

Meeting of the Revenue Scotland Board MINUTE

11:00-16:00, 25 July 2018, Conference Room 3E-91, Victoria Quay, Edinburgh

Present:

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

In attendance:

Elaine Lorimer, Chief Executive, Revenue Scotland
Andrew Fleming, Head of Strategy and Corporate Functions, Revenue Scotland
Stephen Crilly, Solicitor, Revenue Scotland
Chris Myerscough, Head of Tax, Revenue Scotland
Gary Sharp, Governance Team Leader, Revenue Scotland
Donna Thomson, Policy Officer – Board Secretariat, Revenue Scotland
Alison Howard, SLfT Senior Tax Specialist, Revenue Scotland (for item 4 only)
Gary Walker, SEPA (for item 4 only)
Rebecca Walker, SEPA (for item 4 only)
Louise Carlin, Solicitor, Revenue Scotland (for item 5 only)
Anne Marie Hoey, Complex Tax Cases Team Leader, Revenue Scotland (For item 5 only)
Chris Somerville, Tax Specialist, Revenue Scotland (for item 5 only)
Erlend Barclay, Head of Communications and Engagement, Revenue Scotland (for item 7 only)
Darren Knox, Senior Assistant Statistician, Revenue Scotland (for item 7 only)
Sarah Ainsworth, Progressive (for item 7 only)
Darren Reid, Progressive (for item 7 only)
Avril Campbell, LBTT Team Leader, Revenue Scotland (for item 8 only)
Martin Davidson, LBTT Tax Specialist, Revenue Scotland (for item 8 only)
Louise Alonzi, Tax Administration Team Leader, Revenue Scotland (for item 8 only)
Stephanie Criddle, Strategy and Change, Revenue Scotland (for item 8 only)
Gareth Hill, Chief Accountant, Revenue Scotland (for item 9 only)
Ben Norris, ICT Operations Manager, Revenue Scotland (for item 10 only)
Alan Martin, Strategy and Change Lead, Revenue Scotland (for item 11 only)
Laura Kidd, Service Design Lead, Revenue Scotland (for item 11 only)

1. Meeting opening

1.1 The Chair welcomed Board members and officials to the meeting and opened proceedings. He informed members that John Whiting would arrive slightly later than scheduled.

1.2 The Board approved the minutes of 27 June pending some minor amendments.

1.3 In relation to the Action Log, the Board were content to close all 'propose closed' actions: these were 022, 037, 049, 051, 057 and 060. Some small changes were made to the log and will be reflected for the next meeting.

1.4 Actions 024, 035, 050, 052, 053, 054, 055, 056, 058 and 059 remain open.

Decision: (D037/18): The Board approved the draft minute from 27 June 2018 meeting subject to minor amendment.

Decision: (D038/18): The Board were content to approve all other proposed close actions.

1.5 There were no new declarations of interest.

2. Chair update (Oral)

2.1 The Chair provided an overview to Board members on recent events.

2.2 He highlighted the arrangements being put in place to meet with the Cabinet Secretary as part of the regular cycle of meeting, however in advance he outlined the recent meeting with the new Minister for Public Finance and Digital Economy, Kate Forbes, following the recent cabinet reshuffle.

2.3 The Chair also spoke of changes relevant to tax policy at a Scottish Government structural level and requested that we remain connected with our SG colleagues as these changes are delivered.

2.4 In finishing, the Chair informed officials that he had attended a very interesting Edinburgh Tax Network event.

3. CEO Report (Paper RS(05/18)03)

3.1 The Chief Executive introduced her paper providing Board members with an overview on Revenue Scotland business.

3.2 The CEO reassured officials that the Board Appointment process was being managed appropriately and taken forward by the Head of Governance.

Action: (A060/18): Head of Governance to take forward Board Members Recruitment with the Public Appointments Unit.

3.3 She continued to update members on a range of issues highlighting her recent meeting with Kate Forbes, the new Minister for Public Finance and Digital Economy.

3.4 The CEO proceeded by updating Board members on the People Strategy, highlighting the work planned with Animate and Fairness at Work issues relating to the Staff Survey results and also about developing our culture through workshops and having a safe space to discuss issues/barriers. A staff backstage group has been established to support this work. Board members suggested that we consider outlining good team/individual work by way of a team presentation coming to future Board meetings.

3.5 The Board welcomed this update and asked the CEO to provide details of total staff numbers (and breakdown) within her next report – providing subsequent updates on a quarterly basis the staff running totals.

Action: (A061/18): CEO to inform Board members through her next report of total staff numbers (including breakdown) and then quarterly moving forward.

Action: (A062/18): Team Presentations to come to future Board meetings regarding good team/individual working.

3.6 Board members were also pleased to hear that Tax related learning and development has also progressed well. They also welcomed the update on the Annual Report and Accounts where good progress is being made with the planned draft going to the Audit and Risk Committee in August.

3.7 Finally, the Parliamentary Reception in support of the launch of the 2017-18 Annual Report and Accounts is arranged for 2 October 2018 at the MacDonald Hotel where Board members will be present.

4. Scottish Landfill Communities Fund (Paper RS(05/18)04 inc. annexes A, B, B1, B2, B3, C and C1)

4.1 The Chair introduced this item and welcomed Gary Walker and Rebecca Walker from SEPA, along with the Alison Howard from Revenue Scotland. He thanked them all for the comprehensive papers that had been provided.

4.2 Alison Howard introduced the paper covering two issues – the end of year Scottish Landfill Communities Fund (SLCF) performance update, and a recommendation to the Board seeking revocation of an approved body.

4.3 On the performance of the Fund in 2017-18, the Board welcomed the update provided. In looking ahead to the next annual statement, tabled for Board consideration in March 2019, members asked for some further detail to be provided around wider participation in the Fund, the projects delivered to date and being delivered, with an eye to wider public benefit, and long term projections for the Fund. It was noted that a paper on SLCF would be coming to a Board meeting in the new year when the setting of the subvention rate would be discussed.

4.4 On the second matter to be considered, the possible revocation of an approved body (AB), Lynn Bradley provided an update on the discussion that took place at the recent Audit and Risk Committee meeting. She stated that the Committee felt that there was insufficient evidence at that time to support such an outcome and therefore further work by SEPA had been commissioned for an option short of revocation and that there had been agreement that the proposal should be submitted to the RS Board. SEPA confirmed that they had provided examples of controls that could be used to provide assurance to the Board in the paper but their recommendation remained revocation.

4.5 Following this, an overview of the paper and recommendation was provided. It was highlighted that the matter was brought to the Revenue Scotland Board for consideration because the decision to revoke an AB is reserved by Revenue Scotland, even where a separate body has been appointed to be regulator of the SLCF. It was acknowledged to be the first occasion that such a decision was being sought from the Board and that the outcome might set a precedent for future decisions of this nature. It was also acknowledged that where decision making will have interdependencies, it is important that both organisations should work together to ensure that compliance activity is aligned with both good regulatory principles and a clear understanding of roles and responsibilities.

4.6 Members emphasised their strong concerns regarding the activities of the Approved Body, as reported to them by SEPA. In coming to their decision, the Board deliberated a range of important and relevant factors. Through the course of their detailed discussion, they sought assurance that any impact of this conduct on the fund had been considered in the investigation. They enquired as to the potential bearing these transactions had had on the

fund, not only on the projects who seek support via the Approved Body but also on the local community who benefit from these initiatives. On this point, the Board were reassured that the impact had been assessed as minimal on this occasion, in that the funds had been repaid by the Approved Body to the SLCF account in full. Further to this, SEPA gave their assurance that the range of regulatory measures available to them meant that compliance could be achieved through the use of more stringent controls and further monitoring measures, with it confirmed that the matter would remain under close review.

4.7 Although the Board took the decision not to revoke the status of the Approved Body on this occasion, they made it clear that they recognised this non-compliant behaviour to be of a very serious nature, demonstrated further by the reporting steps taken by SEPA to notify both OSCR and Police Scotland of the incident. In taking the decision not to revoke the status of the Approved Body, the Board were given assurance from SEPA that they would engage with the Approved Body to implement a framework of enhanced controls that will address the identified weaknesses, in both it's the governance arrangements and financial processes. It was agreed that SEPA would write to the Approved Body to notify them of the Board decision and to initiate engagement with them around implementing improved controls. They would further keep the matter under review pending the outcome of the OSCR investigation. with the view to report back to the Board in three months' time.

Decision: (D039/18): The Board decided not to revoke the status of the approved body, acknowledging that this was contingent on the proposed additional tighter regulatory action on governance matters and financial controls, and the outcome of the OSCR investigation. It was also agreed that SEPA would provide an update to the Board at its December meeting.

Action: (A063/18): SEPA to consider how to improve the uptake of the option to contribute to the fund by landfill operators and to promote the fund and its successes more generally.

Action: (A064/18): Board members asked for further detail on the long term projections of the SCLF as part of the standard reporting to the February Board meeting.

Action: (A065/18): Secretariat to add A064/18 to their Forward Board Planner.

Action: (A066/18): Under Decision: (D039/18) Board members would like sight of this at the December Board meeting.

5. SLfT Case (Paper RS(05/18)05)

5.1 The Chair welcomed officials to the meeting and asked the Louise Carlin to introduce the item.

5.2 She provided an overview of the case to date and asked the Head of Complex Cases to provide an update on the decisions and the assessments being taken forward. In the process of closing the closure notices for Q1 and Q2, followed thereafter with all relevant assessments.

5.3 Board members recognised the efforts made and commended all those who have been involved.

5.4 The Board has extensive discussions and scrutiny of this case and were content to adopt the recommendations as presented.

Decision: (D040/18): The Board were content to endorse the actions proposed .

6. SEPA Review of Delegated Functions (Paper RS(05/18)06 inc. annexes A and B)

6.1 The Chief Executive introduced this agenda item providing an overview of the work undertaken to develop the report by Carol Lunney.

6.2 The Chair welcomed Carol Lunney to the discussion who was dialling into the meeting. Carol highlighted that the learning from the report has been taken from the first three years and is looking at the leadership structure and approach going forward established who is responsible for what.

6.3 The Board were happy to agree the report and for officials to take the recommendations forward.

Decision: (D041/18): The Board formally agreed the report and for officials to take the recommendations forward

7. Attitudes Survey Findings (Paper RS(05/18)07 inc. annexes B and C)

7.1 The Chair introduced this paper welcoming Sarah Ainsworth and Darren Reid from Progressive to the meeting.

7.2 Sarah from Progressive provided an overview of the attitudes survey, highlighting key findings and comparisons with other organisations. Her summary made the following key points:

- People who know RS, know exactly what the organisation does.
- Revenue Scotland is performing well in terms of awareness and understanding of what is performed across stakeholders.

- Revenue Scotland should focus future communications activity on stakeholders and less on the general public.

7.3 It was noted that future communications activity could be tailored to reach different audiences depending on area of interest and also geography – i.e. local communities.

7.4 John Whiting made the general point that SG should be concerned that awareness levels about tax in general are not where they would wish them to be – an indication that people are unaware of what is happening in the public sector.

7.5 The Communications and Stakeholder Engagement Manager spoke briefly about the MORI MSP survey, highlighting the positive trajectory of increased awareness and understanding of Revenue Scotland shown in the 2017 results compared to the 2016 MSP survey.

7.6 Revenue Scotland's Senior Assistant Statistician spoke briefly about the KPI survey, highlighting how Revenue Scotland is performing against the Charter of Values and other KPIs.

8. Tax Decisions (Paper RS(05/18)08, 09, 10 and 11)

8.1 LBTT Enquiry Closure – The LBTT Team Leader and the LBTT Tax Specialist introduced this paper seeking Board approval to close this enquiry.

8.2 The Board scrutinised and discussed the case and were content to follow the recommendations presented.

Decision: (D042/18): The Board approved the recommendation..

8.3 LBTT Opinion Case – The LBTT Team Leader introduced the opinion paper.

8.4 The Board discussed the findings and were content to approve the recommendation.

Decision: (D043/18): The Board approved the recommendation.

8.5 Penalties Project – The Tax Administration Team Leader introduced the Penalties Project Closure paper outlining the progress since the last update and more notably highlighting that the project is now closed and that the remaining actions have now moved to Business As Usual (BAU).

8.6 Board members were pleased to hear the update on this project and said this gave the Board assurance that the regime is now in place and that this has been an exemplar case study of the work of Revenue Scotland.

8.7 The Board noted the paper and recognised the additional assurance that the revised procedures have provided and commended the team involved.

Decision: (D044/18): Board members noted the closure of the project, welcomed the assurance provided by the report and commended the teams involved.

8.8 Daily Penalties – The Programme and Transition Management Lead introduced this paper outlining the analysis undertaken and the options available.

8.9 The Board discussed the paper and approved the recommendation.

Decision: (D045/18): The Board approved the recommendation to apply LBTT daily penalties for lease review returns.

9. Finance and Business Performance – Q1 report (Paper RS(05/18)12a and 12b)

9.1 Finance Update – The Chief Accountant introduced the paper on the Q1 Finance Update.

9.2 The Board members discussed the report and were content with the progress to date.

9.3 Q1 Performance – the Head of Governance introduce the Q1 report on Business Performance.

9.4 The Board welcomed a very clear and concise quality of reporting and were content with progress being made.

Decision: D046/18): The Board were content with the progress being made and actions being taken to deliver the business plan and KPIs.

10. Cyber Catalyst Update (Paper RS(05/18)13)

10.1 The Head of Strategy and Corporate Functions introduced this report to Board members inviting the ICT Operations Manager to provide a more detailed overview of progress to date.

10.2 He informed the Board that we are on track to achieve “Cyber Essentials” status and that “Cyber Essentials Plus” is an additional stage which we will work towards next. The ICT

Operations Manager assured Board members that we are working with all suppliers to secure their documentation imminently.

10.3 The Board had a detailed discussion and were content with progress being made.

Decision: (D047/18): Board members were content with the progress to date.

11. LEAP (Paper RS(05/18)14)

11.1 The Head of Strategy and Corporate Functions introduced this paper updating Board members.

11.2 The Board were content with the update paper and the progress being made to date.

Decision: (D048/18): The Board were content with progress to date.

12. AOB

12.1 Work to develop a suitable and proportionate solution for Board information security and management were outlined. The Governance team is to develop the way forward.

End of Meeting

**Revenue Scotland
4 August 2018**