

MINUTES

REVENUE SCOTLAND BOARD MEETING WEDNESDAY 25 MARCH 2015, 1E-09 SAH EDINBURGH

Present:

Dr Keith Nicholson [Chair]
Lynn Bradley
Jane Ryder OBE
Ian Tait
John Whiting OBE

Attended:

Eleanor Emberson, Chief Executive
Gareth Hill, Chief Accountant
Susan MacInnes, Head of Corporate Services
Janet Dunsmuir, Corporate Services Manager
John Paul Liddle, Tax Administration Programme Manager (Item 7)
Stephen Crilly, Revenue Scotland Solicitor (Item 8)
Niall Davidson, Security Lead (Item 9)
Chris Harrison, Assistant Architect (Item 9)
Chris Myerscough, Tax Processes Lead (Item 11)
Alistair Wilson, Deputy Director – Development (Item 12)
Sara Grainger, Management Information Lead (Items 12 and 13)
Alan Martin, Head of Communications (Items 14 and 16)
Neil Broadfoot, Communications Officer (Items 14 and 16)
Denise McCann, Corporate and Business Services Officer, Revenue Scotland [Secretariat]

1. Meeting Opening

- 1.1 The Chair welcomed Board members and officials to the meeting.
- 1.2 There were no apologies received.
- 1.3 The Board accepted the previous minutes as a true record.
- 1.4 The Board reviewed the Action Log. One action is an ongoing task and all other actions were completed or on the Agenda or Forward Plan. (see Action Log)

Action (53): Review Minutes to ensure that items are correctly split between those for publication and those to be kept confidential at this stage.

Action (54): Secretariat to arrange publication of previous Minutes on Revenue Scotland website.

Action (55): Action Logs and papers should be in font Calibri 11 or above and in a standardised “house style” format.

2. Chair Update

2.1 The Chair updated the Board with his activities since the last meeting including a meeting with the SEPA Chair in which the issue of technical guidance required over soil and soil treatment was raised. This issue and the proposed way forward will be discussed later in the meeting.

2.2 The Chair noted that he would follow-up IT issues during the meeting including regarding direct debits and information security .

2.3 The Chair reminded the Board that they had been invited to the Edinburgh Tax Network event this evening.

2.4 The Chair stated that he acknowledged and appreciated the hard work of the team in successfully putting live the latest version of the Scottish Electronic Tax System (SETS) this week.

3. Chief Executive Report

3.1 The Chief Executive thanked the Chair for the acknowledgement and reiterated that the whole team is working very hard. The Chief Executive updated the Board on a number of points:

3.1.1 The LBTT return form is now live for agents to draft returns. The Board indicated they would like an update regarding numbers of draft returns produced by the end of the week.

3.1.2 Discussions on intelligence handling with SEPA had now concluded and a proposal including costs would be brought to the Board in correspondence before the next meeting.

3.1.3 There will be a meeting on Friday with SEPA and tax policy colleagues to discuss administrative costs associated with the Scottish Landfill Communities Fund (SLCF).

3.1.4 As at close on 24 March there were 2693 registered LBTT users from 519 firms on SETS, with around 100 firms in the process of sign-up. The firms signed up or in process of signing up account for over 80 per cent of Scottish property transactions according to

RoS data. 16 Landfill operators were registered to pay SLfT with 10 in the process of registering, again as at close on 24 March. All remaining operators had been contacted by post twice and almost all followed up by phone.

3.1.5 The Direct Debit functionality is working and Gareth Hill is identifying some volunteer firms with expected transactions in the first few weeks after go-live to take part in a pilot before a full roll-out. Although Revenue Scotland does not require agents to use Direct Debit it is incentivised as the preferred method of payment.

3.2 The Board then discussed data security and the IT handover processes from the TAP Programme Team to the IT operations team. The Board agreed to the data security plan and noted that they are content with the IT handover process described.

3.3 The Chair thanked the Chief Executive for her report and stated that the Board recognises the significant work done on all fronts to ensure that the programme remained on track and all difficulties were overcome. The Board welcomes the updates on IT and the continued focus on data security. Although the Board recognises that there is still work to be done on the SLCF they are reassured that strong working relationships will help resolve any outstanding issues effectively.

Action (56): Chief Executive to include volumes of draft LBTT returns in her update to the Board.

4. Board Remuneration and Expenses

4.1 The Board discussed the Board Remuneration and Expenses document and noted amendments to include the maximum remuneration for year one and for subsequent years for clarity, to ensure that the requirement is to choose “an” economical method of travel rather than the ‘most’ economical and to include the full range of travel and subsistence standard rates. The Board also discussed the handling of remuneration and expense claims and agreed to standardise its approach to submission of claims.

Action (57): Secretariat to update the Board Remuneration and Expenses paper with Board amendments.

Action (58): Board members to return claims for expenses on a quarterly basis (including all receipts).

Action (59): Board members to send all outstanding expenses claims in before year end.

Action (60): Gareth Hill to devise and share expenses schedule for Board members (i.e. claims due no later than 10 days post quarter end).

5. Oral Report from the Audit and Risk Committee

5.1 Lynn Bradley reported that the inaugural meeting of the Audit and Risk Committee had been a constructive meeting with useful papers and good decisions made, including the

review of the Risk Management Framework. There was further work to do with both Internal Audit and Audit Scotland on the work programme for the year ahead. The Board suggested building in reflection time before and after the meeting and discussed membership, and the need to clarify roles and responsibilities, including those of observers.

5.2 The Board welcomed the oral report from the Chair of the Audit and Risk Committee and noted the productive nature of the meeting.

Action (61): Board members to look for corporate governance exemplars which could be adopted - and added to standing orders.

6. Audit and Risk Committee – Terms of Reference and Workplan

6.1 The Board discussed the Audit and Risk Committee (ARC) Terms of Reference and Workplan and suggested a few minor changes.

6.2 The Board discussed the need for an ARC Forward Look Calendar/Yearly Cycle of Documents, which will need to align with the workplans of both Internal Audit and Audit Scotland.

6.3 The Board agreed that ARC Minutes would come to the Revenue Scotland Board as a paper for information but would not be published. The ARC Chair's Report to the Revenue Scotland Board would be recorded and published along with the rest of the Minute, subject to any items that might need to be redacted.

Action (62): ARC members to discuss a Forward Look Calendar/Yearly Cycle of Documents at the next ARC meeting.

7. Tax Administration Programme Update

7.1 The Board reviewed the position on the Tax Administration Programme. The programme manager explained that a key focus has been on opening the IT system to allow draft returns. User Acceptance Testing has been progressing well and a final round is scheduled for Friday 27 March. Weekly review of progress against plan was continuing and the most recent highlight report showed that the programme is on track to deliver what is required for live operation by the end of March.

7.2 The Board congratulated the Programme team for the very effective management of this substantial programme of work, including the very tight focus on the delivery of individual products.

8. Schedules of Delegation

8.1 The Board discussed the Schedules of Delegation to the Keeper and to SEPA, noting that these provide the legal framework for the much more detailed agreements set out in the Memoranda of Understanding.

8.2 The Board approved the delegated functions paper, approved in principal that SEPA should be the regulator of the Scottish Landfill Community Fund and approved the proposals for the designation of officers under the Revenue Scotland and Tax Powers Act.

9. Business Continuity and IT Disaster Recovery Plan

9.1 The Board reviewed the draft Business Continuity Plan (BCP) and IT Disaster Recovery Plan (DRP). In discussion, the following key points were made:

9.1.1 The BCP is being developed using best practice and guidance from the Scottish Government and other public bodies, and seeks to reflect the relevant principles found in the current international standard (ISO22301). The BCP is a living document which will require development up to and after 1 April – including in particular refining plans for loss of accommodation, IT and loss of staff. It would be helpful to add extra detail in some practical areas, particularly the stage at which the Board would be alerted in the incident management plan and the arrangements for contact ‘out of hours’.

9.1.2 There is a mutual dependency between Revenue Scotland’s BCP and those for RoS and SEPA, so a check on alignment between the plans when RoS and SEPA finish current updates to their own BCPs would be important.

9.1.3 There should also be a check that Revenue Scotland’s own Business Impact Assessment aligns with the latest version of its own KPIs.

9.1.4 There would have to be an off-site, secure means of storing a hard copy or a remotely accessible electronic copy of the BCP.

9.1.5 On the IT DRP, the ability of our suppliers to react and the timescales for their response would be critical, and needs to be agreed and clearly documented. The Board would want this to cover issues such as physical access to servers out of normal working hours, telephony and email contingency and key document access.

9.2 The Board congratulated those involved in the work which has gone into creating these high-quality and comprehensive documents.

Action (63): Niall Davidson to update the BCP in light of the Board’s comments and to include reference to the guidance and best practice being followed in its development.

Action (64): Revenue Scotland officials to ensure that reaction times and service standards from suppliers to support the BCP and IT DRP are fully documented, either in these documents themselves or in the relevant SLAs, and to bring back to the Board for review.

10. 2015-16 Budget Scrutiny

10.1 The Board discussed the budget 2015-16 paper. The figures do not include devolution of further taxes. When compared with OECD figures, noting the limitations of comparison

between countries and for administration of only two taxes, operating costs for 2015-16 appear very reasonable for a new organisation.

10.2 The Board agreed the proposed allocation within the currently agreed budget but noted that there would have to be further consideration of Revenue Scotland's budget to ensure that it can meet what is expected of it in future.

Action (65): Gareth Hill include note of assumptions in future papers on budget.

11. SLfT Technical Guidance

11.1 The Board reviewed the treatment of qualifying materials containing 'small amounts' of other substances in the technical guidance on SLfT. Work had been done in the last three months with waste industry representatives, SG environmental policy officials and SEPA to try to clarify the guidance to remove ambiguity while ensuring that tax treatment aligns with wider environmental policy objectives. In discussion, the following key points were made:

11.1.1 HMRC has never quantified their equivalent of 'small amount' but they have announced the introduction of a mandatory Loss On Ignition (LoI) test.

11.1.2 LoI is not a suitable test for certain categories of materials, notably soils, but there was general acceptance in discussion that Revenue Scotland should introduce LoI for some other categories.

11.1.3 One possible solution is to use the Inert Waste Acceptance Criteria (WAC) test but there are mixed views on the behaviour this would drive, and potential risks either way if Revenue Scotland permits either too much or too little soil to qualify for the lower rate of SLfT.

11.1.4 This is a contentious issue with strongly held views, and it will be important for Revenue Scotland to understand all of the arguments fully before taking a final decision.

11.2 The Board valued the detailed discussion on the technical SLfT guidance and decided to carry out a full public consultation before making any substantive change to the treatment for SLfT of non-hazardous soils.

11.3 The Board was content to accept the proposal of using LoI testing to determine whether certain categories of non-hazardous trommel fines qualify for the lower rate, but for other non-hazardous materials determining what qualifies for lower rate using existing draft guidance on how to interpret 'a small amount' until the consultation is concluded.

Action (66): Board to see consultation paper by correspondence before it is published.

12. Corporate Plan and Key Performance Indicators (KPI)

12.1 The Board reviewed the latest draft of the Corporate Plan and KPIs. Jane Ryder had worked with the team since the last meeting to help streamline and reorder the material and give more prominence to the Adam Smith principles.

12.2 The Board discussed key points including the difference between performance measures and indicators and highlighting accountability to the Scottish Parliament, and agreed some amendments. The Board asked that further thought be given to ensuring that the level of ambition for this first three year period was made clear in the Corporate Plan.

12.3 The Board agreed the KPIs and KPI publication schedule and a final draft of the Corporate Plan would be brought back for approval at the April Board meeting.

Action (67): Ian Tait to send remaining minor amendments.

Action (68): Chief Executive to reflect on how to draw out ambition in the Corporate Plan.

13. Charter of Standards and Values

13.1 The Board welcomed a chance to review the consultation responses and were pleased to see many of the suggestions made incorporated into the Charter of Standards and Values. Subject to some minor alterations the Board is content to approve the Charter. The Board thanked Sara for her contribution to creating the Charter and KPIs.

14. Communications & Stakeholder Engagement Plan from 1 April onwards

14.1 The Board reviewed the Communications and Stakeholder Engagement Plan. Key points covered in discussion included:

- cover for out of hours media enquiries;
- arrangements for media monitoring;
- behaviour change as an important objective; and
- board attendance at stakeholder events, including the next meeting of the Devolved Tax Collaborative on 15 May 2015.

14.2 The Board recognised the work undertaken and endorsed the plan subject to some minor revisions. The Board noted that there is work to be done at a future date to develop a communications strategy looking beyond the first year of operation, particularly in light of possible further taxes.

14.3 Eleanor Emberson noted that Revenue Scotland officials would meet with HMRC and Scottish Government tax policy officials on communications around the Scottish Rate of Income Tax (SRIT), to make sure that Revenue Scotland was able to provide an appropriate level of support without confusing taxpayers or their representatives about HMRC's responsibility for SRIT.

Action (69): Board members to be invited to the next meeting of the Devolved Tax Collaborative.

Action (70): Chief Executive to update the Board as appropriate on communication plans including any on SRIT.

15. Year Ahead

15.1 The Board discussed the Board Forward Plan. It was suggested that the Board members' presentations be opened up to all staff.

Action (71): Diana Davies to move relevant meetings to VQ to allow staff to attend.

Action (72): All Board members to review the Forward Plan, considering dates and content, and provide feedback.

Revenue Scotland
March 2015