

# Revenue Scotland

Annual Report and Financial Statements  
for the year ended 31 March 2018

## Resource Accounts

RS/2018/02

Revenue Scotland is a Non-Ministerial Department of the Scottish Administration

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# Statement from the Chair

It is my pleasure to present Revenue Scotland's *Annual Report and Financial Statements of the Resource Accounts for 2017-18*.

Revenue Scotland has now completed its third operational year and successfully reached the end of its first full corporate planning period as Scotland's tax authority.

The 2017-18 reporting period was busy and varied, and the focus of our efforts was on balancing the completion of our corporate priorities for 2015-18 with work to ensure Scotland's devolved taxes were collected efficiently and effectively to fund Scotland's important public services.



We have developed a new Corporate Plan for 2018-21 which Scottish Ministers recently approved and we are already delivering on our new priorities. I look forward to reporting on these in future years.

Efficient and effective tax collection is at the heart of Revenue Scotland's work and in 2017-18 the total revenue raised for LBTT and SLfT increased to £707m compared to the £633m raised in 2016-17. This is an increase of 11.7% in revenue raised to support Scotland's public services and brings the overall funds transferred to the Scottish Consolidated Fund to £1.8bn since the start of devolved tax operations in 2015.

The 2017-18 period saw a series of updates and amendments to tax legislation and Revenue Scotland worked to ensure the operational systems and processes developed in our first two years were revised to accommodate these changes.

The organisation completed an extensive programme of activity to prepare for the introduction of Air Departure Tax (ADT). Throughout the process staff displayed a resilient and flexible approach to balance business-as-usual workloads with the pressures associated with a new tax. The decision in December 2017 by UK and Scottish Ministers to postpone ADT introduction will be well known but the work completed over the 12-month period has advanced our preparedness and placed Revenue Scotland in a strong position when a new introduction date is announced.

Revenue Scotland adopts a collaborative approach across all of its work and the ADT programme required extensive engagement with existing stakeholders and the forging of new relationships – for example with aircraft operators and airlines. The same approach was also key to the three-year review of LBTT leases, preparations to replace the Scottish Electronic Tax System (SETS) and the LBTT First-Time Buyer relief.

For the LBTT lease review, Revenue Scotland worked to raise awareness with stakeholders including business owners, commercial tenants and the agricultural sector. It also made direct contact with individual tenants across Scotland to inform them of the change ahead of the 1 April 2018 introduction date. Staff also worked closely with Registers of Scotland so that procedures were in place to support LBTT paper transactions.

# Statement from the Chair

After three years of operation, Revenue Scotland can now draw on valuable information about the administration and collection of tax, applying knowledge, experience and lessons learned to improve business processes.

As an organisation, we are always optimising our service to taxpayers and this approach is integral to our preparations for the eventual replacement of the Scottish Electronic Tax System (SETS). The re-procurement of the existing online tax system is a necessity triggered by the ending of the original contract. However, it also creates a unique opportunity for Revenue Scotland to redesign the way we deliver our tax services by building on the strong foundation and achievements of the existing system to maximise business efficiency and enhance administration and collection.

The new system will be integral to the organisation and staff have collaborated extensively with taxpayers, agents and organisations at all levels to ensure that the way we deliver services in the future are shaped by those who are using them now.

I want to take this opportunity to thank everyone involved for giving their time so generously across this and other important areas of work, and also to Revenue Scotland staff for their hard work in coordinating and managing such diverse workloads successfully.

I would also like to thank those who have freed up their time to help us shape and develop the strategic priorities for the 2018-21 Corporate Plan. I referred to this earlier and I look forward to reporting on what I believe to be dynamic and forward-looking priorities setting a positive course for Revenue Scotland as an efficient and effective tax authority serving Scotland.

I also look forward to continuing to work with my fellow Board members and demonstrating our continued commitment to the delivery of excellent standards of service over the next 12 months and beyond, minimising tax avoidance and evasion and protecting Scotland's tax revenues.

The Revenue Scotland Board congratulates and thanks Elaine Lorimer and her team for their commitment and achievements during 2017-18.

**Dr Keith Nicholson – Chair of Revenue Scotland**

# The Performance Report

## Overview

Revenue Scotland has changed the structure and format of the *Annual Report and Financial Statements of the Resource Accounts for 2017-18* and the *Annual Report and Financial Statements of the Devolved Tax Accounts for 2017-18* to improve layout and navigation.

Importantly, the Statements from the Chair and Chief Executive now only appear in this document but provide a narrative and commentary about the operational performance of Revenue Scotland as a Non-Ministerial Department, and also the performance of the devolved tax revenue during 2017-18.



The changes adhere to the Accounts Direction for both sets of accounts, copies of which can be found at the end of both documents.

## Statement from the Chief Executive and Accountable Officer

The publication of the *Annual Report and Financial Statements of the Resource Accounts for 2017-18*, and *Annual Report and Financial Statements of the Devolved Taxes for 2017-18* provide an opportunity to reflect on Revenue Scotland's achievements of the last 12 months and to set out our strategic direction for the next year.

As Chief Executive, I take a great pride in us having completed our first corporate planning period as a tax authority. It is a real testament to my staff, to Revenue Scotland's operational partners and stakeholders, to Ministers and to the Scottish Parliament in enabling us to deliver our priorities over the first three years.

## Achievements during 2017-18

Before I provide more information about our performance in 2017-18, I am pleased to highlight that:

- the total combined tax revenue for LBTT and SLfT in 2017-18 was £707m compared to £633m for 2016-17, an increase of 11.7% in revenue to support Scotland's public services;
- Revenue Scotland introduced new processes to improve tax compliance and the tax revenue raised through its compliance activity increased from £1.9m in 2016-17 to £2.4m in 2017-18;
- successfully developed and implemented new tax procedures and processes for the LBTT lease review, and also developed and published new lease review guidance;
- took forward significant preparatory work for the eventual replacement of the Scottish Electric Tax System (SETS) system;
- increased outreach and engagement activity, including through the establishment of the British Isles Tax Authority Forum;
- Revenue Scotland achieved Officials Statistics status for the publication of its regular LBTT and SLfT statistical publications, and held its first statistical and management information event.

# The Performance Report

## **SETS replacement**

As an organisation which works hard to provide efficient and effective tax services, Revenue Scotland has completed extensive and critical work in 2017-18 to prepare for the replacement of SETS.

In the early days of the organisation, the success of the original SETS quickly became apparent through the very high number of returns submitted online. That trend has continued and in 2017-18 99.1% of all tax returns were submitted online.

The legal obligation to re-procure the system is a direct result of the current contract with the existing supplier coming to an end in August 2019, having been extended to its maximum possible term.

This created significant opportunities to re-evaluate not only the system itself but also the wider administrative and operational processes built around it. During 2017-18 a dedicated team was established in Revenue Scotland to lead this project. During the reporting period, their work has been intensive and has included consultations with staff, stakeholders and those who use SETS regularly. This aspect of the project has been crucial in building an understanding of user needs so that the online system can be refined, strengthened and, ultimately, improved along with the way tax services as a whole are delivered by Revenue Scotland as a whole. The new system is expected to be fully operational in 2019.

The replacement of SETS has resulted in an increase to Revenue Scotland's annual budget and this is to be expected. The new system must be implemented successfully and it must be operationally effective to support and enable the collection of tax. As an organisation which has consistently managed its annual budget allocation efficiently, I am confident that the new system is a valuable investment which will deliver direct benefits to Scottish taxpayers.

## **Changes in Tax Legislation**

Another key priority for 2017-18 was the significant work to prepare for the administration and collection of Air Departure Tax. A revised date for the introduction of ADT has yet to be set but the work delivered is by no means a wasted effort.

Before the decision to postpone introduction, Revenue Scotland staff worked closely with Scottish Government officials, aircraft operators and many others to revise our existing tax systems, developing new processes and guidance, and training staff to collect and manage ADT. Shortly before the postponement, the programme received a 'Green' rating in an external Gateway Review, signalling a state of readiness to deliver and a strong endorsement of the standard of work carried out. The outputs of the programme were archived and work on the programme has been suspended until Ministers agree a revised introduction date.

# The Performance Report

The organisation also developed and then implemented changes to systems, processes and guidance for three-year reviews of LBTT leases, and conducted awareness-raising work with commercial LBTT tenants about the legal obligation to submit a further LBTT return every three years.

This work required extensive collaboration with organisations including the Law Society of Scotland and the Chartered Institute of Taxation (CIOT) to ensure the system changes met user needs and to inform the focus and targeting of engagement and awareness-raising activity. The changes were successfully implemented into Revenue Scotland systems on 1 April 2018 and we have seen a steady stream of lease review returns being submitted since then.

## Excellence in Tax Statistics

Revenue Scotland was also recognised for the excellence in producing data and statistics. During the reporting period the quality of work produced by the Revenue Scotland Statistics and Management Information team was highlighted when we became a recognised and official publisher of Official Statistics. The team held a well-received Statistics Users Day in November 2017 to raise awareness and understanding of their work among invited stakeholders.

Now that we have completed our 2015-18 Corporate Plan period and are progressing through the new 2018-21 corporate planning cycle, it is vital that Revenue Scotland has the right staff, skills and expertise to deliver its work effectively. In 2017-18, our preparedness was strengthened through the development of our People Strategy. Launched at the organisation's first annual staff conference in June 2017, the strategy reflects our commitment to learning and development, aiming to increase job satisfaction and performance, and enable strategic workforce planning.

The results of the latest People Survey show tangible improvements in inclusion and fair treatment of staff, and the Staffing and Equalities Committee is overseeing the delivery of work to create a positive and inclusive culture. This is an area where I look forward to further improvements in the coming months and years.

## Stakeholder Engagement

The last 12 months saw continued work to raise awareness and strengthen our key relationships, both with partner organisations and broader stakeholders. Our technical tax forums were well attended and well received externally, and we also held events tailored to specific pieces of work such as the LBTT lease review.

Our engagement with the Scottish Parliament and with MSPs occurred through formal engagement with the Finance and Constitution Committee, for example a written submission for Stage 1 of the Air Departure Tax (Scotland) Bill, and an update on our preparations for Air Departure Tax, and also via face-to-face activity such as the parliamentary reception to launch the 2016-17 Annual Reports and Accounts. A Revenue Scotland exhibition and information stand set up in the Scottish Parliament in March 2018 was also well attended by MSPs including the First Minister, Deputy First Minister and the Cabinet Secretary for Finance and the Constitution.

# The Performance Report

Our engagement activity in 2017-18 has also raised our profile with other tax authorities as we share our experience and expertise, and facilitate learning. This culminated in Revenue Scotland establishing the British Isles Tax Authority Forum, with the first meeting held in Edinburgh in October 2017.

The Forum brings together officials from Revenue Scotland, HMRC, the Welsh Revenue Authority, Northern Ireland Executive, the Isle of Man Government and the States of Guernsey and the States of Jersey Tax Offices to share knowledge and experience about the collection of tax, promote learning and improve service delivery.

Finally, on our current work which focuses on improving services, Revenue Scotland has refined its compliance approach, developing new education and awareness-raising activity to address recurring errors in tax returns. This helps the organisation to better understand and address the underlying causes. The activity will be rolled out more extensively during the 2018-19 period and will be supported by using the tax forums and tax bulletins to highlight relevant information and the streamlining of the administrative process for penalties.

The last 12 months have been intensive and busy but also incredibly productive for us. We have applied our own knowledge and experience effectively to improve our services and I want to thank my staff for successfully delivering such significant priorities while capably balancing the day to day administration and collection of the devolved taxes.

Now that the 2017-18 reporting period has come to an end, I am genuinely struck by the fact that Revenue Scotland is only three years old. Our achievements in 2017-18 speak for themselves and the organisation is already well advanced in the delivery of its 2018-21 priorities.

While the focus of these documents is on the last 12 months, it is important to highlight the work done to develop the 2018-21 Corporate Plan as this sets our strategic priorities for the coming three years. Staff leading this work have consulted extensively with partners and stakeholders to define these priorities to ensure Revenue Scotland develops in the most effective and valuable ways during the next three years. I look forward to delivering and reporting on these priorities in future annual reports.

**Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer**  
**12 September 2018**

# The Performance Report

## Revenue Scotland's Purpose and Activities

### Who we are and what we do

Revenue Scotland is responsible for the collection and management of Scotland's devolved taxes – currently Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT).

The tax authority was established by the Revenue Scotland and Tax Powers Act 2014 (RSTPA), which created the legislative framework for devolved taxes in Scotland.

As a Non-Ministerial Department, Revenue Scotland is part of the Scottish Administration and is directly accountable to the Scottish Parliament to ensure the administration of tax is independent, fair and impartial.

### Our Operating Environment



# The Performance Report

Revenue Scotland delegates specific legislative functions for the collection of SLfT to Scotland's principal environmental regulator, the Scottish Environment Protection Agency (SEPA). Other LBTT functions are delegated to Registers of Scotland (RoS) to enable the processing of paper-based tax returns.

The Scottish Government is responsible for tax policy and the setting of tax rates. Responsibility for forecasting tax revenues was the responsibility of the Scottish Government but from 1 April 2017, the [Scottish Fiscal Commission](#) (SFC) assumed responsibility for providing independent forecasts of tax revenue in line with the Fiscal Framework.

To support this forecasting work, Revenue Scotland provides the SFC with the SLfT and LBTT data that it requests specifically for forecasting and forecast evaluation purposes. In keeping with Revenue Scotland's Data Analysis Strategy, this data is provided in aggregate form to ensure the protection of taxpayer information and the data is made publicly available on the statistics pages of the Revenue Scotland website.

## How we are governed

The Revenue Scotland Board comprises five members, with each appointed by Scottish Ministers following a Public Appointments process as set out in the Remuneration and Staff Report.

The Board is responsible for the strategic direction, oversight and governance of Revenue Scotland. Board members provide specialist knowledge and act as ambassadors, promoting the policies and values of the organisation.

The Board has two committees: the Audit and Risk Committee and the Staffing and Equalities Committee. Each committee provides detailed and specialist consideration of key areas of work and report these to the Board.

The Chief Executive is not a Board Member but is accountable to the Board and, in a personal capacity, is the Accountable Officer. The Chief Executive is responsible for the day-to-day operation of Revenue Scotland and leadership of the organisation.

Details about the activity and impact of the Board, committees and staff are contained in the Performance Analysis and Accountability Report sections.

## How we are funded

Revenue Scotland is funded via the Scottish Consolidated Fund. It is part of the Scottish Administration and has its own budget set out in the annual Budget Bill. When setting budgets in a Spending Review period, and as part of the draft Budget process, Revenue Scotland is invited to identify its resource needs. Scottish Ministers consider these needs along with the resourcing needs of other public bodies and portfolios when setting out their spending plans for the period under review. It is then for Scottish Ministers to determine the budget proposals to be submitted to the Scottish Parliament for consideration and approval within the Budget Bill, including the proposed budget for Revenue Scotland.

# The Performance Report

Revenue Scotland has full authority to incur expenditure on individual items, subject to the limits imposed by the budget allocated to the organisation by the Scottish Parliament and other guidance from Scottish Ministers.

Revenue Scotland is responsible for managing its budget for each financial year to deliver its statutory functions and for ensuring that expenditure does not exceed the approved parliamentary budget.

## Revenue Scotland's Purpose and Strategic Objectives

The purpose of Revenue Scotland, as set out in the RSTPA, is “to efficiently and effectively collect and manage the devolved taxes which fund public services for the benefit of the people of Scotland.”

This aligns with the Scottish Government's strategic purpose “to focus Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth” and the National Performance Framework outcomes:

- We live in a Scotland that is the most attractive place for doing business in Europe; and
- Our public services are high quality, continually improving, efficient and responsive to local people's needs.

Revenue Scotland's Strategic Objectives for the 2017-18 reporting period are also aligned with these outcomes and are set out in Revenue Scotland's 2015-18 [Corporate Plan](#) which was approved by Scottish Ministers and laid before the Scottish Parliament in 2015.

### 2015-18 Strategic Objectives

These are to:

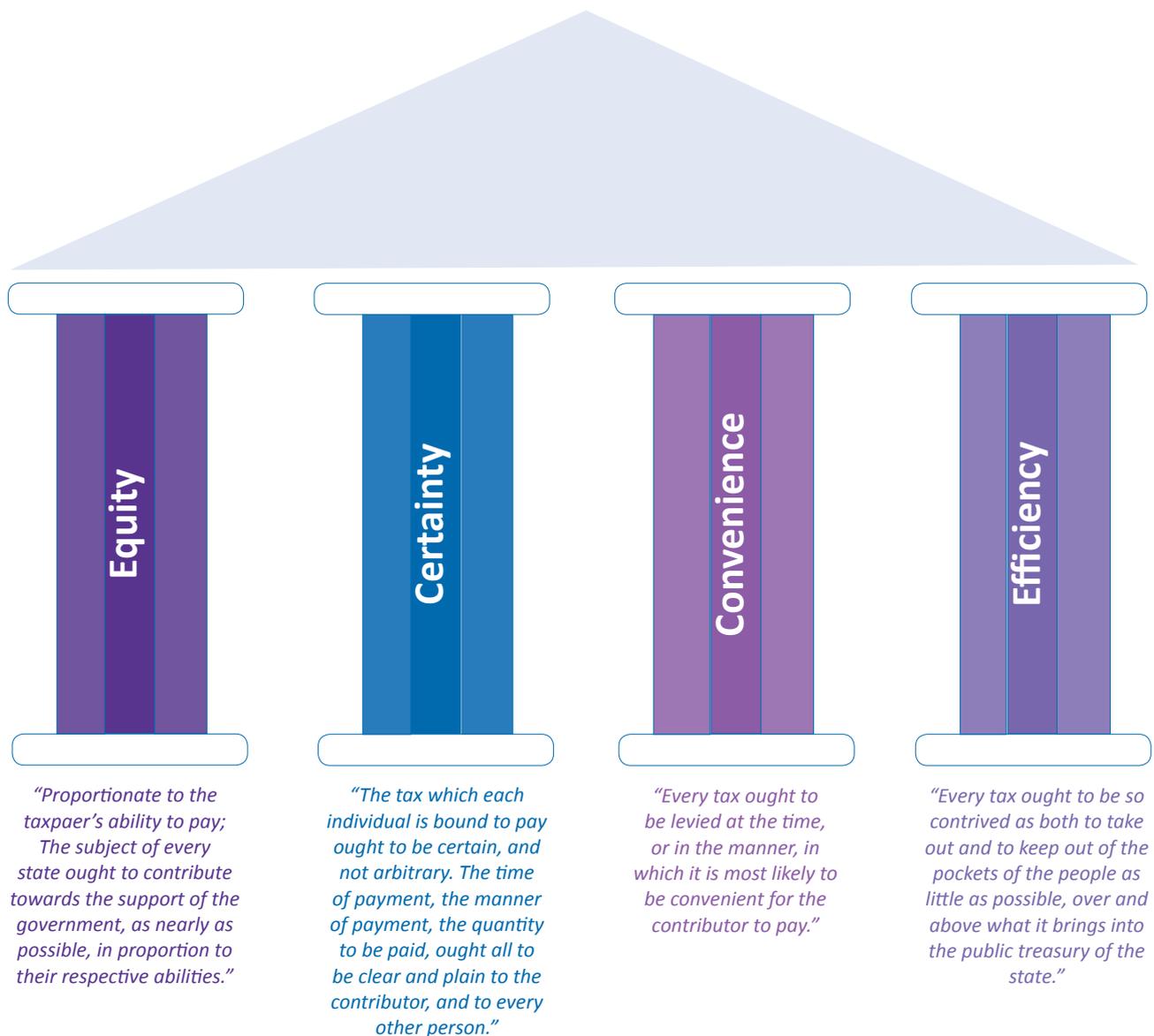
- Collect the right amount of tax from the full taxpayer base for each of the devolved taxes, using online technology to best effect;
- Ensure compliance in payment of the correct amount of tax at the right time, resolving disputes as cost-effectively as possible;
- Build an effective, efficient tax authority with a reputation for high-quality public services to taxpayers and the people of Scotland; and
- Attract, develop and retain a knowledgeable and skilled workforce who are engaged and motivated to deliver the functions of Revenue Scotland to the highest standards of professionalism and integrity.

# The Performance Report

During 2017-18 Revenue Scotland developed its new [Corporate Plan](#) for 2018-21, working with the Board, staff and a range of external stakeholders including the Law Society of Scotland (LSoS), the Chartered Institute of Taxation (CIOT), the SFC and Scottish Government.

The new Corporate plan was published in April 2018 and includes four new strategic objectives – Excelling in Delivery, Investing in our People, Reaching Out and Looking Ahead. These set the direction for the organisation over the next three years and will be reported on in future annual reports.

In delivering the strategic objectives of the 2015-18 Corporate Plan, and in all of its work as a tax authority, Revenue Scotland adheres to the principles of equity, certainty, convenience and efficiency set out in Adam Smith's Wealth of Nations.



# The Performance Report

## How we deliver our purpose

### Collecting Scottish taxes

Revenue Scotland works in partnership with both RoS and SEPA to collect and manage LBTT and SLfT and has delegated specific functions to them under the Revenue Scotland and Tax Powers Act 2014 (RSTPA).

During the year Revenue Scotland collected £707m (2016-17: £633m) of tax revenue of which £557m (2016-17: £484m) related to LBTT and £148m (2016-17: £149m) related to SLfT.

### Efficient and Effective Collection of Tax

Revenue Scotland ensures that payment of the devolved taxes is as convenient as possible, while ensuring it operates within the legislative framework. This is achieved by providing and maintaining easy to use legislative guidance, well-structured tax processes and an effective and user-friendly online tax return system (SETS). Revenue Scotland updates and refines its guidance on an on-going basis, using feedback from taxpayers and operational experience to ensure it is accurate and fit for purpose.

During 2017-18 the organisation delivered a project to improve the administration of penalties for late returns and late payment of tax. This resulted in the introduction of simplified penalty notices providing taxpayers with a summary of all penalties on a single notice. Revenue Scotland also introduced a degree of automation into the preparation of penalty notices which has significantly reduced the potential for errors and increased the speed at which notices are issued compared to the manual processes used previously.

As part of the project, the organisation identified and issued penalties for a number of legacy cases from the previous reporting period and this has resulted in a higher number of penalties reported for 2017-18.

The work also highlighted a number of recurring errors in the submission of tax returns from some taxpayers and agents. Revenue Scotland addressed this issue during 2017-18 through a programme of agent outreach and education and this will continue during 2018-19.

### Optimising Service Delivery

During 2017-18 the organisation began a programme of work to redesign and optimise its service delivery through the realignment of business practices, processes and guidance, and the eventual replacement of the Scottish Electronic Tax System (SETS). The contract with the existing supplier has been extended to its maximum term and therefore needs to be re-procured. Revenue Scotland is using the opportunity this presents to re-evaluate and refine the administration of Scotland's devolved taxes and the service provided to stakeholders.

# The Performance Report

Building on the strong foundation of the existing SETS system, the work will deliver increased efficiency, better communications and enhanced customer services, and will be developed in close consultation with users to understand the needs they have in terms of the system, processes and the transition from the existing to the new system which is due to be operational from April 2019.

## Communicating with taxpayers and agents

Revenue Scotland carried out a range of activities to deliver its communications priorities during 2017-18, providing information to taxpayers, agents and other stakeholders.

The Revenue Scotland website contains in-depth corporate information about the organisation – for example corporate publications, upcoming events and details from Board meetings – as well as technical tax information such as legislative guidance and tax bulletins. During the reporting period the website received 560,000 visits, with the most visited sections being the general LBTT information page and the LBTT property transaction calculator.

The organisation continues to develop and grow its social media presence on Twitter and YouTube, directing traffic to specific sections and content on the website when updates are made. New content has also been added to the YouTube channel during the same period, and plans are in place to grow this during 2018-19.

Revenue Scotland also holds tax forums on LBTT and SLfT every six months, providing stakeholders with updates on technical and legislative aspects of the devolved taxes. This is supported through the production and distribution of a regular LBTT technical tax bulletin.

The organisation also receives technical tax enquiries through the LBTT and SLfT mailboxes, written correspondence to the tax teams and occasional tax queries submitted through the website or social media channels.

Taxpayers and agents can also phone the dedicated Revenue Scotland support desk for information and assistance on the devolved taxes. In 2017-18 the support desk received 8,504 calls, up slightly compared to 7,926 in 2016-17.

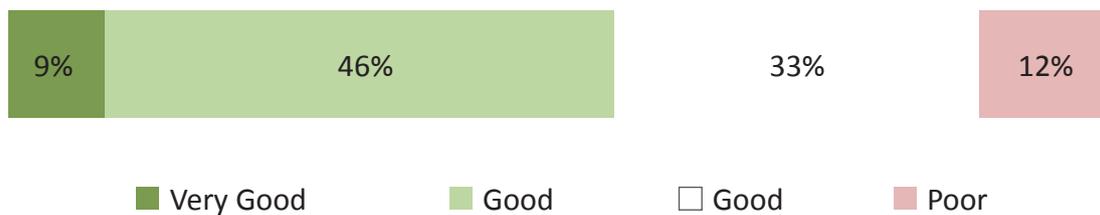
Further information on our performance for 2017-18 can be found on page 28 in the [Performance Analysis section](#).

To assess current communications activity, support continuous improvement, and to assist the development of the new 2018-21 Communications Strategy, the organisation conducted two surveys – an independent market research survey to gauge public perceptions and a stakeholder survey to support the monitoring and measurement of Key Performance Indicator (KPI) activity.

# The Performance Report

Graph 1 below shows the results of the KPI stakeholder survey, part of which assessed the quality of the organisation’s guidance. Of those who responded, 55% rated the guidance either “very good” or “good”, with a further 33% rating it as “fair”. Revenue Scotland continues to take forward work to improve the effectiveness and usefulness of its guidance, seeking and responding to taxpayer feedback on a regular basis.

**Graph 1: Stakeholder feedback on Revenue Scotland guidance.**



The market research survey sought views about the organisation from a sample of 408 stakeholders, and separately conducted a poll via YouGov of a sample of 1000 people representative of the Scottish population, seeking their views about the tax authority.

The results included:

55% of stakeholders knew Revenue Scotland “well” or “fairly well”;

81% of stakeholders said they were either “very confident” or “fairly confident” that they knew Revenue Scotland’s remit;

Of the four pillars set out in Adam Smith’s Wealth of Nations, stakeholders ranked certainty as the most important.

## Opinions service

Revenue Scotland offers an opinions service for complex tax queries where a taxpayer or their agent has consulted the guidance but is still uncertain about their tax liability for a specific transaction. The service aims to resolve genuine cases of difficulty or uncertainty rather than providing a checking service for all cases. Table 1 shows that there was a slight decrease in the number of Opinion requests received overall during 2017-18. The reasons behind the decrease include that agents and taxpayers are more familiar with the guidance and that technical tax updates are shared with stakeholders through regular bulletins and that. While numbers have reduced, the cases received tend to be more complex in nature.

# The Performance Report

**Table 1: Opinion Service Activity in 2017-18 and 2016-17**

	2017-18	2016-17
Cases b/fwd	10	2
Requests received	64	80
Finalised – taxpayer view supported	52	35
Finalised – taxpayer view not supported	16	37
Open/further information requested c/fwd	6	10

## Compliance activity

Revenue Scotland collects the devolved taxes as levied by the Scottish Parliament and encourages a culture of responsible taxpaying where the burden of tax is shared equally and people and businesses pay their taxes as the Scottish Parliament intended. The organisation works to make it as easy as possible for taxpayers to comply with their obligations and pay the right amount of tax, while at the same time working to detect and deter non-compliance.

The organisation has a statutory responsibility to apply penalties to encourage timely payment of taxes and compliance. Penalties can be levied in circumstances including, but not limited to: where a return has been submitted late; where tax has been paid late; where a tax return contains an inaccuracy; and where tax has been under-declared. The legislation provides for a basic flat rate penalty of £100 for a late return and escalating penalties for longer delays.

In 2017-18, Revenue Scotland issued notices charging penalties and interest of £1,754,000 (2016-17: £342,000).

As highlighted on page 12, the work to identify and issue penalties for a number of legacy cases resulted in an increase in the number of penalties administered during 2017-18.

The statutory duties and powers of Revenue Scotland are set out in the RSTPA. This includes equipping the organisation with various investigatory powers to make enquiries into submitted tax returns. Revenue Scotland uses a risk-based approach in its compliance activity and works closely with RoS and SEPA to fulfil its statutory duties efficiently and effectively to protect Scottish tax revenue.

In 2017-18, work was carried out to refine our approach to compliance which focused on:

- Agent and taxpayer outreach to better understand the reasons for common failures that give rise to penalties (late submission of a return/late payment of tax) to assist the identification and introduction of measures to help prevent/reduce these in future;
- Use of tax forums and bulletins to raise taxpayer and agent awareness of common errors to help them avoid the same errors from occurring;
- Streamlining of administrative processes for penalties to ensure these are issued on a timely basis and provide the taxpayer and their agent with the required information;

# The Performance Report

- Improvements to administrative processes so that internal reviews of Revenue Scotland decisions are conducted in a timely and effective manner following a request from a taxpayer.

The key performance indicator of direct compliance yield measures revenue raised as a direct result of determinations, assessments, adjustments and penalties where non-compliance has been identified. This has generated £1.162m of tax in the year 2017-18 (2016-17: £1.529m ) and £1.204m of paid penalties and interest (2016-17: £420,000 ), giving a total direct compliance yield of £2.366m (2016-17: £1.949m).

## Governance Group and complex cases

Revenue Scotland does not have criminal investigation powers and is not a specialist reporting agency. The organisation has therefore established a multi-agency Governance Group which brings together representatives from Police Scotland, HMRC, SEPA and the Crown Office and Procurator Fiscal Service. The group meets to consider cases involving tax avoidance or tax evasion.

Revenue Scotland seeks the advice and support of the Governance Group members to ensure the most appropriate sanctions are applied, ranging from civil penalties to criminal prosecution. Cases involving tax fraud are reported to Police Scotland and Revenue Scotland provides support to assist criminal investigations.

## Managing disputes

There are three routes that a taxpayer can take in the event of a dispute - request a review, mediation or appeal decisions to the Tax Chamber of the First-tier Tribunal for Scotland.

Information on the number of disputes and time to their resolution is contained in the Performance Analysis section of this report.

The Tribunals (Scotland) Act 2014 introduced the First-tier Tribunal for Scotland and the Upper Tribunal for Scotland, collectively known as the Scottish Tribunals. The Tax Chamber of the First-tier Tribunal for Scotland decides appeals against Revenue Scotland decisions, whereas the Upper Tribunal decides appeals on a point of law from decisions of the First-tier Tribunal.

Decisions which may be appealed to the Tax Chamber of the First-tier Tribunal for Scotland are listed in section 233 of the RSTPA. An appeal may be taken regardless of whether or not a statutory review of Revenue Scotland's decision has been sought or if mediation has been entered into. Section 233 of the RSTPA also provides that certain decisions are not capable of appeal.

During the 2017-18 reporting period, six appeals were initiated in the Tax Chamber of the First-tier Tribunal for Scotland. The Tribunal made decisions on seven appeals (three of which related to notices of appeal submitted in 2016-17). At the end of March 2018, two cases were still in progress.

Two cases progressed to the Upper Tribunal for Scotland in 2017-18 and those cases are still in progress. One case progressed to the Upper Tribunal in 2016-17 and a decision was given in that case in 2017-18. Revenue Scotland did not receive any requests for mediation in 2017-18 or in 2016-17. (Further information about disputes is available on [page 34](#))

# The Performance Report

As an organisation which regularly reviews its working practices to support operational improvement, Revenue Scotland welcomes the clarification that the tribunals provide in the application of legislation.

More information about the Tribunals and the decisions taken can be found at:

[www.taxchamber.scot](http://www.taxchamber.scot)

## Stakeholder engagement

During 2017-18 Revenue Scotland continued to deliver its stakeholder engagement priorities, and carried out work to assess the effectiveness of its communications and also to gauge public perceptions of the organisation. This will feed into the development of a new Communications and Stakeholder Engagement Strategy to support the delivery of the 2018-21 Corporate Plan.

Communications priorities delivered during the reporting period included the development and implementation of tailored communications and stakeholder engagement plans to support Revenue Scotland's preparations for Air Departure Tax and the three-year review of LBTT leases, continued awareness-raising and relationship development with stakeholder organisations such as the Scottish Parliament and MSPs, and taking forward specific outreach activity for the Revenue Scotland Board.

Formal engagement with the Scottish Parliament's Finance and Constitution Committee during 2017-18 included a written submission for Stage 1 of the Air Departure Tax (Scotland) Bill and correspondence to the committee on preparations for Air Departure Tax. The Chief Executive also continued her work with the Budget Process Review Group, culminating in the publication of the group's final report in June 2017. The findings are already informing the future approach and structure of the Scottish Parliament's Budget process.

As part of its work to engage with stakeholders including elected representatives, Revenue Scotland held a parliamentary reception in September 2017 to mark the publication of the 2016-17 Annual Reports and Accounts, followed in March 2018 by an exhibition and information stand in the parliament. Both of these targeted a general MSP audience, as well as partners and stakeholders including SEPA, LSoS, CIOT and the Institute of Chartered Accountants of Scotland (ICAS), and helped to promote the achievements of the organisation.

Stakeholder engagement was also key to the development of the new 2018-21 Corporate Plan, with Revenue Scotland engaging its own staff as well as stakeholders such as LSoS and CIOT.

The Board held a strategy session in December 2017 with members of the LBTT Tax Committee of the Law Society of Scotland in December 2017 which helped to inform engagement activity between Revenue Scotland staff and LSoS, particularly in terms of the work to improve compliance among agents and the implementation of the LBTT lease review project.

A significant development during 2017-18 was Revenue Scotland establishing the British Isles Tax Authority Forum, part of its work to engage with other tax authorities. The forum provides an opportunity for tax authorities to share learning and experience and develop expertise to improve tax services.

The first meeting of the forum took place in Edinburgh in October 2017.

# The Performance Report

## Case study – Sharing experiences to strengthen tax expertise

**Objective:** During 2017-18 Revenue Scotland focused on the strategic objective of collaborating and sharing experience as an effective and efficient tax authority. The aim of this was to strengthen tax knowledge and expertise and to learn from other tax authorities to support continuous improvement of service delivery.

**Action:** Revenue Scotland established the British Isles Tax Authority Forum during 2017-18, bringing together officials from Revenue Scotland, HMRC, the Welsh Revenue Authority, Northern Ireland Executive, the Isle of Man Government and the States Of Guernsey and the States of Jersey Tax Offices.

The forum enables the sharing of knowledge and experience on the administration and collection of tax, and to provide opportunities to learn and strengthen tax expertise.



**Outcome:** The inaugural meeting of the British Isles Tax Authority Forum was held in Edinburgh October 2017 and future meetings are planned during 2018-19.

# The Performance Report

On its work to gauge perceptions of the organisation and to assess the effectiveness of communications activity, the organisation commissioned its second MORI poll of MSPs in November 2017, the first having been conducted towards the end of 2016.

Highlights from the 2017-18 poll included:

- 35% said they knew the organisation very well or a fair amount - a steady improvement compared to 25% in 2016;
- 36% had a favourable opinion of the organisation, with 63% holding a neutral view.

## Changes in Tax Legislation

### Leases

The LBTT (Scotland) Act 2013 introduced a legal requirement, which does not apply in the rest of the UK, for the tenant in a lease that has been subject to an LBTT return to submit a further return to Revenue Scotland on certain future events, including:

- Every third anniversary of the lease;
- Assignment of the lease; and
- Termination of the lease (whether the lease is terminated early or on natural expiry).

The tenant is responsible for submitting the review return and paying any additional tax due. The requirement to file a further LBTT return applies even if there have been no changes to the lease, or if no additional tax is payable.

A project was established in Revenue Scotland to deliver the required changes to our systems guidance and processes, and assurance was provided by a Project Board comprising key stakeholders, including representatives from LSoS and CIOT. This collaborative working was a feature throughout the project, with a focus group of key stakeholders involved in the development of a new tax return and updated guidance.

In advance of the first three-year review date of 1 April 2018, a new LBTT return was launched to make it as easy as possible to submit a review return. Users of the Scottish Electronic Tax System (SETS) were able to submit this online from 1 April 2018 and, for the first time, tenants were also be able to file their own review return online.

Revenue Scotland also began writing to tenants to remind them of the requirement to file a return. A new page on the website was created to act as an information hub for leases, and this included a suite of new worked examples and three new YouTube videos.

# The Performance Report

## **LBTT**

The Scottish Government announced a programme of legislative change to the LBTT regime which was completed at the end of June 2018. This involved the introduction of a first-time buyer relief, changes to group relief and the Additional Dwelling Supplement.

Revenue Scotland began to prepare for these changes in early 2018 to ensure that guidance, systems and processes were ready for the introduction of the new legislation. The remit of the Project Board set up for the lease review project was expanded to provide further assurance for this key area of work.

We have also worked closely with the Scottish Government policy officials and the Scottish Fiscal Commission in their formulation and costing of the legislation.

## **Air Departure Tax (ADT)**

During 2017, Revenue Scotland staff had been working closely with Scottish Government officials, aircraft operators and other stakeholders to deliver a carefully planned programme of work that would put in place the systems, processes, guidance and trained staff to collect and manage ADT. Just prior to the decision to defer the introduction of ADT in November, a gateway review was undertaken to assess the readiness for delivery and rated Revenue Scotland's programme as 'Green' (while the work as a whole to deliver the tax was rated 'Amber-Green' to reflect the uncertainties with the legislation at that time).

After the deferral decision was taken, the implementation programme was formally closed down. Our priorities were to ensure an orderly closedown so that as much of the value created during the programme could be preserved in a way that would be capable of being used when the decision is made to switch the tax on. This included products such as our collection and management processes for the tax, draft legislative guidance, and design of our ICT solution. A lessons learned exercise was also conducted to capture the good practices for use in future projects and programmes. Revenue Scotland stands ready to deliver the tax on a revised timetable once that is agreed.

# The Performance Report

## Scottish Landfill Communities Fund

The [Scottish Landfill Communities Fund](#) (SLCF) is a tax credit scheme available to landfill operators, to encourage them to make financial contributions to environmental and community projects across Scotland. Contributions are paid to organisations (Approved Bodies) authorised by the Scottish Environment Protection Agency (SEPA) to distribute these to eligible projects. Landfill operators can claim credit for 90% of the value of qualifying contributions, subject to a limit of 5.6% of their annual tax liability. The maximum percentage credit is agreed by the Scottish Parliament and announced annually in the Scottish Budget.

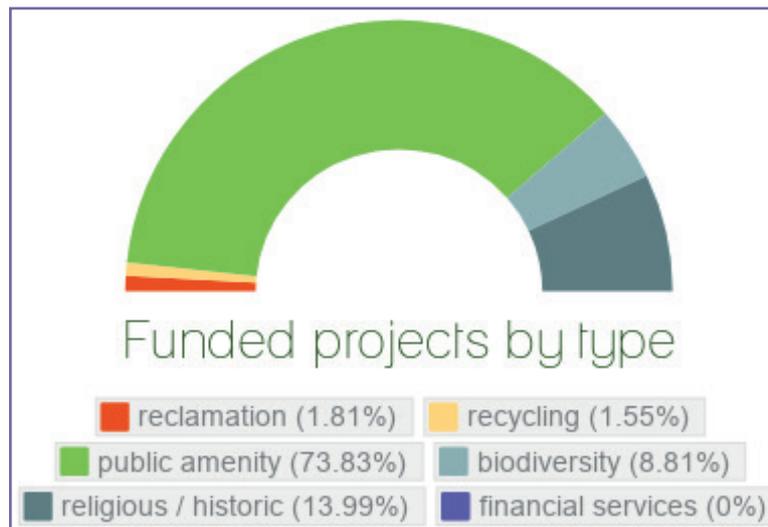
Revenue Scotland approves SEPA to carry out the regulatory functions of the SLCF by virtue of Regulation 32 (1) (a) of the Scottish Landfill Tax (Administration) Regulations 2015. This function is set out in Regulation 31 of the Scottish Landfill Tax (Administration) Regulations 2015.

SEPA provides quarterly comprehensive performance reports to Revenue Scotland providing details of regulatory activity in relation to the fund, including auditing the projects funded by the approved bodies, and reports on the performance of the SLCF to Revenue Scotland. Within these quarterly reports, SEPA measures its performance as regulator against indicators agreed by both agencies. The performance of the SLCF is reviewed and considered at a senior management level within Revenue Scotland. Revenue Scotland advises the SEPA officers responsible for SLCF on legislative and compliance issues arising from the administration of the fund.

# The Performance Report

In 2017-18, Approved Bodies received a further £8.6 million of funds (2016-17: £10m) from landfill operators which they will distribute to environmental and community projects. There has been £9.2 million notified by Approved Bodies as having been committed to projects. The projects that have received funds in 2017-18 are dispersed across Scotland and are a range of types as shown in the diagram below.

## [Breakdown of SLCF-funded projects by type<sup>1</sup>](#)



## Risk Management

Revenue Scotland operates a risk management framework in accordance with the Scottish Public Finance Manual to regularly assess key risks and controls. The approach is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives.

Risk management arrangements have been in place throughout the reporting year and significant activity by the Board and senior management has focused on ensuring that the approach is robust, fit for purpose and responsive to the tax authority's operational needs.

The Risk Management Framework (the Framework) was revised in December 2016, ensuring that the risk management process was proportionate, effective and focused given the scale of Revenue Scotland as an organisation and its stage of development. Key elements of this approach are:

- a requirement for the Chief Executive and Senior Leadership Team (SLT) to have effective mechanisms in place for assessing, monitoring and responding to any risks. This includes considering the risk register regularly and risk owners reviewing risks monthly;
- the Audit and Risk Committee of the Board receiving updates on the application of the Framework and on the assessment of corporate risks at each of its meetings; and

<sup>1</sup> Scottish Landfill Communities Fund End-of-Year Report 2017-18

# The Performance Report

- the Board retaining ultimate responsibility for overall ownership of risk, overseeing the Risk Management Framework and reviewing the Corporate Risk Register at least twice a year.

The Corporate Risk Register highlights 12 key risks for the organisation covering a range of issues including:

- workforce;
- effectiveness of legislation;
- ICT infrastructure;
- funding and effective working with delivery partners;
- cyber security; and
- GDPR compliance

During the 2017-18 period, the Board and Senior Leadership Team focused on the following specific risks: people capacity and capability; corporate governance and internal controls; management of key delivery partners; and GDPR compliance.

The Board also assessed the extent to which risk management processes were embedding themselves into the organisation in terms of the Risk Maturity model contained in the framework. The exercise found that the organisation was “defined<sup>2</sup>” and that the next phase in its development would be to continue to focus on making the framework an integral part of the organisation.

Revenue Scotland also regularly monitors its performance in relation to the KPIs set out from page 26 onwards. Regular reporting on these KPIs is integral to the risk management process for the organisation, and to demonstrate operational performance against targets. KPI data is published regularly on the Revenue Scotland website.

Staff relations, equality and diversity

## Staff relations, equality and diversity

Revenue Scotland’s Staffing and Equalities Committee provides assurance to the Revenue Scotland Board on the establishment and maintenance of an effective framework and systems for remuneration, workforce planning, resourcing and recruitment strategy, staff development and performance, and the welfare of staff, including equality and diversity.

During 2017-18 the Staffing and Equalities Committee oversaw the development and launch of Revenue Scotland’s People Strategy and Equalities Mainstreaming activity and has monitored progress of the three-year programme throughout 2017-18. Staff were engaged in the development of the People Strategy and it was launched at the organisation’s first annual Staff Conference in June 2017. It reflects Revenue Scotland’s commitment to its staff and has learning and development, job satisfaction and performance and strategic workforce planning at its core. The latest People Survey scores demonstrated improvement in inclusion and fair treatment of staff and Revenue Scotland continues its work to create a positive and inclusive culture with development work commissioned to work with all staff on Fairness at Work during 2018-19.

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<sup>2</sup> Appendix 5 of [Revenue Scotland Risk Management Framework](#)

# The Performance Report

## Case study: Developing the Revenue Scotland workforce

**Objective:** During the 2017-18 reporting period, Revenue Scotland prioritised work to further develop the skills and experience of staff, and to establish a comprehensive workforce plan to ensure the organisation has the correct skills and expertise to deliver its long-term priorities.

### People Strategy



**Action:** To enable this, Revenue Scotland developed a People Strategy. This involved engaging with staff to identify their priorities and build a comprehensive understanding about what was important to them. Engagement explored how the organisation could create and maintain a positive and inclusive working culture, how to lead the organisation effectively and ensure that jobs are satisfying and challenging. A key focus was on the development and support for staff to build the skills and capability they need to perform their roles and this has subsequently underpinned development of the organisation's sustainable learning and development model.

**Outcome:** Revenue Scotland launched its People Strategy at the first annual staff conference in June 2017. The People Survey conducted in October 2017 showed a 7 percentage point increase in the overall engagement index, from 55% in 2016-17, to 62% for 2017-18.

# The Performance Report

More generally, Revenue Scotland recognises the need to fully integrate equalities into its operations, both as a service provider and as an employer. The first Revenue Scotland Mainstreaming Report and Equalities Outcomes were published in April 2016. The planned outcomes for implementing are:

- All information and external communications provided and delivered by Revenue Scotland are transparent, accessible and easily understood by all service users; and
- Revenue Scotland is an organisation which demonstrates an inclusive culture with all members of staff having clear understanding of and commitment to equality and diversity within the organisation.

The Staffing and Equalities Committee will report on progress against this report in 2018.

## Ethical Issues

Staff at Revenue Scotland are civil servants who adhere to the [Civil Service Code of Conduct](#). Staff are expected to carry out their duties with a commitment to the Civil Service core values of integrity, honesty, objectivity and impartiality. Staff must not misuse their official position to further their private interests or those of others; accept gifts, hospitality or other benefits from anyone which might reasonably be seen to compromise their personal judgement or integrity. All staff undertake annual mandatory training on Counter Fraud, Bribery and Corruption to remind them of their responsibilities in these areas.

## Human Rights

Revenue Scotland is committed to acting at all times in a way which respects and is compatible with the rights guaranteed under the European Convention on Human Rights and the Human Rights Act 1998. In 2018-19 the organisation will be developing its system of Equality Impact Assessment to include tools to assess the potential for impacts on human rights when introducing new policies or services.

## Environmental

Revenue Scotland is based in the Scottish Government's Victoria Quay building in Edinburgh. Heating, lighting and water services are managed through a service-level agreement and carbon emissions are monitored and reported by the Scottish Government on a building-wide basis. As a result, Revenue Scotland does not have access to any detailed data setting out specific emissions targets for office energy consumption.

The organisation is committed to protecting the environment by working sustainably to minimise its carbon emissions, meet climate change duties and embed climate change action into the organisational culture. As part of this commitment, Revenue Scotland has three broad climate change objectives. These are:

- to manage and monitor business travel and encourage staff to use the most carbon-efficient method of transport for all work-related travel;
- to minimise waste and reduce Revenue Scotland's paper use; and
- to reduce office energy consumption.

The Revenue Scotland Board is responsible for the scrutiny of environmental policies, strategies and compliance with climate change duties and monitored these objectives throughout the reporting period.

# The Performance Report

Revenue Scotland contributes to the Scottish Public Sector Bodies Climate Change report annually.

## Performance Summary

Revenue Scotland has identified key activity and performance indicators against which performance is measured. These were set as part of our Corporate Plan which was agreed with Scottish Ministers in 2015. The following tables provide summaries of these indicators and the financial performance of Revenue Scotland and the Devolved Taxes which are explained further in the following pages.

**Table 2: Key Performance Indicators 2017-18 and 2016-17**

KPI Ref	Description	2017-18	2016-17
1	Proportion of tax returns submitted online	99.1%	98.8%
2	Tax payments – on time	93.6%	93.1%
	– within 3 months	99.5%	99.6%
	– within 1 year	99.8%	99.9%
3	Helpdesk – average call waiting time	6.5 seconds	6.2 seconds
4	Written communication – response within 10 days	90.0%	97.9%
5	Number of complaints	10	4
6	Number of security breaches	0	0
7	Direct compliance yield	£2,366,000	£1,949,000
8	Returns without intervention	98.7%	99.0%
9	Positive guidance feedback	Positive 55% Neutral 33% Negative 12%	Qualitative data only
10	Running costs	0.78%	0.70%
11	Average duration of enquiries (days)	209	64
12	Tax liabilities	£1,154,000	£1,500,000
13	Disputes – completed	233	126
	– average days to resolution	57	52
	– open disputes at 31 March 2018	70	13
14	Compliance feedback – Revenue Scotland’s Charter of Standards and Values	Positive 69% Neutral 25% Negative 6%	Not available*
	– calls received	8,504	7,926
15	Employee engagement	62%	55%
16	Sickness – average working days lost (see Remuneration and staff report)	8.8 days	9.4 days

In Revenue Scotland’s third year of operation, and against the background of increasing activity, there was improved performance against the majority of key activity and performance measures.

# The Performance Report

**Table 3: Revenue Scotland Financial Performance 2017-18**

	<b>Actual Total £'000</b>	<b>Budget Act Estimates Total £'000</b>
Financial Year 2017-18 Expenditure	5,485	6,121
Financial Year 2016-17 Expenditure	4,532	5,221

Revenue Scotland returned £500,000 of initial budget to the Scottish Government in the Spring Budget Review, resulting in a final budget for 2017-18 of £5,621,000. Further information is provided in the [Financial Performance](#) section on pages 37-38.

**Table 4: Devolved Taxes 2017-18**

<b>Revenue net of repayments, excluding interest payable and revenue losses</b>	<b>2017-18 Tax, penalties and interest receivable Total £'000</b>	<b>2017-18 Budget Act Estimates Total £'000</b>	<b>2016-17 Tax, penalties and interest receivable Total £'000</b>
Land and Buildings Transaction Tax	557,267	507,000	483,598
Scottish Landfill Tax	147,984	149,000	149,098
Penalties and interest	1,754	0	342
<b>TOTAL</b>	<b>707,005</b>	<b>656,000</b>	<b>633,038</b>

# The Performance Report

## Performance Analysis

### Key Performance Indicators

This section of the Annual Report and Accounts provides detailed information about the performance of Revenue Scotland in 2017-18.

The Revenue Scotland Corporate Plan identifies key activity and performance indicators (KPIs) against which the success of the organisation is measured throughout the year. This information is summarised below.

#### 1. Proportion of tax returns filed online

	Total Number of Returns	Total Number of Returns Submitted Online	2017-18 Percentage of Returns Submitted Online	2016-17 Percentage of Returns Submitted Online
Quarter 1	31,040	30,752	99.1%	98.6%
Quarter 2	32,279	32,006	99.2%	98.8%
Quarter 3	31,366	31,066	99.0%	98.9%
Quarter 4	21,870	21,694	99.2%	98.9%
<b>Total</b>	<b>116,555</b>	<b>115,518</b>	<b>99.1%</b>	<b>98.8%</b>

The accessibility of the SETS system and increased confidence in taxpayers and agents using the online system was evidenced during 2017-18, with an increase in the already high number of returns submitted online during the reporting period. Of the 116,555 returns submitted during the reporting period, 99.1% were online compared to 98.8% in 2016-17.

Revenue Scotland also caters for the small number of taxpayers and agents who continue to use paper-based services to submit tax returns.

# The Performance Report

## 2. Timely receipt of payments

Taxpayers and their agents may settle their tax liability by electronic payment, cheque or by direct debit. Where a paper return is submitted, a cheque must be enclosed at the same time. However, where a return is submitted online, taxpayers and their agents are given up to five working days to pay the tax.

	Total Returns with Tax Due	Total Number of Payments Received On Time	2017-18 Percentage of Payments Made On Time	2016-17 Percentage of Payments Made On Time
Quarter 1	18,486	17,355	93.9%	93.2%
Quarter 2	20,049	18,684	93.2%	92.6%
Quarter 3	19,429	18,223	93.8%	92.9%
Quarter 4	13,378	12,482	93.3%	93.9%
<b>Total</b>	<b>71,342</b>	<b>66,744</b>	<b>93.6%</b>	<b>93.1%</b>

The above table shows payments made within allowable terms. Where payments are not received on time, Revenue Scotland staff make every effort to contact agents and taxpayers to expedite settlement. Where necessary, Revenue Scotland will take more formal action to recover the outstanding debt. Penalties and interest charges are applied in accordance with legislation where payments are not received on time.

The proportion of all payments received within three months was 99.5% (all returns to end December 2017) and the proportion of all payments within one year (all returns to end March 2017) was 99.8%

At the end of the financial year, 99.4% (2016-17: 99.7%) of tax due on all tax returns submitted during the year had been paid either within the financial year or within five days of the year end.

## 3. Call waiting times

All calls to Revenue Scotland's support desk are monitored in terms of the length of time taken to be answered.

The table below provides mean, median and maximum call waiting times for each quarter of 2017-18. The number of calls decreased slightly during the second and third quarters, with the fourth quarter recording the highest number of calls of the 12-month period.

The number of calls increased in the final quarter as taxpayers and agents prepared for the introduction of lease reviews with the annual total of calls increasing to 8,504 (2016-17: 7,926). The mean call waiting time remained stable at around 6 seconds.

	Calls Received	Mean Waiting Time (seconds)	Median Waiting time (seconds)	Maximum Waiting Time (seconds)
Quarter 1	2,232	6.7	5.0	338.0
Quarter 2	2,035	6.8	5.0	351.0
Quarter 3	1,872	6.6	5.0	301.0
Quarter 4	2,365	5.9	5.0	117.0
<b>2017-18 Total</b>	<b>8,504</b>	<b>6.5</b>	<b>5.0</b>	<b>351.0</b>
<b>2016-17 Total</b>	<b>7,926</b>	<b>6.2</b>	<b>5.0</b>	<b>425.0</b>

# The Performance Report

## 4. Response time for correspondence

All correspondence with Revenue Scotland is monitored in terms of the length of time taken to respond. This includes technical tax queries, complaints, Freedom of Information requests and correspondence from MSPs.

	Taxpayer initiated Communication	Responses by 10 days	Responses by 11-25 days	Responses over 25 days
Quarter 1	682	95.6%	3.8%	0.6%
Quarter 2	802	96.8%	3.1%	0.1%
Quarter 3	830	88.7%	10.3%	1.0%
Quarter 4	807	79.9%	19.4%	0.7%
<b>2017-18 Total</b>	<b>3,121</b>	<b>90.0%</b>	<b>9.4%</b>	<b>0.6%</b>
<b>2016-17 Total</b>	<b>3,020</b>	<b>97.9%</b>	<b>1.5%</b>	<b>0.6%</b>

Over the course of the year, Revenue Scotland answered 90% of all written communications within 10 working days. The increase in correspondence from 3,020 in 2016-17 to 3,121 in 2017-18 is broadly in line with the number of tax returns increasing by 3% - from 113,229 in 2016-17 to 116,555 in 2017-18. The organisation monitors response rates on an on-going basis and undertakes work to maximise response times. This includes tailored training and recruitment.

## 5. Number of complaints

Complaints are expressions of dissatisfaction about the organisation's action or lack of action, or about the standard of service provided by Revenue Scotland or on its behalf. They are distinct from tax disputes. Where complaints are received we seek to learn from these to improve our operational procedures and processes.

The organisation's complaints handling procedure reflects Revenue Scotland's commitment to valuing complaints. It seeks to resolve taxpayer dissatisfaction as close as possible to the point of service delivery and to conduct thorough and impartial investigations of complaints so that, where appropriate, evidence-based decisions can be made on the facts of the case. The procedure introduces a standardised approach for complaints handling which complies with the Scottish Public Services Ombudsman's (SPSO) guidance on a model complaints handling procedure allowing for two opportunities to resolve complaints internally: stage 1 - frontline resolution; and stage 2 - investigation.

	Number of Complaints	
	2017-18	2016-17
Quarter 1	1	1
Quarter 2	1	1
Quarter 3	4	1
Quarter 4	4	1
<b>Total</b>	<b>10</b>	<b>4</b>

# The Performance Report

During 2017-18 Revenue Scotland saw an increase in stage 2 complaints received on the previous year, from four to ten. These related to:

- Concerns around the application of legislation;
- Dissatisfaction with the guidance and information provided; and
- Concerns around penalties applied.

Complex complaints relating to possible procedural failures were also addressed at Stage 2 and, following a thorough investigation, definitive responses were issued.

Revenue Scotland ensures lessons are learned from all complaints and, with the more complex cases, improvement opportunities were identified and are being implemented to relevant guidance and staff awareness.

One complaint was escalated by a taxpayer to the Scottish Public Service Ombudsman in 2017-18. The complaint was upheld by the Ombudsman and resulted in changes being introduced to process and practice, including an improvement action plan being established.

## ***6. Number of data security breaches***

No security breaches were reported in the 2017-18 reporting period.

Over the last 12 months Revenue Scotland has acted as a Scottish Cyber Catalyst as part of wider government work to implement the Public Sector Action Plan on Cyber Security. The plan aims to enhance the technical and corporate resilience of the organisation in relation to established and emerging cyber threats. It also involves partnership working with other Cyber Catalysts to identify and remedy risks, as well as working to implement National Cyber Security Centre best practice and security assessment and accreditation.

## ***7. Direct Compliance Yield***

Direct compliance yield measures all money received as a result of assessments, determinations and decisions. It includes those that are made using the General Anti-Avoidance Rule, those that result from direct compliance activity delivered by SEPA in the execution of their delegated functions, interest and penalty charges, and the value of liabilities reported following a Revenue Scotland opinion where greater than the value originally suggested by the taxpayer. It provides an indication of the extent to which the right amount of tax has been collected from the full taxpayer base over the course of the year, but is not a direct measure of that.

In 2017-18, direct compliance activity accounted for £2,366,000 made up of additional tax of £1,162,000 (2016-17:£1,529,000) and £1,204,000 of penalties and interest (2016-17: £420,000).

# The Performance Report

## 8. Proportion of tax returns requiring no Revenue Scotland intervention

A high proportion of tax returns being accepted as right first time will indicate that taxpayers are clear about the amount of tax that they ought to pay. The figures shown for 2017-18 are provisional as some corrections may not be made for several months after submission of the original tax return.

	Total number of returns submitted	Total number of returns without intervention	2017-18 Percentage of returns without intervention	2016-167 Percentages of returns without intervention
Total number of returns	116,555	114,986	98.7%	99.0%

## 9. Stakeholder feedback on guidance

Revenue Scotland provides guidance on devolved tax legislation – the RSTPA, the LBTT Act and the SLfT Act, and on the processes and procedures relating to the administration and collection of LBTT and SLfT.

The guidance is designed to increase knowledge and understanding of the devolved taxes among stakeholders who have an involvement or interest in them. It is therefore a key element of Revenue Scotland’s engagement with its stakeholders and the tax authority has a process of continuous improvement to ensure the guidance is fit for purpose and meets the needs of those who use it.

To ensure the guidance is fit for purpose and meets the needs of users, Revenue Scotland analyses feedback on clarity and content from end-users via the Revenue Scotland support desk and website. The feedback regularly informs amendments to the structure and content of the guidance.

During 2017-18 Revenue Scotland for the first time undertook a stakeholder survey which included questions to assess the quality of the guidance produced. Of those who responded, 55% rated it as either “very good” or “good” (positive), with 33% rating it as “fair” (neutral) and 12% as “poor” (negative).

The results will help to shape and inform the updating of the guidance and further surveys could be conducted in future years.

# The Performance Report

## 10. Running costs<sup>3</sup>

Revenue Scotland aims to be an efficient organisation in terms of its operating costs compared to the amount of tax paid over to the Scottish Consolidated Fund and the amount contributed to the Scottish Landfill Communities Fund.

	2017-18 £000	2016-17 £000
Net expenditure incurred	5,485	4,532
Scottish Consolidated Fund Payments	697,337	636,239
Scottish Landfill Communities Fund contributions	8,673	9,889
<b>Total</b>	<b>706,010</b>	<b>646,128</b>
Percentage	0.78%	0.70%

During the 2017-18 reporting period, operating costs were 0.78% of the total tax revenue 2016-17: 0.70%. The slight increase (0.08%) on 2016-17 is attributed to costs incurred in the development of systems and processes for Air Departure Tax and the replacement of the Revenue Scotland online tax system.

## 11. Average duration of enquiries

Revenue Scotland has the power to enquire into anything contained or required to be contained in a tax return. Formal notices are issued to the taxpayer on the opening and closing of an enquiry. The analysis below gives the mean, median and maximum number of days between enquiries being opened and closed.

	2017-18	2016-17
Mean (days)	209	64
Median (days)	148	39
Maximum (days)	878	360
Number of enquiries closed during the year	64	52
Number of enquiries open at 31 March 2018	23	42

The number of days spent resolving enquiries has increased. Those that have been opened are of a more complex nature than previous years and these take longer to resolve as a result of Revenue Scotland taking a more informed, risk-based approach, while remaining within the three year timescale allowed under the RSTPA.

<sup>3</sup> The Revenue Scotland Annual Report and Financial Statements Resource Accounts 2016-17 referred to “cost of collection” data published by the OECD to enable a comparison between Revenue Scotland’s operating costs and those of tax authorities in other countries. The OECD has now ceased provision of this data.

# The Performance Report

## **12. Value of tax liabilities identified as a consequence of corrections, amendments, assessments, determinations and enquiries**

This indicator covers charges made rather than payments received. It provides a measure of the extent to which Revenue Scotland is delivering its duty to identify the right amount of tax that taxpayers should be paying. It differs from direct compliance yield in that it does not include interest and penalty charges or yield arising from Revenue Scotland opinion work.

In 2017-18, £1,154,000 (2016-17: £1,500,000) was charged as a result of compliance interventions.

## **13. Number of disputes and time to resolution**

Where a taxpayer disagrees with an appealable decision made by Revenue Scotland, there are various dispute resolution channels available to them: a review by Revenue Scotland; a submission to the Tax Chamber of the First-tier Tribunal; or mediation. The review and mediation options are intended to give both the taxpayer and the tax authority the best possible chance of resolving issues without the matter needing to be referred to the courts.

The first dispute resolution channel available to the taxpayer is the right to request that Revenue Scotland reviews any decision that affects whether a person is liable to pay tax, the amount of tax due, the date the tax is due and payable and the imposition of a penalty or interest. Where a taxpayer requests a review, Revenue Scotland is required to notify its view of the matter within 30 days (or such a period as is reasonable) and conclude the review within 45 days (or such other period as may be agreed). The overall target to resolve a dispute is 75 days.

The table below indicates the number of review requests received and the average time to resolution. Time to resolution is defined as the number of days between the date the taxpayer requests a review and the date on which Revenue Scotland gives notice of the review conclusion.

The majority of review requests initiated in 2017-18 related to penalties for late submission of an LBTT return and/or payment of LBTT. The average number of days to resolve disputes during 2017-18 was 57 days against a target of 75.

	<b>2017-18</b>	<b>2016-17</b>
Number of disputes initiated	290	134
Average time to resolution (days)	57	52
Number of open disputes at 31 March 2018	70	13

# The Performance Report

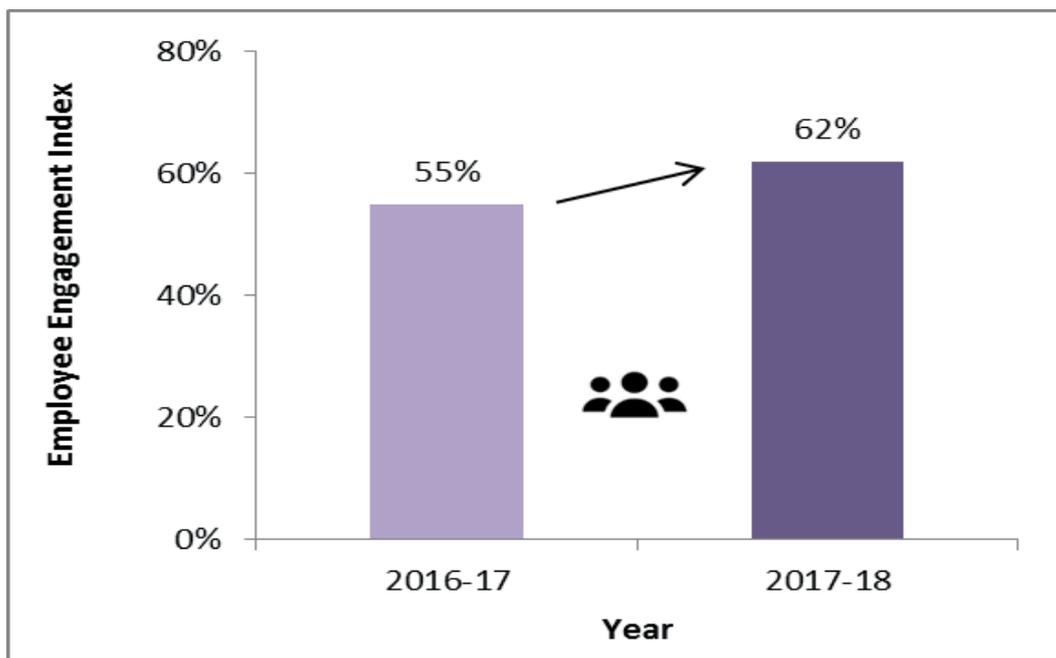
## 14. Stakeholder feedback on Revenue Scotland's compliance with the Charter of Standards and Values

The Revenue Scotland Charter of Standards and Values sets out the standards of behaviour and values expected of taxpayers and which taxpayers (and their agents and representatives) can expect of Revenue Scotland.

During 2017-18 the organisation conducted a survey of registered users of the Scottish Electronic Tax System (SETS) who had submitted a tax return in the last year. This sought views on Revenue Scotland's adherence to the Charter of Standards and Values. Of those who responded, 69% gave positive feedback, 25% were neutral and 6% provided negative feedback. The feedback is currently being analysed and Revenue Scotland will consider actions to improve compliance.

## 15. Employee engagement

Revenue Scotland staff participated in the UK Civil Service People Survey published in November 2017. The survey received a 95% response rate which is a significant achievement. The results showed the organisation had an overall engagement index of 62%, an increase of 7 percentage points on the 2016-17 results.



# The Performance Report

The survey results demonstrated significant progress in leadership, managing change, and line management. Work during the 2017-18 period to embed the new structure and complete recruitment to new and existing roles was welcomed by staff, with increased survey scores for management of resources and workload. Year one of the three-year People Strategy Programme has demonstrated Revenue Scotland's commitment to improve planning and access to learning and development opportunities to support operational needs. This was reflected in an improved score.

The 2018-19 period will see a continued focus in this area to build on the work completed in 2017-18, including the development and implementation of a bespoke Scottish Tax Training programme to underpin the organisation's sustainable Learning and Development Model.

## ***16. Sickness – average working days lost***

This indicator measures the average working days lost per employee. This has decreased by 0.6 days in 2017-18 from 9.4 to 8.8 days in line with expectations set out in the 2016-17 reporting period.

Sickness absence is regularly monitored by the Revenue Scotland Senior Leadership Team to understand trends and causes and to ensure that the right support and advice is provided for staff where this is needed. Wellbeing and work/life balance is a standing item for the Staffing and Equalities Committee meetings. Consideration is given to a range of factors including absence reports to ensure there is a comprehensive understanding of staff health and wellbeing at work.

Expert advice on supporting staff attendance and absence is provided through Revenue Scotland's Shared Service contract with Scottish Government, and where it is required, additional specialist help and support is provided for staff. More broadly, a member of staff is a trained mental health first-aider and provides expert support and advice to colleagues and shares information about events and workshops to support good mental health and raise awareness. Staff are encouraged to discuss health and wellbeing at their monthly conversations with line managers and opportunities to attend courses to maintain and build resilience are provided for all staff.

Further information on sickness absence is provided in the [Staff Report](#) on page 55.

# The Performance Report

## Financial Performance

### Resource Accounts

	Actual Total £'000	Budget Act Estimates Total £'000
Financial Year 2017-18 Expenditure	5,485	6,121
Financial Year 2016-17 Expenditure	4,532	5,221

Within the Budget (Scotland) Act 2017-18, Revenue Scotland was allocated a budget of £6.1 million. The increase on the organisation's 2016-17 budget reflects the additional work to plan, develop and implement the systems required for ADT and the establishment and early stages of a project to replace the SETS tax system in 2019-20.

Revenue Scotland has managed expenditure carefully and has remained within the 2017-18 allocated budget. An underspend of £636,000 has arisen from a number of areas which include costs recharged by our partners, RoS and SEPA being significantly below planned costs; and the expertise of our in-house legal team in managing complex legal queries and tribunal appeals resulting in limited requirement for external advice. The process of implementing the new organisational structure took longer than anticipated and the decision to delay implementation of ADT also contributed to the in-year underspend.

### Devolved Taxes

Revenue net of repayment, excluding interest payable and revenue losses	2017-18 Tax, penalties and interest receivable Total £'000	2017-18 Budget Act Estimates Total £'000	2016-17 Tax, penalties and interest receivable total £'000
Land and Buildings Transaction Tax	557,267	507,000	483,598
Scottish Landfill Tax	147,984	149,000	149,098
Penalties and interest	1,754	0	342
<b>Total</b>	<b>707,005</b>	<b>656,000</b>	<b>633,038</b>

The values in the above table are for tax returns and amendments submitted during 2017-18 and adjusted for the value of LBTT and SLfT returns received during April and May 2018 which relate to the period up to the 31 March 2018. The returns submitted during 2017-18 may include adjustments to returns originally submitted in 2015-16 or 2016-17. However, unless these adjustments were received in April or May 2016 or 2017 respectively and were therefore accrued into the financial statements of the relevant year, these are accounted for in the year of receipt.

# The Performance Report

The LBTT tax revenue raised in 2017-18 is dependent on performance of both the residential and non-residential property markets within Scotland. The SLfT tax revenue raised in 2017-18 is dependent upon categories and tonnage of waste deposited in landfill sites within Scotland.

Revenue Scotland is not responsible for the forecasting of expected tax revenues. The Scottish Fiscal Commission became responsible for providing independent forecasts of tax revenue on 1 April 2017.

Further information on the collection of the devolved taxes is given in the Annual Report and Financial Statements of the Devolved Taxes for 2017-18 which is published separately.

**Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer**  
**12 September 2018**

# Accountability Report

## Corporate Governance Report

### The Directors' Report

#### *Revenue Scotland Board 2017-18*

In line with paragraph 1 of Schedule 1 to the RSTPA, the Scottish Ministers are responsible for appointing between five and nine individuals to be members of the Revenue Scotland Board. One individual is appointed by Ministers as Chair. Ministers determine the period and terms of appointment of Board members and may reappoint individuals who already are or have been on the Board, subject to evidence of effective performance and to their continuing to have the skills, knowledge and experience required on the Board at the time of reappointment. Appointments are made following a formal public appointments exercise regulated by the Commissioner for Ethical Standards in Public Life in Scotland. Under Commission rules, appointments can be for a maximum term of six years.

In the financial year 2017-18 the Board met on eight occasions (2016-17: seven).

In the same period the following Members were reappointed to the Revenue Scotland Board – Lynn Bradley, Jane Ryder and Ian Tait.

#### *Board Members 2017-18*

##### **Dr Keith Nicholson – Chair**

Dr Nicholson has more than 30 years' experience in statistical analysis and data modelling. His specialist background is in transactional websites, cyber security and technology. He is currently a member of the Scottish Environment Protection Agency board.

##### **Lynn Bradley – Chair of Audit and Risk Committee**

Lynn Bradley is an accountant with more than 30 years' experience in the Scottish public and private sectors. Previous roles include Director of Corporate Programmes and Performance at Audit Scotland and Chair of CIPFA Scotland.

##### **Jane Ryder OBE – Chair of the Staffing and Equalities Committee**

Jane Ryder is a qualified solicitor and now specialises in corporate governance and regulation across the public, private and third sectors. Previous roles include being the first Chief Executive of the Office of the Scottish Charity Regulator (OSCR) and Deputy Chair of the Seafish Industry Authority. She is currently Chair of Historic Environment Scotland and member of the Scottish Police Authority board.

##### **Ian Tait – Member of Audit and Risk Committee**

Ian Tait is Director of Network Regulation at the Water Industry Commission for Scotland. A regulatory specialist, he has advised the Scottish Government on the development of regulatory structures. Previous posts include Strategic Planning Manager and Transmission System Manager at Scottish and Southern Energy.

# Accountability Report

## **John Whiting CBE - Member of Audit and Risk Committee and Staffing and Equalities Committee**

John Whiting is a non-executive director of HMRC and, until March 2017, was Tax Director of the UK's Office of Tax Simplification (OTS). Other previous roles include Tax Policy Director of the Chartered Institute of Taxation, many years as a tax partner with PricewaterhouseCoopers and membership of the First-tier Tax Tribunal.

## ***Board Members' Interests***

Further information about the interests of Board Members can be found on the Revenue Scotland website ([www.revenue.scot](http://www.revenue.scot)).

## ***Senior Leadership Team 2017-18***

### **Elaine Lorimer - Chief Executive**

Elaine has 20 years of experience working at senior management and board level in the civil service in London and, prior to that, in local government in Scotland. She is a Scottish solicitor and public finance accountant.

### **Stephen Crilly – Head of Legal Services**

Stephen is a Scottish solicitor and is responsible for the legal advice provided to Revenue Scotland. He previously worked within the HMRC Division of the Office of the Advocate General for Scotland in a role which carried out a broad spectrum of advisory and litigation work for HMRC in Scotland.

### **Andrew Fleming – Head of Strategy and Corporate Functions**

Until July 2016 Andrew was responsible for the implementation of new devolved taxes and oversight of Revenue Scotland's ICT function. From August 2016 he became responsible for leading Revenue Scotland's strategic and corporate functions. He has considerable experience within the Civil Service and particularly in the design and delivery of strategic improvements across a range of public policy areas.

### **Chris Myerscough – Head of Tax**

Chris was appointed as Head of Tax on 22 August 2016, having joined Revenue Scotland as Director of Operations for a temporary six-month period to 30 June 2016. She moved from HMRC where she gained 25 years of tax experience in various technical, compliance and policy roles.

## **Statement of the Accountable Officer's responsibilities**

Under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, the Scottish Ministers have directed Revenue Scotland to prepare, for each financial year, a statement of accounts in the form and the basis set out in the [Accounts Direction](#) (see [page 74](#)). The accounts are prepared on an accruals basis and must give a true and fair view of the expenditure and cash flows for the financial year as well as the state of affairs at the end of the financial year.

# Accountability Report

In preparing the accounts the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the accounts direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual (FReM) have been followed and disclose and explain any material departures in the financial statements; and
- prepare the accounts on a going concern basis.

The Chief Executive of Revenue Scotland is designated as the Accountable Officer for Revenue Scotland by the Permanent Secretary of the Scottish Government, as the Principal Accountable Officer for the Scottish Administration, in accordance with sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000.

As Accountable Officer, the Chief Executive is personally responsible for safeguarding the public funds for which she has charge and for ensuring propriety and regularity in the handling of those public funds. The Accountable Officer has a duty to ensure that effective governance and operational arrangements are in place to secure internal control and risk management.

As Accountable Officer, the Chief Executive is personally responsible for ensuring that Revenue Scotland complies with the requirements of the Scottish Public Finance Manual (SPFM). The Chief Executive should act, and take steps necessary to ensure that Revenue Scotland corporately acts, in accordance with the principles of the SPFM and the terms of relevant guidance in the SPFM and other financial instructions and guidance issued by the Scottish Ministers.

The Accountable Officer may consult with the Scottish Government's Chief Financial Officer on any aspects of the duties applying to Accountable Officers in the Scottish Administration. The Accountable Officer must consult the Chief Financial Officer on any action which she considers is inconsistent with her duties on financial, regulatory or propriety grounds, and specifically where she seeks written authority from the Scottish Ministers or a direction from the Board of Revenue Scotland.

In practice, the Chief Executive will delegate authority widely to other employees of Revenue Scotland but cannot, on that account, disclaim responsibility.

The Chief Executive is responsible for informing the Principal Accountable Officer about any complaints about Revenue Scotland accepted by the Scottish Public Services Ombudsman (SPSO) for investigation and about Revenue Scotland's response to any subsequent recommendations from the SPSO.

# Accountability Report

The accounts have been examined and scrutinised by the auditor appointed by the Auditor General for Scotland. In my role as the accountable officer, I am confident that the auditor has been made aware of all relevant information. I have taken all steps required to make myself and the auditor aware of any relevant audit information. Further I confirm that this annual report and accounts is fair, balanced and understandable and that I take personal responsibility for them and any judgements that have been made in preparation are appropriate.

## Governance Statement

In the paragraphs below, I report on the governance arrangements in place within Revenue Scotland.

Revenue Scotland is responsible for the administration and collection of the devolved taxes. The relevant powers and duties of Revenue Scotland and of the Scottish Ministers are set out in the Revenue Scotland and Tax Powers Act 2014.

Scottish Ministers are responsible for appointing the Board of Revenue Scotland following a formal public appointment exercise regulated by the Commissioner for Ethical Standards in Public Life in Scotland. Ministers must not direct or otherwise seek to control Revenue Scotland in the exercise of its functions but they may give guidance. This guidance must be published and laid before the Scottish Parliament unless Ministers consider that to do so would prejudice the effective exercise by Revenue Scotland of its functions.

Scottish Ministers are responsible for setting rates, bands and thresholds relating to the devolved taxes, subject to the approval of the Scottish Parliament.

The Board of Revenue Scotland is collectively responsible for the leadership and direction of the organisation and for ensuring that it carries out its statutory functions effectively and efficiently. It may delegate any of its functions to an individual Board member, a committee, the Chief Executive or any other staff member but it will retain its responsibility for carrying out its function. The Board's work includes, but is not confined to:

- considering the annual business plan and corporate plan;
- receiving reports from the Chief Executive on progress in meeting targets;
- receiving quarterly reports on the financial performance of Revenue Scotland;
- receiving reports from the Audit and Risk and Staffing and Equalities Committees;
- considering reports in relation to the operation of tax compliance;
- reviewing action on risk management;
- planning for new taxes;
- reviewing the performance of key business partners;
- strategy development; and
- reviewing the annual reports and accounts and authorising the Accountable Officer to approve them.

# Accountability Report

In the course of the year, I can report that the Board made a number of significant decisions on LBTT and SLfT, in line with the Scheme of Internal Delegation, based on information presented to it by the Executive. In addition to this, the Board has overseen other work including a review of the Revenue Scotland risk register, arrangements for governing the SLCF, the development of a new People Strategy, the procurement of a replacement SETS system and the three-year review of LBTT leases.

The Board aims to set an example of good practice in terms of learning and development, and benefits from presentations from and discussions with external presenters. In accordance with good practice, I can report that the Board reviewed its own effectiveness and the Chair has conducted individual Board appraisals. In the course of the year, the Board also reviewed the remit of both the Audit and Risk and Staffing and Equalities Committees.

As the Chief Executive of Revenue Scotland, I am employed by and accountable to the Board of Revenue Scotland for the day-to-day running of the organisation and its operational performance.

I have assessed our corporate governance arrangements and confirm that they comply with generally accepted best practice principles and relevant guidance.

## *Audit and Risk Committee*

The Board established an Audit and Risk Committee in March 2015 with a purpose to support the Board and Accountable Officer by reviewing the comprehensiveness, reliability and integrity of the assurances produced in support of financial reports. The Committee fulfils its role through:

- Scrutiny of Revenue Scotland's arrangements for risk management;
- Regular liaison with internal and external audit, including scrutiny of their plans and reports;
- Considering and monitoring of responses to recommendations from internal and external auditors and other bodies;
- Review of the governance statements produced by management as part of the financial reporting process; and
- Overseeing the financial reporting process.

The Committee has overseen the continuing development of a robust risk management system. It reviews the full corporate risk register at every meeting, monitors the action plan on risk management and provides feedback to operational management.

In the course of the year, the Audit and Risk Committee oversaw the review of the Corporate Risk Register. Working within the context of the current risk management framework, this work was focused on our statutory obligations and on-going delivery of our Corporate Plan objectives.

The current risk register includes identified high-level risks relating to the impact of legislative changes, organisational capacity and capability, replacement of the Scottish tax management system, governance and internal controls, and data management and cyber security.

# Accountability Report

Within the year 2017-18, significant work focused on:

- Addressing people capacity and capability issues with considerable activity focused on recruitment of staff and development and retention of a knowledgeable and skilled workforce who are engaged and motivated to deliver the functions of Revenue Scotland to the highest standards of professionalism and integrity. A key platform for this work is the organisation wide People Strategy, and more recently the development of a bespoke Learning and Development plan. Linked to this has been the promotion of a positive organisational culture to create a supportive and positive working environment;
- Improving data management and cyber resilience with work focused on strengthening policies, process and practice and maintaining overall resilience and security;
- Improving Corporate Governance and internal controls by ensuring that key governance and internal control processes were in place and being implemented effectively to deliver compliance with our legal duties and the expectations of a public body; and
- Delivery of new Scottish tax management system to ensure the seamless transition from the existing system to the new platform within agreed timeframes.

Further information on risk management arrangements are on pages 22-23. The terms of reference for the committee are published on Revenue Scotland's website within the Board Standing Orders document ([www.revenue.scot](http://www.revenue.scot)).

Members of the committee are Lynn Bradley (Chair), John Whiting and Ian Tait. Ian Tait gave notice of his intention to stand down as member of the Committee in December 2017 and attended his final meeting in February 2018. The Committee is also attended by the Chief Executive, Head of Strategy and Corporate Functions, the Head of Tax, representatives of internal and external audit as well as other staff members as required.

The committee met four times in 2017-18 (2016-17: five).

The committee reviewed its effectiveness using the checklist set out in the Scottish Government's Audit Committee Handbook and found no issues of concern which could affect its normal function.

I have assessed our risk management arrangements and confirm that they accord with the guidance set out in the Scottish Public Finance Manual. I can report that the overall assessment of our performance has been assessed as "defined" against the Risk Maturity Model provided for in the Revenue Scotland Risk Management Framework. This means that risk governance is in place across the organisation but that further work is required to ensure consistency of application. This work continues.

## **Staffing and Equalities Committee**

The Board of Revenue Scotland established a Staffing and Equalities Committee in June 2015. The Committee comprises two Board members, Jane Ryder (Chair) and John Whiting, with staff membership comprising the Chief Executive, Head of Strategy and Corporate Functions and the Head of Tax. Individual staff attend depending on the items being discussed.

# Accountability Report

The primary objective of the committee is to provide assurance to the Revenue Scotland Board on the establishment and maintenance of an effective framework and systems for the remuneration, performance, evaluation and welfare of staff, including equality and diversity. The terms of reference for the committee are published on Revenue Scotland's website within the Board's Standing Orders document ([www.revenue.scot](http://www.revenue.scot)).

The committee met three times during 2017-18 (2016-17: twice) providing the Chief Executive with challenge and support in response to delivery progress around the People Strategy and related Learning and Development plans. The committee assisted with planning for our annual Staff Conference as well as measuring progress on People Survey scores. The Committee also oversaw development of Revenue Scotland's strategic approach to recruitment and workforce planning, a critical element of the People strategy, with key vacancies filled over the period.

## *Report on personal data incidents*

In line with the HM Government Security Framework requirements for appropriate security governance structure, Revenue Scotland has both a Senior Information Risk Owner (SIRO) and Information Asset Owners (IAO).

The SIRO role is to ensure information security policies and procedures are fit for purpose and are reviewed and implemented across all of Revenue Scotland's business functions. These policies and procedures aim to ensure that the requirements of confidentiality, integrity and availability are maintained.

The IAO role is to understand what information is held by Revenue Scotland, what is added and what is removed, who has access and why – providing assurance to the SIRO and ensuring that the information is fully used within the law for the public good.

All Revenue Scotland staff and contractors are trained in and are aware of their responsibilities as set out in these policies.

Revenue Scotland manages, maintains and protects all information according to the requirements of the Data Protection Act and other legislation, notably the RSTPA. The organisation also adheres to its own information policies and government best practice.

During the year Revenue Scotland has reviewed its information handling processes to comply with the General Data Protection Regulations (GDPR) which came into effect on 25 May 2018.

There were no reportable instances identified during the reporting period.

## *Internal Audit*

Internal Audit is provided by the Scottish Government Internal Audit Directorate (SGIAD). The Audit and Risk Committee reviewed and approved the audit plan produced by SGIAD. Regular updates on progress of this plan were presented by SGIAD at Audit and Risk Committee meetings during the reporting period.

# Accountability Report

During the year SGIAD reviewed:

- Performance reporting;
- Scottish Landfill Tax compliance;
- Management of shared services .

Reports received in relation to these, and their overall annual report for the year, rated assurance as 'reasonable'. This is the second highest possible rating out of four Internal Audit Assurance Categories. This means that there were some weaknesses in risk, governance and/or control procedures but not of a significant nature.

SGIAD additionally carried out follow-up reviews on audits performed in 2016-17 and reported improvements in controls in:

- Budgetary management;
- Business continuity planning;
- Land and Buildings Transaction Tax compliance.

## *External Audit*

External Audit is provided by Audit Scotland. Mark Taylor is appointed under the Public Finance and Accountability (Scotland) Act 2000 to carry out the external audit of Revenue Scotland. During the year, the Audit and Risk Committee scrutinised Audit Scotland's audit plan and received regular updates from them.

## *Internal Controls*

Revenue Scotland has developed a system of internal controls and policies which have been designed to safeguard its assets, data and ensure the reliability of financial records in relation to operational and tax duties. These controls are subject to review by management on a regular basis and undergo formal review by both Internal and External Audit whose reports are made available to the Audit and Risk Committee.

Audit Scotland reviewed and tested a range of key controls covering the main financial systems and followed up on matters raised in its 2016-17 Audit Report. Audit Scotland identified good progress had been made across a range of the matters raised. No significant control weaknesses were identified on the key financial systems. A limited number of matters were identified and an action plan was agreed.

There were no significant internal control or risk management breaches during 2017-18.

# Accountability Report

## *External scrutiny*

As a Non-Ministerial Department, Revenue Scotland is accountable to the Scottish Parliament and, as such, can be called to appear before parliamentary committees to provide updates on operational matters, give evidence on tax-related matters or provide written statements.

The First-tier Tribunal for Scotland and the Upper Tribunal for Scotland, collectively known as the Scottish Tribunals, provide an independent route for taxpayers to request a review, mediation or appeal a Revenue Scotland decision.

Revenue Scotland operates a complaints process for the services it provides. As with all public services in Scotland, complaints can be referred to the [Scottish Public Services Ombudsman](#) for independent investigation.

During the reporting period my formal engagement with the Scottish Parliament's Finance and Constitution Committee comprised a written submission for Stage 1 of the Air Departure Tax (Scotland) Bill and correspondence with the committee on preparations for Air Departure Tax. Revenue Scotland also submitted evidence to the committee for the LBTT (Relief from Additional Amount) (Scotland) Bill.

Revenue Scotland's corporate plan, supporting legislation and this annual report are published documents. The corporate plan 2015-18 was approved by Scottish Ministers and laid before the Scottish Parliament in June 2015. A new corporate plan for 2018-21 was developed during the year. It was approved by Scottish Ministers and laid before the Scottish Parliament in April 2018.

The corporate plan, annual reports and accounts and minutes of the Revenue Scotland Board meetings are published on the organisation's website at <https://www.revenue.scot/about-us/publications>.

# Accountability Report

## *Assurances provided to the Chief Executive*

I have received written assurances from members of my Senior Leadership Team who have responsibility for the operation and effectiveness of internal controls within the Tax, Legal Services, Strategy, Change and Corporate Functions teams.

Additionally I have received assurance from the Scottish Government's Chief Financial Officer in respect of the financial systems shared with Revenue Scotland, from the Scottish Government's Director for People in respect of the human resources and payroll systems shared with Revenue Scotland and from Scottish Government's Director for Digital in respect of digital corporate services shared with Revenue Scotland.

The Director for People provided specific assurance in relation to work to address business continuity, data protection and access control issues within the Scottish Government Vacancies Online System and the improvement programme underway to ensure that audit recommendations for the payroll system are fully discharged. There were no other matters of significance raised in the certificates provided.

I have also sought and obtained assurance from the Director of Internal Audit in the light of a review of Scottish Government Internal Audit Directorate undertaken by Audit Scotland, which concluded that there were areas of non-compliance with Public Sector Internal Audit Standards, that reliance can be placed on the reports provided by Internal Audit for 2017-18. In addition, the Director of Internal Audit has also provided assurance as to the actions already underway and planned to ensure compliance with the full suite of professional standards expected of the function.

I have also received assurance from the Accountable Officers of Registers of Scotland and the Scottish Environment Protection Agency in respect of the duties delegated to them by Revenue Scotland.

In conclusion, I can confirm that, based on the aforementioned governance arrangements, there were no significant control weaknesses in the period under review.

## *Further information*

More significant information on the governance arrangements of Revenue Scotland, its Board and sub-committees is available on Revenue Scotland's website ([www.revenue.scot](http://www.revenue.scot)) including the Framework Document - Agreement between the Scottish Ministers and Revenue Scotland, Revenue Scotland Standing Orders, a Scheme of Internal Delegation and other policies.

# Remuneration and staff report

## Remuneration

The remuneration of senior civil servants is set in accordance with the rules set out in chapter 7.1, Annex A of the Civil Service Management Code and in conjunction with independent advice from the Senior Salaries Review Body (SSRB). In reaching its recommendations, the SSRB is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target;
- evidence they receive about wider economic considerations and the affordability of their recommendations.

Further information about the work of the SSRB can be found at [www.ome.uk.com](http://www.ome.uk.com).

The remuneration of non-senior civil servants within Revenue Scotland is set in accordance with Scottish Government Public Sector Pay Policy as part of the Scottish Government Main Bargaining Unit. Further information about the Public Sector Pay Policy can be found at <http://www.gov.scot/Topics/Government/public-sector-pay/staff-pay>.

Revenue Scotland's Board members are non-executive and receive fees for duties on behalf of Revenue Scotland including attendance at Revenue Scotland Board and Committee meetings. Fees are paid at the daily rate set out in their letters of appointment. Expenses incurred in carrying out these duties are also reimbursed.

Fees of Board members and salaries of the Senior Management Team are shown below:

Non-executive Board		2017-18 Fees £000	2016-17 Fees £000
Dr Keith Nicholson	Chair	20-25	15-20
Lynn Bradley	Board Member	5-10	0-5
Jane Ryder, OBE	Board Member	5-10	5-10
Ian Tait	Board Member	0-5	0-5
John Whiting, CBE	Board Member	5-10	5-10

# Remuneration and staff report

Non-executive Board members are not employees of Revenue Scotland and do not benefit from pension arrangements.

Senior Leadership Team		Salary £000		Pension Benefits to the nearest £1,000		Total 2017-18 £000	Total 2016-17 £000
		2017-18	2016-17	2017-18	2016-17		
Elaine Lorimer	Chief Executive	90-95	90-95	24,000	54,000	115-120	145-150
Stephen Crilly	Head of Legal Services	65-70	65-70	21,000	33,000	85-90	95-100
Andrew Fleming	Head of Strategy & Corporate Functions	70-75	65-70	17,000	33,000	85-90	100-105
Chris Myerscough	Head of Tax	65-70	65-70	25,000	35,000	90-95	100-105
Susan MacInnes (1)	Head of Corporate Services & Finance	N/A	20-25 (55-60 full year equivalent)	N/A	6,000	N/A	30-35

(1) Susan MacInnes ceased to be a member of the Senior Leadership Team on 31 August 2016.

None of the above received any benefits in kind or bonus payments in the year 2017-18 or 2016-17.

Salary covers both pensionable and non-pensionable amounts and includes: gross salaries; overtime; recruitment and retention allowances; or other allowances to the extent that they are subject to UK taxation and any ex-gratia payments. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties.

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

# Remuneration and staff report

The banded remuneration of the highest-paid member of the Senior Leadership Team in Revenue Scotland in the financial year 2017-18 was £90-95,000 (2016-17: £90-95,000). This was 2.5 times (2016-17: 3.0) the median remuneration of the workforce, which was £36,749 (2016-17: £30,688).

In 2017-18, no employee received remuneration in excess of the highest-paid member of the Senior Leadership team.

In accordance with the FReM, reporting bodies are required to disclose the relationship between the annualised full-time equivalent remuneration of the highest-paid member of the Senior Management Team in their organisation and the median remuneration of the organisation's workforce. The median calculation includes directly employed staff paid through Revenue Scotland's payroll. It covers both permanent staff and those on fixed term contracts. It does not include temporary agency staff paid locally by invoice. The ratio is calculated as the mid-point of the highest band divided by the median total remuneration.

	2017-18	2016-17
Minimum Total Remuneration (£'000)	18	17
Maximum Total Remuneration (£'000)	95	95
Band of Highest Paid member of staff (£'000)	90-95	90-95
Median Total Remuneration (£)	36,749	30,688
Ratio	2.5	3.0

# Remuneration and staff report

## Pension Benefits

Senior Management Team	Accrued pension at NRA as at 31 March 2018 and related lump sum	Real increase in pension and related lump sum at NRA	CETV as at 31 March 2018	CETV as at 31 March 2017	Real increase in CETV in 2017-18
	£000	£000	£000	£000	£000
Elaine Lorimer – Chief Executive	30-35 plus a lump sum of 80-85	0-2.5 plus a lump sum of 0	565	521	7
Stephen Crilly – Head of Legal Services	20-25	0-2.5	243	218	4
Andrew Fleming – Head of Strategy & Corporate Functions	25-30 plus a lump sum of 70-75	0-2.5 plus a lump sum of 0	504	467	5
Chris Myerscough – Operations Director	23-30 plus a lump sum of 25-30	0-2.5 plus a lump sum of 0-2.5	559	498	24
Susan MacInnes – Head of Corporate Services (1)	N/A	N/A	N/A	209	N/A

(CETV - Cash Equivalent Transfer Value)

(1) Susan MacInnes ceased to be a member of the Senior Leadership Team on 31 August 2016.

Pension benefits are calculated on normal retirement age (NRA) where the pension entitlement is due at that age or at current age if over NRA.

The above pension data was supplied to Revenue Scotland by MyCSP.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

## Remuneration and staff report

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

# Remuneration and staff report

## *Cash Equivalent Transfer Values*

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## *Real increase in CETV*

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## *Civil Service early departure compensation schemes*

Redundancy and other departure costs are paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. These are employer costs associated with early departure and are accounted for in full in the year of departure. Where Revenue Scotland has agreed early retirements, the additional costs are met by Revenue Scotland and not the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the undernoted.

In December 2016 three members of staff left voluntarily following a restructuring within Revenue Scotland. The costs associated with their early departure packages are detailed below. No members of staff left Revenue Scotland under the scheme in 2017-18.

<b>Exit Packages Cost Band</b>	<b>Nos of departures agreed 2017-18</b>	<b>Cost of packages 2017-18 £000</b>	<b>No of departures agreed 2016-17</b>	<b>Cost of packages 2016-17 £000</b>
£50,000-£100,000	0	0	1	61
£100,000-£150,000	0	0	2	234
<b>Total number/cost of early departure packages</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>295</b>

# Remuneration and staff report

## Staff report

Staff of Revenue Scotland are civil servants, part of the Scottish Administration, rather than the Scottish Government, and are required to adhere to the standards set out in the Civil Service Code applicable to staff in non-Ministerial Departments in Scotland. The code sets out the framework within which all civil servants work, and the core values and standards of behaviour which they are expected to uphold.

Staff are appointed by Revenue Scotland and act under the direction of the Board of Revenue Scotland. Revenue Scotland is responsible for ensuring that staff recruitment arrangements are fair, open and transparent in line with the Civil Service Commissioners' Recruitment Principles. All recruitment, including for Senior Civil Service posts, adhere to the Scottish Government's recruitment policies and procedures.

## Average number of people employed

The average number of whole-time equivalent people employed during the year was as follows:

	Administration	Programme	2017-18	2016-17
Permanent contracted staff	49	4	53	45
Fixed term contracted staff	1	0	1	1
Agency staff	4	4	8	4
<b>Average number of persons employed</b>	<b>54</b>	<b>8</b>	<b>62</b>	<b>50</b>

Staff numbers have been allocated as follows:

- administration – this is the general day to day running of Revenue Scotland which includes the costs associated with the collection and administration of tax.
- programme – reflects non-administration costs, this is the cost of implementing processes and systems to comply with new legislation.

# Remuneration and staff report

## Staff Composition

The average number of people of each sex employed by Revenue Scotland by category is set out in the following table. The numbers include permanent and temporary staff.

	2017-18		2016-17	
	Male	Female	Male	Female
*SLT – Senior Civil Servant	0	1	0	1
*SLT – other	2	1	2	1
Employees	28	30	24	22
<b>Total</b>	<b>30</b>	<b>32</b>	<b>26</b>	<b>24</b>

\*SLT – Senior Leadership Team

## Gender Pay Gap

The gender pay gap is calculated as the difference between average hourly earnings of men and women as a proportion of average hourly earnings (excluding overtime) of men's earnings. A positive pay gap means that men earn more than women on average.

The gender pay gap is a means of highlighting a disparity in the pay received by men and women and is influenced by both the pay levels for equivalent jobs and the distribution of men and women across the grades within the workforce.

In 2017 the gender pay gap for Scotland was 16.3%. This is the median figure which is the standard figure used by the Office of National Statistics to calculate the pay gap. The equivalent mean figure for Scotland was 15.8%<sup>4</sup>.

The gender pay gap for all staff at Revenue Scotland at the end of March 2018 is:

- Median pay gap 22.1%
- Mean pay gap 10.2%

This means that Revenue Scotland has a higher median pay gap than the Scotland-wide pay gap, and a lower than average mean pay gap.

Within Revenue Scotland, where men and women are undertaking work of an equal value (i.e. within the same pay range) they are paid a similar rate. The pay gap arises as a higher percentage of female staff are at lower grades than male staff (77% of women are at grades A and B compared with 66% of men).

<sup>4</sup> Provisional figures from the 2017 Annual Survey of Hours and Earnings. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/annualsurveyofhoursandearningsasgenderpaygaptables>

# Remuneration and staff report

Revenue Scotland will continue to monitor the gender pay gap and related data such as the distribution of women and men across different grades and professions within the organisation. The pay gap is reported on within the annual report and every two years in the Revenue Scotland Equalities Mainstreaming Report. This information informs recruitment and retention strategies with a view to reducing the gender pay gap.

Strategies already in place include supporting staff to attend 'Women in Leadership Training', requirements for staff involved in recruitment to undertake 'Unconscious Bias' training and support for flexible working patterns.

## *Sickness Absence*

Revenue Scotland recognises that the success of any organisation depends largely on the effective performance and full attendance of all its employees. People are a valued resource, and as an employer Revenue Scotland's attendance management procedures are designed to maintain a happy, well-motivated and healthy workforce. The procedures are aimed to:

- be supportive and positive;
- promote fair and consistent treatment for everyone;
- encourage, assist and make it easy for people to stay in work and
- explain employees' entitlements and roles and responsibilities.

In 2017-18 an average of 8.8 working days per employee were lost (2016-17: 9.4 days). Further information on this is given in KPI 16 on page 36.

## *Employees with disabilities*

Revenue Scotland complies with the Scottish Government's Civil Service Code of Practice on the employment of people with disabilities. The code aims to ensure that there is no discrimination on the grounds of disability and that employment opportunities and career advancement is based solely on ability, qualifications and suitability for the work.

## *Diversity and equality*

Equality and diversity are central to the way that Revenue Scotland conducts its business and this is demonstrated in the Corporate Plan and People Strategy, as well as being set out in the Equality Mainstreaming Reports. Revenue Scotland's first report in 2016 included two equality outcomes and an action plan covering 2016-2020.

In 2018 the organisation published its second Equality Mainstreaming Report to give an update on progress. A key area of development in 2016-18 is organisational development. In this period Revenue Scotland developed its People Strategy which highlights equality and diversity through a strategic outcome relating to inclusion, and includes training on fair treatment at work. In addition, an Equalities and Relationship Manager has been appointed to continue to progress equality and diversity at Revenue Scotland.

# Remuneration and staff report

## Health and Safety

Health and safety was overseen by the Staffing and Equalities Committee in Revenue Scotland until a dedicated Health and Safety Committee was established, with the first meeting held in August 2017.

The organisation's current Health and Safety policy was developed in consultation with SEPA health and safety experts in recognition that one of the highest risk areas for staff is ensuring the safety of staff entering landfill sites.

Additional measures in place to mitigate this risk include staff always being accompanied by SEPA staff whenever such site visits are made, and regular SEPA training of Revenue Scotland staff who need to access landfill sites.

Activity taken forward by the committee during the reporting period includes training for staff and coordination of fire marshalls and first aiders for the organisation.

## Trade Union Representatives

The Trade Union (Facility Time Publication Requirements) Regulations came into force on 1 April 2017. No employees of Revenue Scotland were relevant trade union officials during the year.

## Staff costs

	Administration costs		Programme costs Others £000	2017-18 Total £000	2016-17 Total £000
	Permanently employed staff £000	Others £000			
Wages and Salaries	1,914	0	172	2,086	1,840
Social Security costs	201	0	20	221	199
Pension costs	396	0	40	436	379
Agency staff costs	0	274	501	775	341
<b>Total staff costs</b>	<b>2,511</b>	<b>274</b>	<b>733</b>	<b>3,518</b>	<b>2,759</b>

Staff costs for Revenue Scotland in the period 2017-18 are set out above. Wages and salaries include gross salaries, performance pay or bonuses received in year, overtime and any other allowance that is subject to UK taxation. The payment of legitimate expenses is not part of salary.

# Remuneration and staff report

Revenue Scotland employees are civil servants who are entitled to be members of the Civil Servants and Others Pension Scheme or the Principal Civil Service Pension Scheme. These schemes are unfunded, multi-employer defined benefit schemes in which Revenue Scotland is unable to identify its share of the underlying assets and liabilities. The schemes are accounted for as defined contribution schemes under the multi-employer exemption permitted in IAS 19 Employee Benefits. A full actuarial valuation of the PCSPS was carried out as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)).

For 2017-18, Revenue Scotland's contributions of £434,000 (2016-17: £379,000) were payable to the two schemes at one of four rates in the range 20 per cent to 24.5 per cent of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account or a stakeholder pension with an employer contribution. Employer contributions of £2,000 (2016-17: £Nil) were paid to an appointed stakeholder pension provider. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earnings from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings.

The information included within the [remuneration](#) (pages 49 to 51), pension benefits, Civil Service early departure compensation packages, average number of persons employed and staff costs sections above are covered by the audit opinion.

**Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer**  
**12 September 2018**

# Independent Auditor's Report

## Independent auditor's report to Revenue Scotland, the Auditor General for Scotland and the Scottish Parliament

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

## Report on the audit of the financial statements

### Opinion on financial statements

I have audited the financial statements in the annual report and financial statements of Revenue Scotland (Resource Accounts) for the year ended 31 March 2018 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2017/18 Government Financial Reporting Manual (the 2017/18 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2018 and of its net operating costs for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

# Independent Auditor's Report

## Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

## Auditor's responsibilities for the audit of the financial statements

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Other information in the annual report and financial statements

The Accountable Officer is responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

# Independent Auditor's Report

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and financial statements and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Report on regularity of expenditure and income

### Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

### Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## Report on other requirements

### Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

# Independent Auditor's Report

## Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.



**Mark Taylor**  
Audit Director  
Audit Scotland  
102 West Port  
Edinburgh  
EH3 9DN

13 September 2018

# Financial Statements

## Statement of Comprehensive Net Expenditure

For the Year Ended 31 March 2018

	Note	Administratoin Costs £000	Programme Costs £000	2017-18 Total £000	2016-17 Total £000
Staff costs	2	2,785	733	3,518	2,759
Compensation on early retirement	Page 52	0	0	0	295
Purchase of goods and services	3	1,613	342	1,955	1,477
Depreciation/impairment	5	12	0	12	1
<b>Net operating costs for the year</b>		<b>4,410</b>	<b>1,075</b>	<b>5,485</b>	<b>4,532</b>

## Statement of Financial Position

as at 31 March 2018

	Note	2017-18 £000	2016-17 £000
<b>Non-current assets</b>	5	63	75
<b>Current assets</b>			
Other receivables	6	133	192
<b>Total current assets</b>		<b>133</b>	<b>192</b>
<b>Current liabilities</b>			
Trade and other payables	7	(941)	(300)
<b>Total current liabilities</b>		<b>(941)</b>	<b>(300)</b>
<b>Total net assets</b>		<b>(745)</b>	<b>(33)</b>
<b>Taxpayers' equality</b>		<b>(745)</b>	<b>(33)</b>

The notes on pages 67 to 73 form part of these financial statements.

**The Chief Executive and Accountable Officer authorised these financial statements for issue on 12 September 2018**

**Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer**

# Financial Statements 2017-18

## Statement of Cash Flows

For the year ended 31 March 2018

	Note	2017-18 £000	2016-17 £000
<b>Cash flow from operating activities</b>			
Net operating costs for the year	SoCNE	(5,485)	(4,532)
Adjustments for non cash transactions			
Audit fee	9	91	90
Depreciation	5	9	1
Impairment	5	3	0
Movement in working capital			
(Increase)/Decrease in trade and other receivables	6	59	(43)
(Decrease)/Increase in trade and other payables	7	641	(225)
<b>Net cash outflow from operating activities</b>		<b>(4,682)</b>	<b>(4,709)</b>
<b>Cash flows from financing activities</b>			
Purchase of property, plant and equipment	5	0	(76)
<b>Net cash outflow from investing activities</b>		<b>0</b>	<b>(76)</b>
<b>Cash flows from financing activities</b>		<b>0</b>	<b>0</b>
<b>Net funding</b>	4	<b>4,682</b>	<b>4,785</b>

# Financial Statements 2017-18

## Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2018

	Note	General Fund Reserves £000
<b>Balance at 31 March 2017</b>		(33)
Net operating costs for the year	SoCNE	(5,485)
Non cash charges – auditor's remuneration	9	91
Net funding	4	4,682
<b>Balance at 31 March 2018</b>		(745)

The notes on pages 67 to 73 form part of these financial statements.

# Financial Statements 2017-18

## Notes to the Accounts

### 1 Statement of Accounting Policies

#### 1.1 Basis of accounting

In line with section 12 of the Revenue Scotland and Tax Powers Act 2014, and in accordance with the accounts direction issued by the Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, these financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The particular policies adopted are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounts are prepared using accounting policies, and where necessary, estimation techniques which are judged to be most appropriate to the particular circumstances for the purpose of giving a true and fair view in accordance with the principles set out in International Accounting Standards (IAS) 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

In accordance with FReM these accounts have been prepared under the historical cost convention and on a going concern basis, which provides that the organisation will continue in operational existence for the foreseeable future.

#### 1.2 Accounting convention

The accounts have been prepared in accordance with the historical cost convention. Expenditure has been accounted for on an accruals basis.

#### 1.3 New Accounting Standards

In accordance with IAS 8, changes to International Financial Reporting Standards (IFRS) that have been issued but not yet effective have been reviewed for impact on the financial statements in the period of initial application. The standards that are considered relevant to Revenue Scotland and the anticipated impact on the accounts are as follows:

##### **IFRS 9 – Financial Instruments**

This standard was issued in November 2014, and is effective from 1 January 2018. The adoption of this standard could change the classification and measurement of financial assets. The interpretation for the public sector is still under consideration for subsequent inclusion in the FReM by the Financial Reporting Advisory Board (FRAB) and the impact has not been determined.

##### **IFRS 16 – Leases**

This standard was issued in January 2016, and is effective from 1 January 2019. The adoption of this standard could change the recognition, measurement and disclosure of leases by providing a single accounting model for the lessee. The interpretation for the public sector is still under consideration for subsequent inclusion in the FReM by the Financial Reporting Advisory Board (FRAB) and the impact has not been determined.

# Financial Statements 2017-18

## 1.4 Value Added Tax (VAT)

Revenue Scotland is registered for VAT as part of the Scottish Government VAT group registration which is responsible for recovering VAT on behalf of Revenue Scotland.

Revenue Scotland does not provide any chargeable services and therefore output VAT does not apply. Irrecoverable input VAT is charged to the relevant expenditure category. Where VAT is recoverable, the amounts are stated net of VAT.

## 1.5 Property, Plant and Equipment

### *Recognition*

All property, plant and equipment assets are accounted for as non-current assets unless they are deemed to be held for sale.

### *Capitalisation*

Minor expenditure on equipment and furniture are written off in the year of purchase, as are all other items of a capital nature costing less than £10,000.

### *Depreciation*

Provision for depreciation is made so as to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The expected useful lives of assets are regularly and systematically reviewed to ensure that they genuinely reflect the actual replacement cycle of all assets.

The expected useful lives are as follows:

- computer equipment 3 - 10 years;
- office equipment 3 - 10 years;
- furniture and fittings 3 - 15 years.

### *Asset Valuation*

Depreciated historical cost is used as a proxy for fair value since the assets are low value and have short useful lives.

## 1.6 Financial instruments

As the cash requirements of Revenue Scotland are met through the Scottish Government, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The only financial instruments within the accounts are financial assets in the form of other receivables, and financial liabilities in the form of trade and other liabilities.

## 1.7 Leases

Operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease.

# Financial Statements 2017-18

## 1.8 Pension costs

Revenue Scotland employees are civil servants who are entitled to be members of the Civil Servant and Others Pension Scheme or the Principal Civil Service Pension Scheme. These are unfunded, multi-employer defined benefit schemes in which Revenue Scotland is unable to identify its share of the underlying assets and liabilities. The schemes are accounted for as defined contribution schemes under the multi-employer exemption permitted in IAS 19 Employee Benefits.

Revenue Scotland's contribution is recognised as a cost in the year.

## 1.9 Short term employee benefits

The cost of annual leave and flexible working time entitlement earned but not taken by employees at the end of the year is recognised as an accrual of benefits in the financial statements to the extent that employees are permitted to carry forward leave into the following year.

## 1.10 Other receivables

Other receivables are stated at their nominal value.

## 1.11 Trade and other payables

Trade payables are stated at their nominal value.

## 2. Staff Costs

	2017-18 £000	2016-17 £000
Wages and salaries	2,086	1,840
Social Security costs	221	199
Pension costs	436	379
Agency costs	775	341
	3,518	2,759

More details on staff numbers and related costs can be found in the [Staff Report](#) on [page 55](#).

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## 3. Goods and services

Revenues Scotland's goods and services costs have been allocated as follows:

- Administration – this is the general day to day running of Revenue Scotland which includes the costs associated with the collection and administration of tax.
- Programme – reflects non-administration costs, this is the cost of developing processes and systems to comply with new legislation.

	Administraiton costs £000	Programme costs £000	2017-18 Total £000	2016-17 Total £000
<b>Staff related costs</b>				
Board fees and expenses	42	0	42	50
Travel and subsistence	26	4	30	26
Training	41	0	41	10
Recruitment	6	0	6	8
<b>Supplies and services</b>				
Legal	18	62	80	18
Computer and telephone	267	0	267	213
Shared services (1)	263	0	263	251
Delegated duties (2)	663	0	663	709
Other supplies &and services	196	276	472	102
Audit fee – external (see note 7)	91	0	91	90
<b>Total goods and services</b>	<b>1,613</b>	<b>342</b>	<b>1,955</b>	<b>1,477</b>

(1) In the interests of efficiency, effectiveness and economy, Revenue Scotland and the Scottish Ministers are committed to identifying opportunities for shared services. The amount represents costs charged by the Scottish Government for the following functions:-

- Human Resource management (including, for example: general terms and conditions of service, pay negotiations, pay awards, payroll, pensions and recruitment for senior civil service posts);
- Financial management (Scottish Government finance systems);
- Information Systems, Telephony and Information and Library Service;
- Estates and facilities management;
- Internal audit;
- Procurement.

# Financial Statements 2017-18

(2) Delegated duties represents the amounts payable to Registers of Scotland and the Scottish Environment Protection Agency in relation to the duties delegated to them under the Revenue Scotland and Tax Powers Act 2014.

(3) Programme costs relates to the Air Departure Tax Programme and initial work for the replacement of SETS.

## 4. Reconciliation of net resource outturn to net funding received

	2017-18 £000	2016-17 £000
Resource outturn	5,485	4,532
Capital outturn	0	76
Non cash charges – auditor’s remuneration (note 9)	(91)	(90)
Depreciation/impairment	(12)	(1)
Changes in working capital	(700)	268
<b>Net funding</b>	<b>4,682</b>	<b>4,785</b>

## 5. Non-current assets

	Furniture & Fittings £000	2016-17 Total £000	2016-17 Total £000
<b>Cost</b>			
At 1 April 2017	76	76	0
Additions	0	0	76
<b>At 31 March 2018</b>	<b>76</b>	<b>76</b>	<b>76</b>
<b>Depreciation</b>			
At 1 April 2017	1	1	0
Charged in the year	9	9	1
Impairment	3	3	0
<b>At 31 March 2018</b>	<b>13</b>	<b>13</b>	<b>1</b>
<b>Asset financing</b>			
Owned	63	63	75
Carrying amount at 31 March 2018	<b>63</b>	<b>63</b>	<b>75</b>

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## 6. Other receivables

	2017-18 £000	2016-17 £000
Prepaid expenses	133	192
<b>Total receivables within one year</b>	<b>133</b>	<b>192</b>

## 7. Trade and other payables

Amounts falling due within one year	2017-18 £000	2016-17 £000
Trade payables	26	9
Accrued short-term employee benefits (see not 1.9)	123	68
Other accruals	792	223
<b>Total payables within one year</b>	<b>941</b>	<b>300</b>

## 8. Related party transactions

Revenue Scotland is a non-ministerial department of the Scottish Administration and it considers that the Scottish Government is a related party within this context. During the year Revenue Scotland has had a number of material financial transactions with the Scottish Government.

In line with the RSTPA, Section 2, Revenue Scotland has delegated some of its functions relating to LBTT and SLfT to Registers of Scotland (RoS) and the Scottish Environment Protection Agency (SEPA) respectively.

None of the board members, key managerial staff or other related parties has undertaken any material transactions with Revenue Scotland during the year.

## 9. Audit fee

The following charges have been included in the accounts:

# Financial Statements 2017-18

	2017-18 £000	2016-17 £000
Auditor's fee – resource accounts	20	20
Auditor's fee – devolved taxes account	71	70
	91	90

Auditor's remuneration is disclosed as a notional charge and relates to fees notified to Revenue Scotland by Audit Scotland in respect of audit work carried out in relation to the year ended 31 March 2018. All audit fees are paid from the Scottish Consolidated Fund.

No non-audit work was carried out by Audit Scotland during the year ended 31 March 2018.

## 10. Commitments under leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2017-18 £000	2016-17 £000
<b>IT Systems</b>		
Not later than one year	101	101
Between one and five years	64	175
	165	276

Amounts charged for operating leases in 2017-18 of £182,000 (2016-17: £182,000) are included within computer and telephone costs in note 3 above.



## REVENUE SCOTLAND

### DIRECTION BY THE SCOTTISH MINISTERS

In accordance with section 19(4) of the Public Finance and Accountability Scotland Act 2000, The Scottish Ministers hereby give the following direction:

1. Revenue Scotland will prepare accounts for the financial year ended 31 March 2016, and subsequent years. The accounts shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year of Revenue Scotland in the exercise of its functions
3. This direction shall be reproduced as an appendix to the accounts.

Signed by the authority of the Scottish Ministers



Dated 20 April 2016

