

Meeting of the Revenue Scotland Board MINUTE

11:00-15:00, 21 June 2017, Conference Room 9, Victoria Quay, Edinburgh

Present:

Dr Keith Nicholson
Lynn Bradley
Jane Ryder OBE
John Whiting CBE
Ian Tait

Attended:

Elaine Lorimer, Chief Executive, Revenue Scotland
Chris Myerscough, Head of Tax, Revenue Scotland
Andrew Fleming, Head of Strategy and Corporate Functions, Revenue Scotland
Stephen Crilly, Solicitor, Revenue Scotland
Nigel Furness, Scottish Landfill Tax Team Leader, Revenue Scotland (for item 4b only)
Dario Belli, Scottish Environment Protection Agency (SEPA) (for item 4b only)
Gareth Hill, the Chief Accountant and the Finance Manager (for item 5 only)
Stuart McMahon, Finance Manager, Revenue Scotland (for item 5 only)
Stuart Gardner, ICT Team Leader, Revenue Scotland (for item 7 only)
Andrew Macartney, Statistician, Revenue Scotland (for item 9 only)
Erlend Barclay, Corporate Affairs Manager, Revenue Scotland (for item 10 only)
Louise Alonzi, Tax Administration Team Leader, Revenue Scotland (observing)
Donna Thomson, Corporate and Business Services Officer, Revenue Scotland (Secretariat)

1. Meeting opening

1.1 The Chair welcomed the Board members and officials to the meeting including Louise Alonzi, Revenue Scotland's new Tax Administration Team Leader.

1.2 Amendments were agreed to the Agenda, including the addition of 2 items under AOB.

1.3 No apologies were received.

1.4 Minutes - The Board accepted the Minute of 19 April 2017 as a true record subject to one minor adjustment at A001/17.

1.5 Action Log - Actions 084 and 087 of 2016 are to be closed. Actions 001, 003, 004, 005, 006, 008 and 010 of 2017 are to be closed. Actions 002, 007 and 009 are to remain open. The Board found the Decisions Log very helpful but all agreed that only the current decisions from 2017 were necessary to come to further Board meetings.

1.6 No declarations of interested were recorded.

2. Chair update [Oral]

2.1 The Chair met with the Director of Financial Strategy after the Board Strategy Session on 7 June and discussed a number of issues.

2.2 The Chair also met with members of the Welsh Assembly where they shared experiences and expertise on similar challenges faced. It was agreed that these discussions were useful and continued conversations should take place..

3a. ARC Update [Oral]

3.1 Lynn Bradley gave an update on the last Audit and Risk Committee meeting (7 June 2017) which discussed the first draft of the Revenue Scotland Annual Accounts. She reported that there were no issues with this work which was progressing well.

3.2 There was a report to the Committee on the Penalties project which received positive constructive discussion.

3.3 Internal Audit tabled a report on compliance activity where the Chair expressed that this was the best report received from them to date.

3.4 The ARC Chair highlighted some issues with the Audit Scotland's interim Audit Report for 2017 over its structure and the clarity and proximity of issues being discussed. The Board discussed this issue further, noting potential implications given that the Interim Audit Scotland report will now be published. The ARC Chair noted that a revised draft interim report was due imminently which she would wish to review, following consideration by officials. She would raise the broader issues with Audit Scotland and report back to the Board.

Action (A011/17): The ARC Chair report back to the Board on progress on agreeing the Audit Scotland Interim Report.

3b. SEC Update [Oral]

3.5 Jane Ryder gave an update on the last Staffing and Equalities Committee meeting (3 May 2017) which discussed the successful launch of the People Strategy at the recent Revenue Scotland Away Day which was held at the Scottish Storytelling Centre on 6 June.

3.6 The Chair discussed co-opting into the Staffing and Equalities Committee a further member with an HR background and sought Board approval to proceed on this issue. Two people have been identified as potential candidates which the Chief Executive would follow up on.

3.7 The Board were pleased with the progress being made and look forward to hearing more in the future.

Decision (D005/17): The Board agreed to the proposal to co-opt a member to the SEC assuming a suitable candidate is identified.

Action (A012/17): The Chief Executive to follow up on the co-option of a member to the SEC in consultation with the Chair of the SEC.

3c. Review of Terms of Reference – ARC and SEC

3.8 The Board were asked to review the amendments proposed by the relevant Committees to their Terms of Reference (ToRs). John Whiting raised the issue of differences in style and issues covered in the 2 ToRs. After some discussion, the Board agreed to approve the 2 ToRs, subject to changes being made to the Audit and Risk ToR to bring it into alignment with the Staffing and Equalities Committee.

Decision (D006/17): The Board approved the ToRs of the ARC and SEC, subject to changes being made to administration arrangements to bring them in line with each other.

4. Chief Executive Report

4.1 The CEO introduced her report to the Board which focused on a number of matters not covered elsewhere on the Agenda. These included staffing matters covering recruitment and the staff conference; progress implementing Air Departure Tax; legislative changes proposed to ADS, progress at the Budget Review Group and an update on tribunal cases. She also updated the Board on discussions to support the Cabinet Secretary in his forthcoming Budget statement.

4.2 The Board welcomed the Chief Executive's report and its content.

5a. Tax Update

5.1 The Head of Tax introduced this paper RS(02/17)03a which provided a detailed update on the key tax issues and decisions.

5.2 An update on the backlog of penalties was provided to the Board and it was reported that good progress had been made and that we are now moving to a more business as usual phase.

5.3 **[REDACTED]**

5.4 The Board discussed the progress and issues around the Tax Update and commended the good work undertaken on the penalties and compliance projects.

Decision (D007/17): The Board was satisfied that tax operations were being carried out in accordance with the Scheme of Internal Delegation.

5b. SLfT Enquiry Case – For Decision

5.5 The Head of Tax introduced this paper RS(02/17)03b along with the SLfT Team Leader and Dario Belli, Tax Specialist from Scottish Environment Protection Agency (SEPA). The Board welcomed Dario to the meeting.

5.6 The agreement of the Board was sought to a settlement of SLfT where the amount at issue, including penalties and interest, is above £500k and where approval is sought to apply the maximum reduction of the inaccuracy penalty to 50% for a prompted qualifying disclosure.

5.7 The Board discussed this at length and welcomed the paper. Both Revenue Scotland and SEPA team work is evident in this paper and the Board commend the way this case has been handled.

Decision (D008/17): The Board approved the settlement [REDACTED] of an SLfT enquiry (7998) including maximum reduction of the inaccuracy penalty to 50% for a prompted qualifying disclosure.

6. 2017/18 Draft Budget Paper

6.1 The Head of Strategy and Corporate Functions with the support from the Chief Accountant and the Finance Manager introduced this Draft Budget Paper.

6.2 The Finance Manager took the Board through the main points of the report and welcomed any feedback.

6.3 The Board discussed the Draft Budget Report in detail and agreed the allocation of budget against the stated headings. They were content to receive future reporting against the proposed budget structure noting that this was underpinned by additional cost centres.

6.4 The Board also agreed the proposed revisions to the Scheme of Internal delegation which would be reflected in the revised version to come to the Board in December 2017.

Decision (D009/17): the Board agreed the allocation of budget for 2017/18 against the stated cost categories and authorised the Chief Executive to manage resourcing within this budget, subject to the requirements of the Scheme of Internal Delegation.

Decision (D010/17): the Board agreed changes to the Scheme of Internal Delegation as follows: 1) it authorised the Chief Executive to manage staffing with the overall payroll budget; and 2) it authorised the Chief Executive to manage budget for the key projects within the total allocated budget rather than the individual cost categories.

7. Business Planning – sign off

7.1 The Head of Strategy and Corporate Functions gave an update to the Board on the Business Plan for 2017/18 following subsequent changes since the last Board meeting on 19 April.

7.2 The Board discussed the paper, particularly welcoming the clarity of information around the key projects. They expressed that they would like to see information on how the key projects supported the objectives/outcomes of the Business Plan.

7.3 The Board was content to approve the Business Plan for 2017/18 and to receive reporting against this framework.

Decision (D011/17): the Board approved the Business Plan for 2017/18.

Action (A013/17): Head of Strategy and Corporate Functions to provide further information on how the key projects support the objectives/outcomes of the Business Plan.

8. SETS Procurement update

8.1 The Head of Strategy and Corporate Functions and Head of ICT introduced the above paper which updated the Board on progress made on the SETS re-procurement and to provide the next steps for the project. They also introduced the Board to Laura Kidd who had been recently appointed the Service Design Lead for the project.

8.2 There was detailed discussion of the project by Board members, including contingency arrangement; governance, programme design and resourcing; and immediate next steps. It was agreed that the final decision of the procurement approach would be reserved for Chief Executive in consultation with the Board.

8.3 The Board approved the direction the procurement was taking and asked that a further update be provided at the August meeting at which time the scope of the procurement and the business case will be available for scrutiny.

Decision (D0012/17): the Board endorsed the direction the SETS procurement was taking

Decision (D0013/17): the Board agreed that the final decision of the procurement approach would be reserved for Chief Executive in consultation with the Board.

Action A0014/17): the ICT Manager to bring further update on the SETS Procurement project to the Board on 16 August 2017.

9. Risk Register – full review

9.1 The Head of Strategy and Corporate Functions gave a detailed overview of the full Risk Register asking if the Board is satisfied that risk is being adequately considered as part of the business of Revenue Scotland.

9.2 The Board welcomed the paper and discussed in detail key points on the Risk register, including risk changes, target risks, and risk maturity assessment.

9.3 There was discussion whether the current score for risk 6 (corporate governance and internal controls) could be reduced on the basis of the outcome of the recent ARC meeting. It was agreed to maintain this at the current level at the moment but review this again.

9.4 The Board asked that the “overall target date to reduce the risk to its target level” be reviewed also.

Decision (D014/17): The Board approved the Corporate Risk Register, subject to a) the target risk for risk 4 (ICT) being changed to 10, and b) a review being undertaken on the target risks specifically for risk 5, 7 & 10.

Decision (D015/17): The Board endorsed the assessment of risk maturity as “defined”.

Action (A015/17): The Head of Strategy and Corporate Functions to review the “overall target date to reduce the risk to its target level” on the risk cards.

Action (A016/17): The Head of Strategy and Corporate Functions to consider how best to incorporate risks on SETS procurement and Air Departure Tax into the corporate risk register.

10. Scottish Fiscal Commission (SFC) – data sharing agreement (MoU)

10.1 Revenue Scotland’s Head of Statistics introduced this paper asking the Board to consider the proposed Memorandum of Understanding (MoU) between SFC and RS, and whether it provides a reasonable basis to underpin the statutory duty placed on Revenue Scotland to provide information to the Scottish Fiscal Commission (SFC).

10.2 There was discussion of the MoU and a number of comments were made including on cost constraints, clearance processes and clearer recognition of the need to protect taxpayer information in the document. The Head of Statistics was asked to take forward discussion with SFC with a view to seeking to address these issues.

Decision (D016/17): The Board authorised the Chief Executive to agree the proposed MoU, subject to consideration of the issues at para 10.2.

Action (A017/17): the Chief Executive to bring a final version of the MoU to the Board for information once finalised and published.

11. Comms Update

11.1 The Corporate Affairs Manager provided an update on the delivery of Revenue Scotland Communications Strategy and highlighted upcoming activity.

11.2 The Board welcomed the update on the Revenue Scotland Scottish Parliament Event Proposal and look forward to firming up details ahead of the event on 26 September 2017.

11.3 The Corporate Affairs Manager updated the Board on the SLfT forum that is taking place in Perth on 28 June 2017. It is one year since the last forum and Revenue Scotland are expecting a substantial turn out.

11.4 On 28 June 2017, the Cabinet Secretary for Finance, Derek Mackay is visiting Revenue Scotland where he is keen to talk to staff to find out more about our work.

Decision (D017/17): The Board agreed the outline proposal for the event at the Scottish Parliament and looked forward to further updates as it progresses.

12. AOB

12.1 The Board asked for information about progress securing access to HMRC's Connect system from the Head of Tax. It was agreed that an update be brought to the 16 August 2017 Board meeting on this issue.

12.2 New timings for the fortnightly Board teleconference calls were discussed. It was agreed that these should move to every second Wed at 13:15 and last no more than 30 minutes.

12.3 The challenges of ensuring that Board members' laptops were fully functional was discussed. It was agreed to assist in this goal, Board members should bring their laptops in for each Board or Committee meeting, where they could, so they could be checked.

Action (A018/17): Head of Tax to update the Board on Connect Access at 16 August meeting.

Action (A019/17): Secretariat to diary in revised times for the Board teleconference to every second Wed at 13:15 for 30 minutes.

Action (A020/17): Board members to bring their laptops in for each Board or Committee meeting to allow check to be carried out.

Revenue Scotland

Drafted - 23 June 2017