

# Revenue Scotland

Annual Report and Financial Statements  
for the year ended 31 March 2016

Resource Accounts

RS/2016/01



A Non-Ministerial Department of the Scottish Administration

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## Statement from the Chair

It is an honour to provide the foreword for this historic document - the first Annual Report from Revenue Scotland since we began live operations in April 2015. The work of Revenue Scotland is based on the four maxims set out by Adam Smith in *The Wealth of Nations*. They are:

- equity (that is, proportionality to taxpayers' ability to pay);
- certainty (creating a culture of tax compliance, minimising scope for tax avoidance and bearing down on tax evasion);
- convenience (ensuring our systems and methods make paying taxes as simple and convenient as possible) and;
- efficiency (keeping compliance costs as low as possible for taxpayers and businesses alike, while encouraging the use of our online portal to ensure quick and efficient submissions).

As you will see in this report, these maxims underpin the way Revenue Scotland operates, and drive our determination to work in such a way that promotes public confidence that we will collect the right amount of tax at the right time. On the one hand, this means making it as easy as possible for taxpayers to comply with their tax obligations. On the other hand, we want to make it as hard as possible for those who try to avoid or evade paying tax. The simplicity of those propositions is operated by a flexible and resilient organisation which has been designed to be appropriate for the collection of tax in modern Scotland.

Our first full year of operation has seen the organisation deliver a major milestone: the successful launch of Scotland's first devolved tax authority. This included successfully delivering a major IT project for the collection of the taxes which has received widespread praise for its ease of use. We are particularly pleased to record that by the end of our first year of operation we collected more than £0.5 billion in tax. This is a significant achievement for a new organisation and a tribute to the hard work and dedication of our excellent staff headed by our first Chief Executive, Eleanor Emberson.

The resilience of the new organisation was significantly tested towards the end of our first year by the need to implement in short timescales the Land and Buildings Transaction Tax Additional Dwellings Supplement, announced in the Finance Secretary's Budget Statement in December 2015. In response to this legislative change, Revenue Scotland staff were able to ensure a solution was designed, developed and tested, and the change communicated to stakeholders in advance of the supplement coming into effect at the start of April 2016. All this, and other smaller projects, had to be delivered in tandem with the 'business as usual' task of collecting and managing the devolved taxes. However, there is little time to reflect on our achievements as we now turn to the Scottish replacement for UK Air Passenger Duty, which was part of the Scotland Act 2016 and will likely come into effect in 2018.

As the work of Revenue Scotland evolves, we are committed to continuing to deliver an excellent service that is fit for purpose and embodies the principles first set out by Adam Smith.



**Keith Nicholson – Chair**

## Performance Report

### Overview

#### Statement from Chief Executive

It gives me great pleasure to see the publication of this Resource Account statement, which is a significant milestone in Revenue Scotland's development as the tax authority for the devolved taxes. A separate Annual Report and set of accounts for the revenue raised across the two devolved taxes in 2015-16 has also been produced and will be laid before the Scottish Parliament alongside this report.

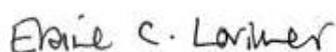
Having joined the organisation as Chief Executive in March 2016, I was struck by the achievements that were made in the first year of operations, the collaborative approach taken by Revenue Scotland with stakeholders and delivery partners, and the commitment of our staff to build our reputation as a professional, flexible public body.

The positive results of this hard work can be seen most clearly in our performance review, which shows we are delivering a high standard of customer service. Our calls are currently answered in 8 seconds on average, we respond to 96% of written communications within 10 working days and 98% of tax returns are submitted through our online system. It demonstrates great strides towards aligning with the Digital First approach to public services in Scotland.

Collaboration and consultation with stakeholders are integral to the work of Revenue Scotland and will become even more important as we work towards implementing the Scottish replacement for Air Passenger Duty. The co-operation and support we have received from both of our delivery partners, the Scottish Environment Protection Agency (SEPA) and Registers of Scotland (RoS) has been invaluable in launching Revenue Scotland and successfully administering the taxes. In order to continue to provide taxpayers and their agents with a high level of customer service, we have reviewed our staffing structure during our first year, and will continue to do so as new challenges arise.

Year two will see the organisation build on the valuable skills and experience gained from year one, and expand our capabilities in preparation for the implementation of the third devolved tax in 2018.

This report shows that Revenue Scotland is well placed to meet the challenges that the next stage of our work as Scotland's national tax authority will bring. I am confident we will meet these challenges with the same professionalism and dedication that have brought us to this point.



**Elaine Lorimer – Chief Executive**

## Introduction

This Annual Report of the Resource Accounts contains information regarding the operational performance and expenditure of Revenue Scotland for the financial year 2015-16. Information regarding tax revenue and collection can be found in the Revenue Scotland Annual Report of the Devolved Taxes Account for the financial year 2015-16.

Revenue Scotland was created by the Revenue Scotland and Tax Powers Act 2014 (RSTPA). This was passed by the Scottish Parliament in August 2014, and received Royal Assent on 24 September 2014, creating the legislative framework for devolved taxes in Scotland. Revenue Scotland is not responsible for the setting and forecasting of tax revenues. This is the responsibility of Scottish Government.

Revenue Scotland was established as a Non-Ministerial Department (NMD) on January 1 2015. During the period to 31 March 2015, staff were trained in policies and operational procedures; roadshows were run for stakeholders to provide guidance on the new legislation and accessing our online systems; and preparations were finalised for commencement of operations on 1 April 2015. Associated costs incurred during the period 1 January to 31 March 2015 were included within Scottish Government's Consolidated Accounts for the year ended 31 March 2015.

As an NMD, Revenue Scotland is an independent body which is part of the Scottish Administration, not the Scottish Government. Although staff are civil servants, the organisation is accountable directly to the Scottish Parliament. This distinction helps to ensure the administration of tax is - and is perceived to be - independent, fair and impartial. The corporate body is headed by a Board of five members, appointed by Scottish Ministers following a Public Appointments process, as detailed in the Remuneration and Staff Report.

The Board is responsible for the strategic direction, oversight and governance of Revenue Scotland. Board members bring their specialist knowledge to the Board and also act as ambassadors, promoting our policies and values.

The Board has established two committees: the Audit and Risk Committee and the Staffing and Equalities Committee, which provide more detailed and specialist consideration of key areas and report to the Board.

The Chief Executive (who is not a member of the Board) 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 the organisation and leading the staff.

Details of the activity and impact of the Board, the committees and the staff are contained in the Performance and Accountability Reports which form the major part of this annual report.

## How Revenue Scotland is funded

Revenue Scotland is funded from the Scottish Consolidated Fund. It is part of the Scottish Administration and has its own budget set out in the annual Budget Bill. The Scottish Government liaises with Revenue Scotland to identify its budgetary requirements. It is then for Scottish Ministers to determine the budget proposals to be submitted to the Scottish Parliament within the Budget Bill, including the proposed budget for Revenue Scotland.

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. The Scottish Ministers consider these needs alongside those of other public bodies and portfolios when setting out their spending plans for the period under review.

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

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

## Performance Analysis

### Overview of Revenue Scotland and strategic objectives

Revenue Scotland is responsible for the administration and collection of Scotland's devolved taxes - Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLFT). These taxes came into effect on 1 April 2015, replacing their UK equivalents (Stamp Duty Land Tax and UK Landfill Tax respectively).

We achieve this by adhering to Adam Smith's principles of equity, certainty, convenience and efficiency, built on a modern digital platform, with all involved working together in good faith to ensure that the right amount of tax is paid at the right time.

Adam Smith Principles			
<p><u>Equity:</u> "Proportionate to the taxpayer's ability to pay: The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities."</p>	<p><u>Certainty:</u> "The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person."</p>	<p><u>Convenience:</u> "Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay."</p>	<p><u>Efficiency:</u> "Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state."</p>

Our strategic objectives, which are underpinned by the Smith maxims, are to collect the right amount of tax; ensure compliance in payment; build an effective tax authority with a strong reputation for excellent public service.

<b>Strategic Objectives</b>			
<u>Collect</u> the right amount of tax from the full taxpayer base for each of the devolved taxes, using online technology to best effect.	Ensure <u>compliance</u> 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 <u>public service</u> to taxpayers and the people of Scotland.	Attract, develop and retain a knowledgeable and skilled <u>workforce</u> who are engaged and motivated to deliver the functions of Revenue Scotland to the highest standards of professionalism and integrity.

### **Collecting Scottish taxes**

Revenue Scotland collects both LBTT and SLfT with the assistance of both RoS and SEPA, to which powers have been delegated under the Revenue Scotland and Tax Powers Act 2014.

We have sought to make it as easy as possible for taxpayers and their agents by developing an IT system, the Scottish Electronic Tax System (SETS), which enables LBTT and SLfT returns to be submitted electronically. Whilst 98% of returns have been submitted online, paper alternatives are available for those unable to submit electronically.

Tax technical enquiries are sent to us via email and post. We aim to respond within 10 working days of receipt. We have answered more than 1,750 emails, including technical enquiries, during our first year of operations and 97% of these within 10 days.

Revenue Scotland also offers an ‘Opinions’ service for more complex tax queries in respect of specific transactions if the taxpayer remains uncertain about their tax liability after considering our guidance. Although this service is not appropriate for all cases, we know from feedback received that taxpayers and their agents consider it an important and effective one which allows them to submit returns with greater certainty in respect of more complex transactions.

Parliament has provided Revenue Scotland with a range of investigatory powers which allow the organisation to make enquiries into submitted tax returns. Penalties can also be applied to encourage compliance and deter non-compliance and Revenue Scotland has charged and collected these for failures to make tax returns and/or pay tax on time since October 2015, having allowed a period of 6 months for taxpayers and agents to become familiar with our systems and processes.

We take a risk-based approach to our compliance activity and work closely with RoS and SEPA to ensure we carry out our statutory duties in the most efficient and effective way possible.

### **Scottish Landfill Communities Fund**

The Scottish Landfill Communities Fund (SLCF) is a tax credit scheme available to Scottish landfill taxpayers to encourage them to make financial contributions to various environmental and community projects in and around Scotland. Contributions are paid to organisations (Approved Bodies) which have been authorised by SEPA to distribute these to eligible projects. Landfill operators may claim credit for 90% of the value of contributions, subject to a limit of 5.6% of their annual tax liability.

Revenue Scotland as the appointed tax authority responsible for the administration of Scottish Landfill Tax approved SEPA to carry out the regulatory functions of the SLCF scheme. The functions that SEPA carry out on behalf of Revenue Scotland can be found in Regulation 31 of the Scottish Landfill Tax (Administration) Regulations 2015. Revenue Scotland advises SEPA SLCF officers on legislative and compliance issues that arise from administration of the fund.

In 2015-16 landfill operators contributed £8m to Approved Bodies who will in turn distribute this to environmental projects.

### **LBTT Additional Dwelling Supplement**

The Land and Buildings Transaction Tax (Amendment) (Scotland) Bill was introduced to Parliament at the end of January 2016, and made provision for an additional amount of LBTT known as the Additional Dwelling Supplement (ADS), which is due on the purchase of additional dwellings in Scotland, such as buy-to-let properties and second homes.

In early 2016, Revenue Scotland established a project team to co-ordinate the implementation of ADS. The project included legislative guidance on how ADS applies, changes to the online and paper versions of the LBTT return which were tested by users, the development of an online tax calculator and 'how to' guidance on completing LBTT returns when ADS is due. The project also delivered extended online guidance on ADS, together with over 70 worked examples which were reviewed prior to publication by key stakeholders. To ensure that agents were aware of the legislation and how to make returns and payments and any claims for repayments, Revenue Scotland engaged in a range of communications activities such as road shows, webinars and other events.

After successful delivery of the project and implementation of ADS on 1 April 2016, Revenue Scotland has been effectively managing and administering the collection of the ADS, issuing repayments of ADS when appropriate and carrying out compliance checks. The Revenue Scotland website has been updated with further guidance, Youtube videos and additional worked examples in light of the increased number of queries answered by the Support Desk, mailbox and/or opinions functions.

## **Scottish Replacement for Air Passenger Duty**

In line with the agreement between the UK and Scottish Governments in the Fiscal Framework for the powers being devolved in the Scotland Act 2016, and as part of the Programme for Government 2015-16 (PfG), the Scottish Government announced that it will introduce a replacement tax for UK APD in April 2018. The Scottish Government's consultation paper 'A consultation on a Scottish replacement for Air Passenger Duty' was published in March 2016 and noted Revenue Scotland's responsibility for the collection and management of a replacement tax in Scotland.

Given the scale of the task to deliver the systems, processes and other requirements for the replacement tax, in 2016-17 Revenue Scotland will establish a programme of activity. The programme management approach will be based on best practice principles and experience of Revenue Scotland's successful delivery of SLfT, LBTT and the Additional Dwelling Supplement for LBTT.

## **Tax collection and digital**

Revenue Scotland is operating well in terms of meeting its key performance indicators. Of particular note, Revenue Scotland has significantly exceeded its target for 90% of tax returns to be made online, with a current figure of 98%. This is due to the extensive work conducted with key stakeholders, including RoS and LSS, in the development of our online systems, ensuring they are as user friendly and efficient as possible. This is further underlined by the positive feedback we have received which show that users are satisfied with the service.

As additional updates to the system are made we will continue to work closely with stakeholders on development and testing to ensure the system remains intuitive and easy to use.

Our online system, SETS, is supplemented by the strong customer service ethos on our support desk. Over the course of the year we have received 7,900 calls, with a median waiting time to speak to a member of staff of less than 8 seconds in the final quarter of 2015-16.

## **Compliance**

Revenue Scotland's role as regards the equity principle is to administer the devolved taxes so as to maximise compliance with the law. To this end Revenue Scotland has rolled out a programme of compliance activity over the year, including:

- Early interventions: contacting taxpayer's agents when apparent errors have been identified,
- Information requests: letters issued questioning aspects of returns submitted and requesting information to verify treatment, without using statutory powers to request information, and
- Statutory enquiries opened under Section 85 RSTPA 2014 into both LBTT and SLfT tax returns.

Revenue Scotland uses all resources at its disposal to undertake compliance activities. This includes evidence gathered from SEPA's information officers and from RoS as well as an analysis of taxpayer initiation requests for advice, such as requests for a Revenue Scotland Opinion. This enables Revenue Scotland to build up a picture of risk that helps focus compliance activity.

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 £531,000 of tax in the year 2015-16.

In addition, Revenue Scotland's compliance activity also has an impact on tax paid in subsequent tax returns following clarification of tax liabilities. Revenue Scotland's total compliance activity, including direct compliance yield, therefore has resulted in additional tax being returned of £1,065,000 in 2015-16.

Revenue Scotland also has the authority to charge penalties in various situations including when a return is submitted late, when tax has been paid late or when the wrong amount of tax has been paid. However for the 6 months following 1 April 2015 Revenue Scotland did not charge any penalties for the late payment of tax or late submission of returns primarily to allow taxpayers' agents time to get used to the new legislation and processes for submitting returns and making payments of tax.

Revenue Scotland issued notices seeking penalties and interest of £145,000 in 2015-16. Penalty and interest notices totalling a further £166,000 had been identified at the year end and were accrued into the Devolved Taxes Account to bring the total chargeable for the financial year to £311,000.

### **Risk management**

In accordance with the Scottish Public Finance Manual, Revenue Scotland operates a risk management strategy. Risk management arrangements have been put in place throughout the year and significant effort by the Board and management has developed a system which is robust, fit for purpose and responsive to our needs to stringently manage risk in a fast-evolving tax administration landscape in light of the Smith Commission and the devolution of additional powers to the Scottish Parliament. Risks are identified, assessed and monitored with action plans developed for their management.

We have embedded risk management into our operational activities through:

- A detailed induction programme for all staff, including Board members, that includes handling of protected taxpayer information, data protection and other relevant risk management topics.
- Workshops on risk management attended by managers and the Board of Revenue Scotland.
- Regular reviews of the risk register by operational staff, the Senior Management Team and the Audit & Risk Committee.

The risk register includes current identified risks relating to the impact of legislative change on our resources, business continuity and disaster recovery capability, information security and the ongoing development of compliance processes.

### **Project management and risk**

Revenue Scotland has built on the programme and project management approach of the Tax Administration Programme, drawing from PRINCE2 and Managing Successful Programmes methodologies, and adapting the principles and practices to meet the business requirements and make best use of the available resource. The first major project to be delivered by the organisation was the work to implement the Additional Dwelling Supplement for Land and Buildings Transaction Tax.

A Project Board, chaired by the Senior Responsible Owner (SRO) and supported by a Project Management Office provided the formal governance structure that proved effective in monitoring the performance of the project against the timeline for delivery. Furthermore, an independent external assurance board provided the SRO with the assurance required at key points of the project that the work was on track and ultimately ready for 'go-live'. Current and future projects of a smaller scope will employ elements of the project management approach taken for the implementation of the Additional Dwelling Supplement, but proportionate to the size of the project and resource available, reflecting the fact that many of the staff involved are undertaking project roles in addition to their 'Business as Usual' responsibilities.

Any Revenue Scotland projects with an IT component (over a certain budget threshold) must be registered with the Scottish Government ICT Assurance framework. Such was the case with the Tax Administration Programme and will also be the case for the replacement for Air Passenger Duty.

In 2015-16, the work of the Tax Administration Programme was recognised at a Scottish and UK level in winning the Project and Programme Management Award in the Scottish Public Service Awards, and the Innovation Award at the UK Government Finance Awards. The challenge for the organisation is to build on this experience and capability, and plans are in place for embedding project management skills across the organisation in 2016 with the creation of a tool for staff to use when working on projects, which is intended to promote a consistent and robust approach to project management.

### **Service to taxpayers and agents**

Revenue Scotland has placed collaborative working at the heart of its operations to ensure that our service is efficient and user friendly. As stated, the LSS, the CIOT, ICAS, RoS and SEPA were vital partners in the development and testing of our online systems and have continued to provide advice and support as the systems develop. We would like to acknowledge our appreciation of their on-going support, which has contributed greatly to the successful implementation of the new taxes.

We also established a forum for each tax so that stakeholders can engage directly with us. These are invaluable platforms for sharing expertise and responding to emerging issues.

The help of solicitors, paralegals and others in the design and testing of our IT system was crucial, with the final product being described as “user-friendly and intuitive”.

To ensure we remain as approachable and efficient as possible, anonymous comments made by users of our website are reviewed every two weeks, with a view to identifying common themes and addressing key issues. Stakeholders can also contact us through our tax and communications mailboxes and to ensure fast efficient transfer of information which contains taxpayer information, we have developed a secure messaging application on the SETS.

### **Stakeholder engagement**

As the first body to be delegated powers flowing from the Scotland Act 2012, the interest in Revenue Scotland from media, parliament and other stakeholder groups in the lead up to our launch was substantial.

This demanded a comprehensive communications plan and core narrative that built Revenue Scotland’s reputation for competence, partnership working and user engagement.

Revenue Scotland’s communications campaign aimed to educate stakeholders about the new body, its functions and the taxes it was responsible for. The key objective was to ensure taxpayers and agents viewed online returns as the most efficient way to make a tax return.

Revenue Scotland established a Joint Communications Group with HMRC, RoS and SEPA, providing a platform to enhance stakeholder relations and long-established communications channels for reaching professional audiences.

To ensure agents were fully informed about Revenue Scotland’s Scottish Electronic Tax System, a series of LBTT roadshow events were held in the run-up to go-live in January/February 2015 in Stirling, Edinburgh, Glasgow, Dundee, Aberdeen, Inverness and Dumfries and followed by a webinar to allow those unable to attend an event to view a demonstration of the new system. In total, approximately 600 solicitors and other stakeholders attended, providing verbal and written feedback through evaluation forms, indicating successful delivery of informative and interactive events.

With the successful launch of Revenue Scotland and the announcement in December 2015 of the new LBTT Additional Dwelling Supplement, a second round of LBTT roadshows were held between January and March 2016. These new events were held in Aberdeen, Dumfries, Dundee, Edinburgh, Glasgow, Greenock and Inverness and gave attendees the opportunity to give feedback on the use of our systems in practice and advance insight into the new supplement. Again, live webinars were provided for those who were unable to attend a roadshow in person.

Revenue Scotland also places articles and comment pieces in trade and industry magazines on an ad hoc basis, and hosts an on-going series of forum events on both LBTT and SLFT,

inviting stakeholders to meet and engage with senior members of staff, raise queries with them and discuss relevant issues.

### **Staff relations, equality and diversity**

The Board of Revenue Scotland takes its responsibilities in respect of staff relations, equality and diversity seriously. As a result it established a Staffing and Equalities Committee 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.

Revenue Scotland recognises the need to continue to integrate equalities into its operations, both as a service provider and as an employer. This has culminated in our first Mainstreaming Report and Equalities Outcomes, which were published on our website at the end of April 2016. The planned outcomes are:

- All information and external communications provided and delivered by Revenue Scotland are transparent, accessible and easily understood by all service users.
- 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 our organisation.

The Staffing and Equalities Committee will maintain oversight of the planned activity and impact, noting that Revenue Scotland's next formal report is due in 2018.

### **Environmental**

Revenue Scotland is committed to protecting the environment by working sustainably to minimise our carbon emissions, meet our climate change duties and embed climate change action into our organisational culture.

Revenue Scotland is based in the Scottish Government's Victoria Quay building in Edinburgh. As such, our heating, lighting and water services are managed through a service-level agreement and carbon emissions are monitored and reported by Scottish Government on a building-wide basis. We are unable to access detailed data to set out specific emissions targets in relation to our office energy consumption.

However, we remain committed to robust climate change governance and, to ensure we adhere to this, 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
- To reduce our office energy consumption

These objectives will be monitored throughout 2016-17 and reported in subsequent years.

## Performance Indicators

Revenue Scotland has identified key activity and performance indicators (KPIs) by which we measure our success throughout the year. Performance against these indicators will be baselined during this first year and targets developed for improvement during our second year where it is sensible to do so.

This section provides results and commentary relating to these KPIs for the period 1 April 2015 to 31 March 2016.

### Direct Compliance Yield

Direct compliance yield measures all money that is 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 2015-16, direct compliance activity accounted for £531,000 of additional tax and £58,000 of penalties and interest.

### Proportion of tax returns filed online

	Total Number of Returns	Total Number of Returns Submitted Online	Percentage of Returns Submitted Online
Quarter 1	27,071	26,386	97.5%
Quarter 2	31,339	30,696	97.9%
Quarter 3	31,888	31,329	98.2%
Quarter 4	25,023	24,683	98.6%
<b>Total</b>	<b>115,321</b>	<b>113,094</b>	<b>98.1%</b>

It was initially anticipated that 90% of returns would be submitted online using SETS, however the successful design and implementation of the system has led to increasing confidence amongst agents and taxpayers in utilising the online version .

### 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 2015-16 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	Percentage of returns without intervention
Total number of returns	115,321	114,416	99.2%

### 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	Percentage of Payments Made On Time
Quarter 1	12,610	11,790	93.5%
Quarter 2	15,230	13,960	91.7%
Quarter 3	15,210	14,090	92.6%
Quarter 4	10,900	10,140	93.0%
<b>Total</b>	<b>53,950</b>	<b>49,980</b>	<b>92.6%</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.

At the end of the financial year, 99.8% of all tax returns submitted had been paid either within the financial year or within five days of the year end.

### Call waiting times

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

	Calls Received	Mean Waiting Time (seconds)	Median Waiting Time (seconds)	Maximum Waiting Time (seconds)
Quarter 1	2,498	11.8	7.0	749.0
Quarter 2	1,872	10.8	7.0	399.0
Quarter 3	1,622	9.5	6.0	404.0
Quarter 4	1,937	8.0	5.0	380.0

In the second and third quarters the number of calls fell as agents and taxpayers become more familiar with the devolved taxes. In the fourth quarter, calls increased with agents seeking information about the introduction of the LBTT Additional Dwelling Supplement (ADS). The mean waiting time continued to fall despite this increase in calls.

### Response time for correspondence

All correspondence with Revenue Scotland is monitored in terms of the length of time taken to respond.

	Taxpayer Initiated Communication	Responses by 10 Days	Responses by 11-25 days	Responses over 25 days
Quarter 1	614	582	26	6
Quarter 2	488	467	16	5
Quarter 3	286	271	15	-
Quarter 4	543	526	15	2
<b>Total</b>	<b>1,931</b>	<b>1,846</b>	<b>72</b>	<b>13</b>

As with telephone calls, the volumes of written communication fell during the second and third quarters but increased in the fourth quarter due to the imminent introduction of ADS. Over the course of the year, Revenue Scotland answered 96% of all written communications within 10 working days.

### **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.

	<b>2015-16</b>
Mean (days)	83
Median (days)	92
Maximum (days)	115
Number of enquiries closed during the year	3
Number of enquiries open at 31 March 2016	26

### **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 includes some unpaid liabilities but does not include interest and penalty charges or yield arising from Revenue Scotland Opinion work.

In 2015-16 £231,000 was charged as a result of compliance interventions.

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

Where a taxpayer disagrees with a decision made by Revenue Scotland and contests this, our dispute resolution process is triggered. The 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 conclusion.

	<b>2015-16</b>
Number of disputes	13
Average time to resolution (days)	5
Number of open disputes at 31 March 2016	5

The completed cases above all relate to reviews conducted by Revenue Scotland. No appeals to the Scottish Tax Tribunal were heard in the financial year but two were raised. One appeal was withdrawn before the hearing date was set and the other case was sisted.

Revenue Scotland also received two requests for mediation. By the end of the financial year both were at a preliminary stage as no third party mediator had yet been engaged.

## **Stakeholder feedback on Revenue Scotland’s compliance with the Charter of Standards and Values**

Our charter sets out the minimum level of service our stakeholders can expect from us and all Revenue Scotland staff adhere to this.

During our first year of operations, we have received and answered almost 8,000 calls and our website has hosted over 280,000 visitors. We have received considerable positive customer feedback on this level of service. Of the formal complaints recorded, only one related to customer service.

### **Number of complaints**

Complaints are expressions of dissatisfaction about our action or lack of action, or about the standard of service provided by us or on our behalf. They are distinct from tax disputes. We use information about complaints to improve our services to taxpayers and stakeholders.

	<b>Number of Complaints</b>
Quarter 1	2
Quarter 2	2
Quarter 3	1
Quarter 4	5
<b>Total</b>	<b>10</b>

No complaints have been escalated to the Scottish Public Service Ombudsman.

### **Stakeholder feedback on guidance**

Guidance forms a critical part of our engagement with stakeholders and we place a high priority on the quality and ongoing development of our documentation in this area.

Following the collaborative approach undertaken to develop Revenue Scotland’s guidance, we have continued to field feedback on its clarity and user-friendliness from end-users via our Support Desk and through our website. This feedback is regularly reviewed and has led to a number of amendments to the structure and content of the guidance.

Additionally we held seven LBTT roadshows across Scotland between January and March 2016, reaching over 400 people. These shared common issues that had arisen during our first year and demonstrated improvements to our return systems and guidance. We analysed feedback received from evaluation forms and these showed that 97% of attendees rated these events as excellent. Attendees confirmed that they would appreciate that these events are repeated in future years.

### Number of data security breaches

No security breaches were reported in the 2015-2016 reporting period.

### Running costs

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.

	<b>2015-16</b>
	<b>£000</b>
Net expenditure incurred	4,677
Scottish Consolidated Fund payments	509,719
Scottish Landfill Communities Fund contributions	7,958
<b>Total</b>	<b>517,677</b>
Percentage	0.90%

The OECD publishes “cost of collection” data for a range of countries across the globe. This is calculated as being the administrative costs as a percentage of net revenue collections. Although not strictly comparable due to the limited taxes being collected by Revenue Scotland in comparison to other national tax authorities and our reduced benefits of scale as a result, we compare well with Ireland (0.85%), Netherlands (0.95%) and the United Kingdom (0.73%).

### Employee engagement

Revenue Scotland staff participated in the UK Civil Service Employee Engagement survey in October 2015. The survey received a high response rate of 94% and the results showed the organisation had an overall engagement index of 60%. A large proportion of staff reported that they felt engaged with their work and with the objectives and purpose of the organisation.

Whilst these results are encouraging given that the survey was undertaken early in our first year of operation, the Board and management continue to work to improve staff engagement across the organisation.

### Resource Accounts Financial Performance

	<b>Actual</b>	<b>Budget Act</b>
	<b>Total</b>	<b>Estimates</b>
	<b>£'000</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Financial Year 2015-16 Expenditure	4,677	4,819

An initial budget was awarded within the initial Budget Act 2015-16 of £4.3 million. This was adjusted by the Autumn and Spring budget reviews to £4.8 million. The increase relates to a transfer to Revenue Scotland of savings incurred within HMRC following the introduction of LBTT, together with additional funding requests around the introduction of the LBTT Additional Dwelling Supplement. Revenue Scotland has managed expenditure carefully during its first of operation and has remained within this amended budget.

### **Devolved Taxes Account Financial Performance**

	<b>2015-16 Tax, penalties &amp; interest receivable Total £'000</b>	<b>2015-16 Budget Act estimates Total £'000</b>
Land & Buildings Transaction Tax	424,874	391,000
Scottish Landfill Tax	147,045	117,000
Penalties & interest	311	0
<b>Total</b>	<b>572,230</b>	<b>508,000</b>

The values in the above table are for tax returns and amendments submitted during 2015-16 and adjusted for the value of LBTT and SLfT returns received during April and May 2016 which relate to the period up to the 31 March 2016.

The actual LBTT tax revenue raised in 2015-16 is dependent on performance of both the residential and non-residential property markets within Scotland. The actual SLfT tax revenue raised in 2015-16 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. Scottish Ministers are currently responsible for preparing revenue forecasts for the devolved taxes. The Scottish Government published a Devolved Taxes Forecasting Methodology paper in October 2014, explaining the basis of the forecasts underpinning the 2015-16 Budget ([www.gov.scot/Publications/2014/10/7664](http://www.gov.scot/Publications/2014/10/7664)). The Scottish Ministers originally forecast revenues of £498 million in 2015-16 and increased this estimate to £508 million in the 2015-16 Spring Budget Revision.

Further information on the collection of the devolved taxes is given in the Devolved Taxes Account for 2015-16 which is published separately.

*Elaine C. Lorimer*

**Elaine Lorimer – Chief Executive & Accountable Officer**

26 August 2016

## Accountability Report

### Corporate Governance Report

#### The Directors' Report

#### **Revenue Scotland Board 2015-16**

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.

In the financial year 2015-16 the full Board met on eight occasions.

#### **Board Members 2015-16**

##### **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.

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

Lynn Bradley is an accountant with more than 30 years' experience in the Scottish public and private sectors. She was recently Director of Corporate Programmes & Performance with Audit Scotland and formerly Chair of CIPFA Scotland.

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

Jane Ryder qualified as a solicitor and for 12 years was a partner in Boyd Jameson WS. She specialises in corporate governance and regulation. From 2002- 2011 she was the first Chief Executive of the Office of the Scottish Charity Regulator (OSCR) where she successfully established the new regime for the regulation of charities in Scotland. She is currently Chair of Historic Environment Scotland.

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

Ian Tait is Director of Investment at the Water Industry Commission for Scotland. He has advised the Scottish Government on the development of regulatory structures.

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

John Whiting is the Tax Director of the UK's Office of Tax Simplification (OTS). Until 2013 he was the Tax Policy Director of the Chartered Institute of Taxation. He is also a non-executive director of HMRC.

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

Details of interests of Board Members can be found on Revenue Scotland's website ([www.revenue.scot](http://www.revenue.scot)).

## **Senior Management Team 2015-16**

### **Elaine Lorimer - Chief Executive (from 14 March 2016)**

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

### **Eleanor Emberson - Chief Executive (until 13 March 2016)**

Eleanor was appointed as the first Chief Executive of Revenue Scotland, having led the work to establish the new body during her time as Director of Financial Strategy at the Scottish Government.

### **Robert Buchan – Senior Principal Tax Specialist (from 1 June 2015 – 31 December 2015)**

Robert had responsibility for all compliance interventions for the devolved taxes, including tax enquiries and had eleven years of previous tax experience at HMRC.

### **Donald Carvel - Head of Tax Policy (until 31 March 2016)**

Donald was responsible for liaising with The Scottish Government on policy and legislation and the setting and maintenance of operational policy. He joined from HMRC where he worked latterly in the Devolution Team.

### **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, which involved undertaking a broad spectrum of advisory and litigation work for HMRC in Scotland.

### **Andrew Fleming - Change Director (from 1 November 2015)**

Andrew is responsible for the implementation of new devolved taxes and oversight of Revenue Scotland's ICT function. He has considerable experience within the Civil Service and is particularly skilled in designing and delivering strategic improvements across a range of public policy areas.

### **Susan MacInnes - Head of Corporate Services and Finance**

Susan leads the team who provide secretariat and other support services to Revenue Scotland. She is a lawyer by profession and practised as a property solicitor for over 20 years both in private firms and as an in-house solicitor for a major lender. She was a Legal Director for 10 years at Registers of Scotland prior to joining Revenue Scotland.

### **Dr Colin McHardy - Head of Tax Operations and Compliance (until 31 March 2016)**

Colin joined Revenue Scotland from HMRC and had overall responsibility for operational and compliance work in relation to the devolved taxes.

### **Chris Myerscough - Operations Director (from 1 January 2016)**

Chris took up post as Director of Operations for a temporary six-month period to 30 June 2016 to ensure that the operational tax work of Revenue Scotland continues smoothly. She joined us from HMRC where she gained 25 years tax experience in a variety of technical, compliance and policy roles.

## **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 an Information Asset Owner (IAO). The SIRO [Head of Corporate Services] 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 Information Asset Owner's role is to understand what information is held by Revenue Scotland, what is added and what is removed and 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.

At Revenue Scotland we manage, maintain and protect all information according to the requirements of the DPA and other legislation, notably the RSTPA. We also adhere to our own information policies and government best practice.

No security issues relating to personal data were identified during the year.

## **Statement of 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. 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.

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
- 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 Director General Finance on any aspects of the duties applying to Accountable Officers in the Scottish Administration. The Accountable Officer must consult the Director General 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.

### **Accountable Officer Statement**

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

### **Governance Statement**

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 finance performance of Revenue Scotland
- Receiving reports from the Audit & Risk and Staffing & Equalities Committees
- Considering reports in relation to the operation of tax compliance

Additionally in this first year of operation, the Board has received and approved policies of Revenue Scotland in relation to its operational and tax duties.

The Board aims to set an example of good practice in terms of learning and development, and benefits from presentations and discussions from external presenters. Board members also share their specialist knowledge via a series of workshop-style events on a range of topics. In accordance with good practice, the Board reviews its own effectiveness and the Chair conducts individual Board appraisals.

The Chief Executive of Revenue Scotland is employed by and is accountable to the Board of Revenue Scotland for the day-to-day running of the organisation and its operational performance.

We 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. This requires:

- Scrutiny of Revenue Scotland’s arrangements for risk management
- Regular liaison with internal and external audit, including scrutiny of their plans and reports
- Review of the governance statements produced by management as part of the financial reporting process
- 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. At each Committee meeting a “deep dive” is conducted into a key risk.

The current risk register includes identified risks relating to the impact of legislative changes on our resources, business continuity and disaster recovery capability, information security and the ongoing development of compliance processes.

Significant risk-related matters which arose in 2015-16 included:

- Change of provider of the Government Banking Service

This was a mandatory change which required adjustments to be made to our internal financial systems and processes as well as communication of our new bank details to external customers. We monitored the implementation of the new internal processes and the success of the communication plan. The risk was closed after the changeover was completed when no further issues had been identified.

- Leases training

Leases are recognised as the most complex area of LBTT legislation and there was a risk that we did not have sufficient level of expertise to deal with lease enquiries from taxpayers and stakeholders. We mitigated this by creating compliance processes to review lease transactions and set up a lease working group to share knowledge. We provided more guidance and worked examples on our website which were also publicised to the legal profession at our regional roadshows.

The terms of reference for the committee are published on Revenue Scotland’s website ([www.revenue.scot](http://www.revenue.scot)). Members of the committee are Lynn Bradley (chair), Ian Tait and John Whiting. It is also attended by the Chief Executive, Head of Corporate Services & Finance, representatives of internal and external audit as well as other staff members as required. The committee met four times in this first year.

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

The committee has received assurances from management in support of the 2015-16 financial statements and has accepted these.

We have assessed our risk management arrangements and confirm that they accord with the guidance set out in the Scottish Public Finance Manual.

### **Staffing and Equalities Committee**

The Board of Revenue Scotland established a Staffing and Equalities Committee comprising two Board members, Jane Ryder (chair) and John Whiting. It is also attended by the Chief Executive and Head of Corporate Services & Finance as well as individual staff members for relevant items. The committee met twice during the year.

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

### **Internal Audit**

Internal Audit is provided by the Scottish Government Internal Audit Directorate (SGIAD). During the year, the SGIAD has been subject to an internal review and is still in a period of change. This has had an impact on the service provided to Revenue Scotland, with work starting later than originally planned. The Audit and Risk Committee scrutinised the audit plan produced by SGIAD and made several recommendations for change. These recommendations have been positively received by SGIAD and the foundations have been laid for a productive working relationship in future.

During the year SGIAD reviewed

- The governance arrangements of Revenue Scotland
- The collection and debt management of the devolved taxes

Positive reports were received in relation to both audits.

### **External Audit**

External Audit is provided by Audit Scotland under the Public Finance and Accountability (Scotland) Act 2000. During the year, the Audit & 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 the operation of Revenue Scotland's main financial systems and ICT arrangements during 2015-16 and concluded that:

- Internal controls for Revenue Scotland's business systems (operated on its behalf by Scottish Government) were effective and
- Internal controls for the tax collection system (the Scottish Electronic Tax System – 'SETS') were reasonable but identified areas for improvement.

There were no significant internal control or risk management breaches during 2015-16.

## **External scrutiny**

The Chief Executive and other senior members of staff are accountable to Parliament. As such, they can be called to appear before parliamentary committees to give statements and evidence. In the course of 2015 the Chief Executive appeared before the Public Audit and Finance Committees both in the run-up to the launch of Revenue Scotland and after to update committee members on the progress and operations of Revenue Scotland.

Revenue Scotland's corporate plan, supporting legislation and this annual report are published documents. The corporate plan was approved by Scottish Ministers and laid before the Scottish Parliament. Board minutes are also published on our website.

## **Assurances provided to the Chief Executive**

The Chief Executive has received written assurances from members of the Senior Management Team who have responsibility for operation and effectiveness of internal controls within the Tax, Legal, Corporate Services and Change teams. Additionally assurance has been received from the Scottish Government's Director of Financial Management in respect of the financial systems shared with Revenue Scotland and from the Scottish Government's Director of People, Communications and Ministerial Support in respect of the human resources and payroll systems shared with Revenue Scotland.

## **Further information**

More 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 & 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 and
- the Government's inflation target

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.

### Remuneration

The information in this section of the Remuneration report covering salary and pension entitlements is subject to audit.

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

<b>Non-executive Board</b>		<b>Fees</b>
		<b>£000</b>
Dr Keith Nicholson	Chair	20-25
Lynn Bradley	Board member	5-10
Jane Ryder, OBE	Board member	5-10
Ian Tait	Board member	5-10
John Whiting, CBE	Board member	5-10

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

Senior Management Team		Salary £000	Pension Benefits to the nearest £1000	Total 2015-16 £000
Eleanor Emberson	CEO until 13/03/2016	90-95 (90 - 95 full year equivalent)	43,000	135-140
Elaine Lorimer (1)	CEO from 14/03/2016	0-5 (90 - 95 full year equivalent)	0	0-5
Robert Buchan	Senior Principal Tax Specialist from 1/6/15 - 31/12/15	30-35 (50-55 full year equivalent)	27,000	55-60
Donald Carvel	Head of Tax Policy	65-70	21,000	85-90
Stephen Crilly	Head of Legal Services	60-65	42,000	105-110
Andrew Fleming	Change Director from 01/11/15	25-30 (65-70 full year equivalent)	7,000	35-40
Susan MacInnes	Head of Corporate Services & Finance	55-60	18,000	75-80
Dr Colin McHardy (2)	Head of Tax Operations	65-70	0	65-70
Chris Myerscough (3)	Operations Director from 01/01/16	15-20 (60-65 full year equivalent)	5,000	15-20
				<b>2015-16</b>
Band of highest paid manager's total remuneration £000				90-95
Median total remuneration £				30,851
Ratio				3.0

(1) Elaine Lorimer joined Revenue Scotland as Chief Executive on 14 March 2016 however her former employer, a UK civil service body, agreed to fund her post until 31 March 2016 hence no staff costs have been incurred within this financial year. Similarly no pension benefits have been accrued within Revenue Scotland.

(2) Dr Colin McHardy chose not to be covered by the Civil Service pension arrangements during the reporting year.

(3) Chris Myerscough joined Revenue Scotland's Senior Management Team on secondment from HMRC. Her salary and pension matters are the responsibility of her parent employer. Revenue Scotland reimbursed her employer to reflect salary and other employer-related costs.

None of the above received any benefits in kind or bonus payments in the year 2015-16.

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.

In 2015-16, no member of staff received remuneration in excess of the highest-paid member of the Senior Management Team. Remuneration ranged from £16,842 to £94,870. Total remuneration includes salary and other allowances subject to UK taxation. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Elaine Lorimer assumed the role of Chief Executive on 14 March 2016. Eleanor Emberson was in post for a handover period and then, with accrued annual leave, remained a member of RS staff until 5 May 2016. The full total of that accrual has been shown as a cost in the current financial year.

The other sections of the remuneration report were reviewed by the auditors to ensure they were consistent with the financial statements.

### Pension Benefits

Senior Management Team	Accrued pension at NRA as at 31 March 2016 and related lump sum	Real increase in pension and related lump sum at NRA	CETV as at 31 March 2016	CETV as at 31 March 2015	Real increase in CETV in 2015-16
	£000	£000	£000	£000	£000
Eleanor Emberson - CEO	25-30 plus lump sum of 75-80	0-2.5 plus lump sum of 0-2.5	461	406	21
Robert Buchan - Senior Principal Tax Specialist	10-15	0-2.5	120	97	10
Donald Carvel - Head of Tax Policy	25-30 plus lump sum of 80-85	0-2.5 lump sum of 2.5-5	605	552	19
Stephen Crilly - Head of Legal Services	15-20	0-2.5	191	153	16
Andrew Fleming - Change Director	20-25 plus lump sum of 65-70	0-2.5 plus lump sum of 0-2.5	428	395	5
Susan MacInnes - Head of Corporate Services	10-15	0-2.5	201	169	16
Chris Myerscough - Operations Director (1)	20-25 plus lump sum of 20-25	0-2.5 plus lump sum of 0-2.5	441	426	5

(1) Chris Myerscough joined Revenue Scotland's Senior Management Team on secondment from HMRC. Her salary and pension matters are the responsibility of her parent employer. Revenue Scotland reimbursed her employer to reflect salary and other employer-related costs.

(2) Dr Colin McHardy chose not to be covered by the Civil Service pension arrangements during the reporting year.

(3) Elaine Lorimer's pension benefits accrued within her previous employer as they agreed to fund her employment until 31 March 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.

Accrued pension represents the employee's total future entitlement to benefits payable from the Civil Service pension schemes based on reckonable service at 31 March 2016. The accrued pension includes service previous to becoming a senior member of staff and/or service in other departments.

The 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 payment is made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves the 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 CETV figures and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

### **Civil service other compensation schemes exit packages**

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. There were no such payments made in 2015-16.

## 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; this 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.

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.

### Average number of persons employed

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

	Administration	Programme	2015-16
Permanent contracted staff	41	5	46
Fixed term contracted staff	1	0	1
Seconded staff	1	0	1
Agency staff	4	1	5
<b>Average number of persons employed</b>	<b>47</b>	<b>6</b>	<b>53</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 initiating the infrastructure of Revenue Scotland and includes the cost of implementing processes and systems to comply with new legislation.

## **Staff Composition**

The average number of persons of each sex employed by Revenue Scotland by category in 2015-16. The numbers include permanent and temporary staff.

	<b>Male</b>	<b>Female</b>
*SMT - Senior Civil Servant	0	1
*SMT - other	5	1
Senior Civil Servant	1	0
Employees	20	25
<b>Total</b>	<b>26</b>	<b>27</b>

\*SMT – Senior Management Team

## **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 2015-16 an average of 6.4 working days per employee were lost due to sickness absence per staff year for Revenue Scotland.

## **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.

## Staff costs

	Administration costs		Programme costs Others	2015-16 Total
	Permanently employed staff £000	Others £000		
Wages and Salaries	1,684		173	1,857
Social Security costs	141		16	157
Pension costs	316		36	352
Seconded staff		73	24	97
Agency staff costs		263	162	425
<b>Total staff costs</b>	<b>2,141</b>	<b>336</b>	<b>411</b>	<b>2,888</b>

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.

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

For 2015-16, Revenue Scotland's contributions of £352,000 were payable to the Principal Civil Service Pension Scheme (PCSPS) 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 2015-16 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 £1,705 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.

I authorised these accounts for issue on the date shown below.

*Elaine C. Lorimer*

**Elaine Lorimer – Chief Executive of Revenue Scotland and Accountable Officer**  
26 August 2016

## Independent Auditor's Report

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

I have audited the financial statements of Revenue Scotland for the year ended 31 March 2016 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 Change in Taxpayers' Equity and the related notes. 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 2015/16 Government Financial Reporting Manual (the 2015/16 FReM).

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 125 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.

### **Respective responsibilities of Accountable Officer and auditor**

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited

financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the 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 2016 and of its net expenditure 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 2015/16 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.

### **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.

### **Opinion on other prescribed matters**

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly 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 Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

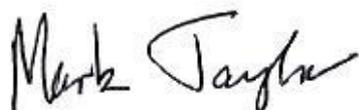
### **Matters on which I am required to report by exception**

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or

- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.



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

## Financial Statements 2015-16

### Statement of Comprehensive Net Expenditure

For the Year Ended 31 March 2016

	Note	Administration Costs	Programme Costs	2015-16 Total £000
Staff costs	Page 35	2,477	411	2,888
Purchase of goods and services	2	1,752	37	1,789
<b>Net operating costs for the year</b>		<b>4,229</b>	<b>448</b>	<b>4,677</b>

### Statement of Financial Position

as at 31 March 2016

	Note	2015-16 £000
<b>Current assets</b>		
Other receivables	4	149
<b>Total current assets</b>		<b>149</b>
<b>Current liabilities</b>		
Trade & other payables	5	(525)
<b>Total current liabilities</b>		<b>(525)</b>
<b>Total net assets</b>		<b>(376)</b>
<b>Taxpayers' equity</b>		<b>(376)</b>

*Elaine C. Lorimer*

**Elaine Lorimer – Chief Executive & Accountable Officer**

26 August 2016

## Statement of Cash Flows

For the year ended 31 March 2016

	Note	2015-16 £000
<b>Cash flows from operating activities</b>		
Net operating costs for the year	SoCNE	(4,677)
Adjustments for non cash transactions		
Audit fee	7	90
Movements in working capital		
(Increase) in trade and other receivables	4	(149)
Increase in trade and other payables	5	525
<b>Net cash outflow from operating activities</b>		<u>(4,211)</u>
<b>Cash flows from financing activities</b>		
<b>Net funding</b>	3	<u>4,211</u>

## Statement of Change in Taxpayer's Equity

For the year ended 31 March 2016

	Note	General Fund Reserves £000
<b>Balance at 31 March 2015</b>		0
Net operating costs for the year	SoCNE	(4,677)
Non cash charges - auditor's remuneration	7	90
Net funding	3	4,211
<b>Balance at 31 March 2016</b>		<u>(376)</u>

## Notes to the Accounts

### 1 Statement of Accounting Policies

#### 1.1 Basis of accounting

In line with section 12 of the Revenue Scotland 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 2015-16 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.

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 and 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 and Advisory Board (FRAB) and the impact has not been determined.

## **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 & fittings 3 - 15 years

In 2015-16 Revenue Scotland has no non-current assets .

## **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.

## **1.8 Pension costs**

Revenue Scotland employees are civil servants who are entitled to be members of the Principal Civil Service Pension Scheme (PCSPS). PCSPS is an unfunded, multi-employer

defined benefit scheme in which Revenue Scotland is unable to identify its share of the underlying assets and liabilities. The scheme is accounted for as a defined contribution scheme 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 & other payables**

Trade payables are stated at their nominal value.

## 2. 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 initiating the infrastructure of Revenue Scotland and includes the cost of implementing processes and systems to comply with new legislation.

	Administration costs	Programme costs	2015-16 Total £000
<b>Staff related costs</b>			
Board fees & expenses	57	-	57
Travel & subsistence	26	8	34
Training	17	-	17
Recruitment	43	-	43
<b>Supplies &amp; services</b>			
Legal	1	-	1
Computer & telephone	493	13	506
Shared services (1)	213	-	213
Delegated duties (2)	707	-	707
Other supplies & services	105	16	121
Audit fee - external (see note 7)	90	-	90
<b>Total goods &amp; services</b>	<b>1,752</b>	<b>37</b>	<b>1,789</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 & Library Service
- Estates and Facilities Management
- Internal Audit
- Procurement
- Legal Services

(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. Reconciliation of net resource outturn to net funding received

	2015-16 £000
Resource outturn	4,677
Non cash charges - auditor's remuneration (note 7)	(90)
Changes in working capital	(376)
<b>Net funding</b>	<u><u>4,211</u></u>

### 4. Other receivables

Amounts falling due within one year:	2015-16 £000
Prepaid expenses	149
<b>Total receivables within one year</b>	<u><u>149</u></u>

### 5. Trade & other payables

Amounts falling due within one year	2015-16 £000
Trade payables	61
Accrued short-term employee benefits (see note 1.9)	85
Other accruals	379
<b>Total payables within one year</b>	<u><u>525</u></u>

### 6. 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. Revenue Scotland has also had related transactions with HM Revenue & Customs with regard to HMRC staff that have been seconded to Revenue Scotland.

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

## 7. Audit fee

The following charges have been included in the accounts:

	<b>2015-16</b>
	<b>£000</b>
Auditor's fee - resource accounts	25
Auditor's fee - devolved taxes account	65
	<u>90</u>

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 2016. 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 2016.

## 8. Commitments under leases

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

	<b>2015-16</b>
	<b>£000</b>
<b>IT Systems</b>	
Not later than one year	370
Between one and five years	327
	<u>697</u>

Payments were not required by the supplier until the IT system was opened to external users for registration purposes. As a result amounts due for balance of the initial contract period are included within the one year figure shown above.

Amounts charged for operating leases in 2015-16 of £333,000 are included within computer and telephone costs in note 2 above.

## Accounts Direction



### 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 (FRm) 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