadership Team, individual members of staff and said it's been "a lot of fun and it is a great team".

12.4 The Chair thanked everyone for attending and closed the meeting.

End of Meeting
18 May 2022